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Stocks	
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CSCX	0.38%
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Asian Markets	
MUMBAI	0.11%
	16,894.25
TOKYO	0.13%
	10,163.80
SINGAPORE	0.02%
	2,813.27
SHANGHAI	2.34%
	3,179.08

Currencies	
Buy Tk	Sell Tk
USD	68.65 69.65
EUR	97.70 101.94
GBP	110.22 114.64
JPY	0.75 0.80

SOURCE: STANDARD CHARTERED BANK

Commodities	
Gold	\$1,126.93 (per ounce)
Oil	\$72.43 (per barrel)
	(Midday Trade)

News in Brief

Tata Motors' global sales jump 62pc

AFP, Mumbai

India's largest vehicle maker, Tata Motors, said Thursday global sales, including those for Jaguar and Land Rover, rose 62 percent in November, aided by improved demand and last year's low sales base.

The company, which also makes the world's cheapest car, the Nano, said total global sales for November rose to 75,775 vehicles, up 62 percent from the same period last year.

Global sales of the two British premier brands, Jaguar and Land Rover, rose to 18,825 vehicles in November, up 30 percent from a year earlier, Tata Motors said in a statement to the stock exchange.

Jaguar sales accounted for 4,333 vehicles while those for Land Rover were 14,492. Tata Motors bought the two marques from US Ford Motor last year for 2.3 billion dollars.

Ireland exits recession

AFP, Dublin

Ireland emerged from a deep recession in the third quarter as it grew 0.3 percent compared with the previous three months, official data showed on Thursday.

The joy was dampened however by data showing gross domestic product (GDP) had shrunk 7.4 percent in the three months to September, compared with the same period of 2008.

"Initial estimates ... on a seasonally adjusted basis, for the third quarter of 2009 show ... a small increase of 0.3 percent in GDP compared with the previous quarter," the Central Statistics Office (CSO) said in a statement.

Ireland's former roaring Celtic Tiger economy tumbled into a vicious recession during the first half of 2008, becoming the first eurozone nation to do so.

The widely-used definition of a recession is two or more successive quarters of successive economic contraction, which means that Ireland has now technically escaped its downturn.



A man works in a roadside bean garden in Joyrampur village in Rangpur's Mithapukur upazila. Local youths have raised this garden with seeds from the Department of Agricultural Extension. Porimal Chandra Sarkar, sub-assistant agriculture officer for Pairaband Union, has provided technical support to the villagers in an effort to cultivate beans on the government land with permission from the local union council. All proceeds from sales will go to the growers.

SK ENAMUL HAQUE

Recession effects to linger over economy: ADB

Agency forecasts 5.2pc GDP growth for Bangladesh in 2010

STAR BUSINESS REPORT

Asian Development Bank yesterday projected Bangladesh's GDP growth at 5.2 percent for 2010, fearing continuous fallout from the global economic turmoil.

ADB's forecast for this fiscal year is less than the government projection that economic growth may cross 6 percent.

The country recorded GDP growth at 5.9 percent last fiscal year.

