Star Business

DHAKA FRIDAY OCTOBER 2, 2009



### Stocks

| | | |
|---|---|---|
| DGEN | ▲ 1.27% | 3,123.23 |
| CSCX | ▼ 0.56% | 6,734.97 |

### Asian Markets

| | | |
|---|---|---|
| MUMBAI | ▲ 0.05% | 17,134.55 |
| TOKYO | ▼ 1.53% | 9,978.64 |
| SINGAPORE | ▼ 0.57% | 2,657.44 |
| SHANGHAI | | Closed |

### Currencies

| | Buy Tk | Sell Tk |
|---|---|---|
| USD | 68.42 | 69.42 |
| EUR | 98.29 | 103.57 |
| GBP | 107.40 | 112.80 |
| JPY | 0.75 | 0.84 |

SOURCE: STANDARD CHARTERED BANK

### Commodities

Gold ▲ $1,006.83 (per ounce)

Oil ▲ $69.90 (per barrel)

SOURCE: AFP

(Midday Trade)

# World economy shows signs of life

## IMF projects Bangladesh growth at 5.4pc for 2010, points to inflationary pressure

AFP

Turkish protesters wave red flags during an anti-International Monetary Fund and World Bank protest in Istanbul yesterday. A protester threw a shoe at IMF chief Dominique Strauss-Kahn as he gave a speech to university students in the same city. Members of the IMF and World Bank will meet in Istanbul on October 6-7.

### Growth forecasts

| GDP in percent | 2009 | 2010 |
|---|---|---|
| World | -1.1 | 3.1 |
| Advanced economies | -3.4 | 1.3 |
| United States | -2.7 | 1.5 |
| Japan | -5.4 | 1.7 |
| Euro zone | -4.2 | 0.3 |
| Germany | -5.3 | 0.3 |
| Britain | -4.4 | 0.9 |
| France | -2.4 | 0.9 |
| Central and East. Europe | -5.0 | 1.8 |
| Russia | -7.5 | 1.5 |
| Emerging economies | 1.7 | 5.1 |
| China | 8.5 | 9.0 |
| India | 5.4 | 6.4 |
| Latin America | -2.5 | 2.9 |
| Middle East | 2.0 | 4.2 |

Source: IMF

AFP 011009

REJAUL KARIM BYRON, *from Istanbul*

International Monetary Fund (IMF) has projected 5.4 percent economic growth for Bangladesh in 2010, accompanied by marginal inflationary pressures next year.

IMF's economic growth projection for 2010 is the same as for this year.

It predicted that inflation pressures would reach 5.6 percent in 2010, rising from 5.3 percent projected for 2009.

The forecasts were published in 'the World Economic Outlook' released yesterday, five days prior to the IMF-World Bank annual meetings in Istanbul, Turkey.

In previous publications, IMF forecasted Bangladesh GDP growth at 6 percent and 6.3 percent for 2008 and 2007 respectively.

After deep global recession, the Washington-based institution said, economic growth has turned positive, as wide-ranging public intervention supported demand and lowered uncertainty and systemic risks in financial markets.

Following a sharp decline in the first quarter of 2009, output in the second quarter has begun to expand in some advanced and many emerging economies -- led by Asia -- but in much of the world, activity remains depressed, says the IMF report.

"Recovery is expected to be slow, as financial systems remain impaired. Support from public policies will gradually have to be withdrawn and households in economies that suffered asset price busts will continue to rebuild savings while struggling with high unemployment," says the report.

The key policy requirements remain to restore financial sector health while maintaining supportive macroeconomic policies until recovery is on a firm footing. However, policymakers need to begin preparing for an orderly unwinding of extraordinary levels of public intervention, says the report.

The global economy may shrink 1.1 percent in 2009 and is expected to increase 3.1 percent in 2010. The estimates were higher than forecasts put out in July of 2.5 percent expansion next year and a 1.4 percent contraction in 2009.

IMF projected a negative 3.4 percent GDP growth for the advanced economies, which is expected to recover with 1.3 percent growth in the next year.

However, the IMF warned that the data shows the rebound will be sluggish and "for quite some time" it would be slow to generate jobs. Meanwhile, credit would remain tight.

The US, the world's largest economy, may not recover from the downtrend this year. IMF projected a 2.7 percent decline in GDP growth for the US economy this year and a 1.5 percent increase in 2010.

Growth is expected to turn positive in the second half of 2009, reflecting the continuing fiscal boost and turns in both the inventory and the housing cycles. However, although financial conditions have improved significantly in recent months, markets remain stressed and this will weigh on investment and consumption, the IMF report says of the US economy.

Unemployment in the US is expected to peak at above 10 percent in the second half of 2010, while rising economic slack should keep core inflation below 1 percent through most of next year.

In Europe, the pace of decline was moderating, with the 16-nation eurozone seen returning to growth of 0.3 percent in 2010, instead of the 0.3 percent fall projected in the IMF's previous forecast in July.

The IMF forecast indicated that emerging Asian countries as a whole are on the road to recovery from the global economic downtrend. However, Korea, Taiwan, Hong Kong, and Singapore are expected to face economic growth declines in 2009, with possibilities of recovery next year.

Developing Asian countries such as China and India are expected to continue strong economic growth. The projection said China would grow 9 percent and India 6.4 percent in 2010, which was 8.5 percent for China and 5.4 percent for India in the current year.

Although Asia's export-oriented economies were battered by the abrupt global downturn, the economic outlook for the region improved markedly in the first half of 2009, IMF said.

"Recent developments point to strengthening of domestic demand and exports, but questions remain about whether rebound can become self-sustaining -- ahead of stronger growth pickup in the rest of the world," the IMF report says.

The recent, swift turnaround of economic fortunes is remarkable. At the onset of the crisis, Asian exporters were hit hard by the collapse of external demand. The deterioration of activity was especially rapid for the more export-oriented economies.

In Asia, manufacturing-oriented economies like Korea, Singapore and Taiwan slumped and by the end of 2008, recorded peak declines in industrial production of about 25 percent.

Only China, Indonesia and India escaped severe recession, the result of a large policy stimulus and, in the case of India, less dependence on exports.

A fundamental challenge in the aftermath of the economic crisis will be to sustain solid global growth given the damage caused by the crisis to productive potential and balance sheets, says the IMF report.

The financial system's capacity for efficient intermediation and innovation will need to be restored to support growth, while safeguarding financial stability.

From the demand side, the global economy faces a difficult rebalancing act -- shifting the sources of growth from public to private demand and from internal to external demand, in external deficit countries affected by pronounced credit and housing cycles, matched by counterpart adjustments in surplus countries that have been heavily reliant on export-led growth.

Even with improving financial market conditions, many households and firms in both advanced and emerging economies will continue to face difficult conditions.

In particular, bank loans to the private sector are still stagnating or contracting in the US, the Euro area and the UK, consistent with surveys among bank loan officers that point to a continuation of very tight credit conditions.

### News in Brief

## BB warns against interest rate distortion

STAR BUSINESS REPORT

The central bank yesterday warned commercial banks against distorting interest rates it had prescribed earlier.

Bangladesh Bank in April prescribed an interest rate ceiling of 13 percent on bank lending for most purposes other than consumer credit and small enterprise loans to boost business in times of recession.

The interest rate ceiling for home loans was also fixed at 13 percent.

But the central bank found that some banks are not following the guideline.

"We are observing that some banks are imposing the interest rate ceiling on other sectors even on housing loans," the Banking Regulations and Policy Department of the central bank said in a circular.

## Indian exports dive 19pc

AFP, *New Delhi*

India's exports fell at their lowest pace in months, government data showed Thursday, signalling global trade could be picking up ahead of Christmas, officials said.

Exports slid in August by 19.4 percent from a year earlier to 14.3 billion dollars after tumbling by 28.4 percent in July, the Commerce Ministry said in a statement.

The rate of decline in India's exports has been easing ever since merchandise shipments slumped a hefty 33 percent last March.

### Contact Us

If you have views on Star Business or news about business in Bangladesh, please email us at business@thedailystar.net

# No more margin loan for junk shares

SARWAR A CHOWDHURY

Shares with weak fundamentals will no longer be considered as marginable securities, meaning margin loan facilities will not be given against the under-performing companies' stocks.

Also, shares of the companies, which will fail to submit their annual reports within stipulated time, will not be treated as marginable securities.

Marginable security means a stock that can be purchased on margin loan provided by brokerage houses and merchant banks.

Stock market regulator took the decisions at a meeting yesterday as a part of tightening the existing margin rule, which allows a broker or a merchant bank to provide loans against any company's shares.

"The margin rule has been tightened for weak-performing companies, as loan on such companies often makes the stocks overpriced and creates disturbance in the market," said Anwarul Kabir Bhuiyan, executive director of Securities and Exchange Commission (SEC).

"Notifications to this effect will be issued next week," he said.

Market operators said they do not offer margin loan facilities against junk or Z category shares except those for some companies, which are actually fundamentally strong but remain in the Z category either for legal issues or for not giving dividends.

Although the SEC earlier asked the stock exchanges to make a list of marginable securities, the bourses could not do so.

"As the bourses failed to make the list, we as a regulator are doing it," Bhuiyan said.

The SEC also decided not to give margin facilities for the first 30 trading days to any newly listed companies, and securities that will be upgraded or downgraded.

The commission initiated a move to prepare margin rule for merchant banks, which are now following their own guidelines to provide loans.

The existing margin loan is applicable only for brokerage houses.

The SEC has also eased the existing refund warrant system. From the next IPO (initial public offering), the issuer company will send the refund warrants to the unsuccessful IPO applicants' bank accounts directly.

Under the existing system, the refund warrants are sent to the IPO applicants' mailing addresses.

The SEC also formed a three-member probe committee to investigate transactions of Marico Bangladesh, which made debut on the bourses on September 16.

"The commission did not feel comfort at the higher prices of Marico share and transactions," Bhuiyan said.

On its debut, each Marico share of Tk 10 was traded as high as Tk 368. However the company in addition to the face value took Tk 80 per share as premium.

Each Marico share rose as high as Tk 459 yesterday before closing at Tk 450.20 on Dhaka Stock Exchange.

The SEC asked the probe body to submit its report within the next 15 working days.

The watchdog has also selected 48 companies, whose trading is now suspended, for over-the-counter (OTC) market, a separate trading floor for trading junk shares introduced on DSE on September 6.

"We will direct the stock exchanges within one or two working days to transfer 48 companies to the OTC market," Bhuiyan said.

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AMRAN HOSSAIN

Workers pass a rush hour at a production line in a garments factory. Bangladesh earned $15.18 billion last fiscal year from exports against the target of $16.29 billion, marking a 4.5 percent shortfall.

# Export target aims high

STAR BUSINESS REPORT

The government announced yesterday the export target for the current fiscal year at $17.6 billion, which is 13 percent higher than that of the previous year.

The commerce ministry revealed the figure delaying three months. The export target was supposed to be announced in July, the first month of the new fiscal year.

The delay was caused due to unavailability of data from different government departments and agencies, said Joint Secretary to the ministry Monoj Kumar Dhar after a post-meeting briefing at the secretariat.

He said Bangladesh earned $15.18 billion last fiscal year from exports against the target of $16.29 billion, marking a 4.5 percent shortfall.

"The export target for the current fiscal year is not ambitious. It is rational as the whole world is showing signs of recovery from recession," Dhar said.

He said the government has set the target analysing the global recession.

Knitwear export target has been set at 41.46 percent, while 38 percent for woven garment products and the rest for other products, the ministry official said.

"The present export trend indicates that it is possible to achieve the target," Dhar said.

He said exports of knitwear, woven garment, terry towel, handicrafts, textile fabrics, chemical products, footwear products, home textile, computer services and agricultural products increased in fiscal 2008-09 compared to the previous year.

On the downside, exports of tea, raw jute, jute goods, electronics, leather, ceramics and frozen foods declined year-on-year, Dhar said.

Vice Chairman of Export Promotion Bureau (EPB) Mohammad Shahabullah said although all the missions abroad could not achieve the target separately, the average achievement was satisfactory. At present, there are 44 overseas missions.

Commerce Minister Faruk Khan at the meeting with exporters, manufacturers, entrepreneurs, traders and leaders of different trade bodies and government high-ups discussed the export target for the current year.