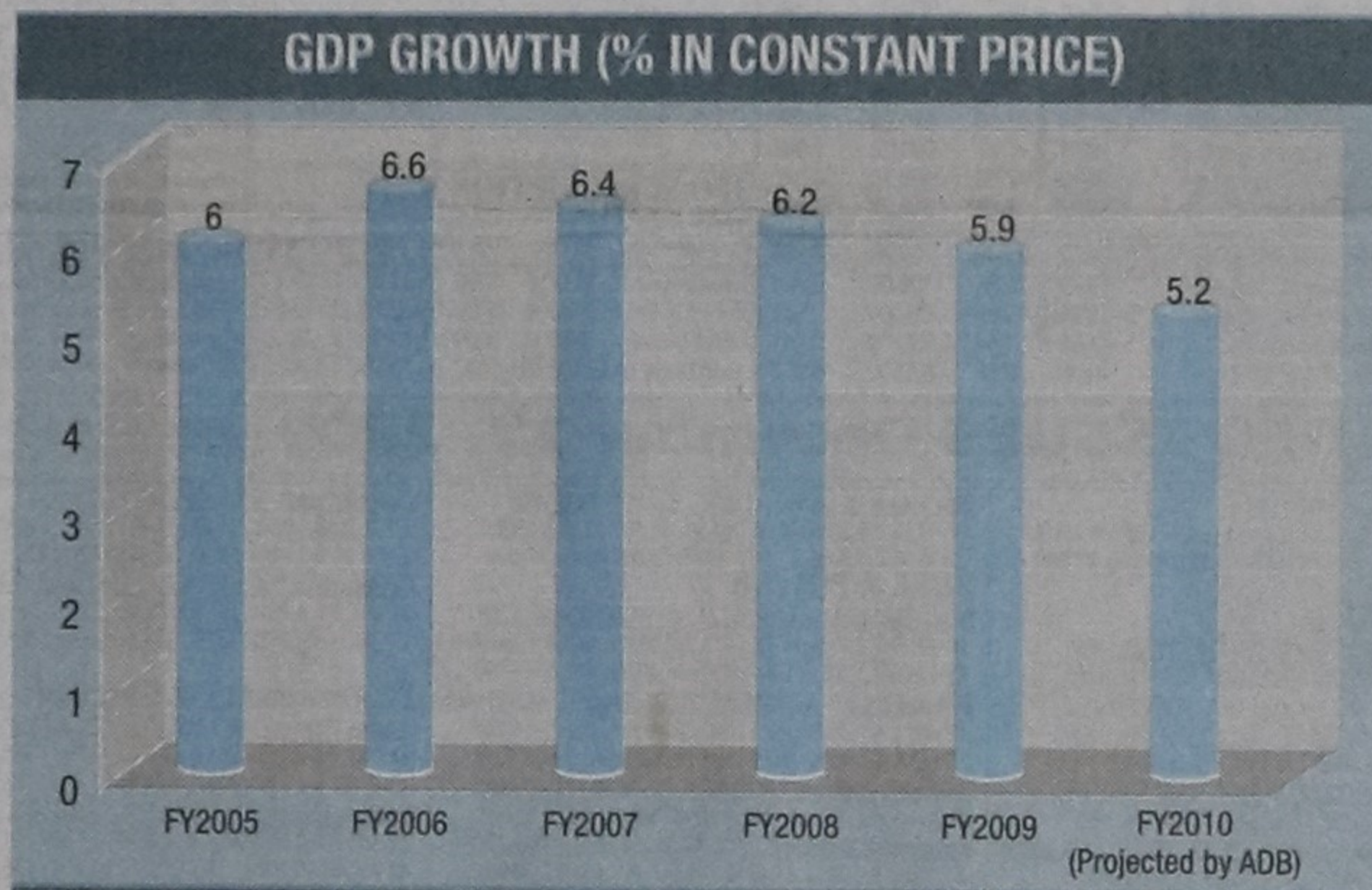
Pointing to last year's adverse climate and low prices of agricultural produce and poor infrastructure, including gas and power scarcity, the multilateral lending agency suggested Bangladesh put all efforts in improving its investment climate, upgrading infrastructure, reducing power and energy shortages and accelerating economic reforms.

ADB also projected a slowdown in agriculture and industrial growth.

"The effects of the global crisis on Bangladesh economy in FY2010 are likely to be deeper than in FY2009," said the ADB quarterly update report released at a press conference at its Dhaka office.

"As Bangladesh felt the effect of the global crisis late it would also bottle out late," said Zahid Hossain, head of country programming for Bangladesh Resident Mission of ADB.

Paul Heytens, the country director, also spoke on the occasion. He made it clear that



amendments in the Public Procurement Act would not disrupt execution of the projects funded by ADB.

Terming export sector as the main driver of Bangladesh's GDP growth, Zahid Hossain said although exports grew well last fiscal year, this year the rise is negative.

The agriculture sector growth rate, according to the ADB report, is expected to slow down to 4.1 percent in FY2010 from 4.6 percent in FY2009.

This fiscal year, Aus output is not good

due to drought. Also, late rainfall hampered Aman cultivation. This also caused lower projection of farm output.

On industrial growth, it said adverse effects of the global economic slowdown are expected to dampen export sector growth in FY2010, which, in turn, will hit domestic industrial production. It also said the deficiency in power, gas and other basic infrastructure are the major supply-side bottlenecks of growth in industry, expectedly 6 percent in FY2010.

ADB projected 5.5 percent growth in

the services sector in FY2010, which was 6.3 percent in FY2009.

The report also pointed out that slowdown in imports will affect the transport sector. The telecommunications sector is likely to be moderate following a robust growth last fiscal year. Banks and insurance companies will continue to be affected by sluggish investment activities, the ADB said.

It also said slower growth in private sector credit and decline in exports and deceleration in remittance growth will have direct and indirect effects on the economy.

In addition, investor sentiment has not fully revived following the initial uncertainty on the extent and depth of the likely impact of the crisis on Bangladesh economy.

To enhance growth prospects, the ADB report said domestic demand and diversification of exports need to be boosted. It also stressed faster implementation of annual development programme.

It further suggested greater emphasis on supporting agriculture and rural development, small and medium enterprises, human resources development and social safety nets. The focus, it said, should be on creating job opportunities, increasing public spending and enhancing public and private investment.

New criteria for mutual fund loans

STAR BUSINESS REPORT

The stock market regulator yesterday set new criteria for margin loans for mutual funds after about two months of suspension.

To qualify for margin loans, mutual funds must trade in a limited range, according to the latest decision.

The funds that will trade 7.5 percent higher than their latest NAV (net asset value) will not qualify for the loans.

The new ceiling means if a mutual fund has Tk 100 in NAV per unit and trades only up to Tk 107.50 (7.5 percent higher than NAV), margin loans can be approved for the fund.

The decision will be effective from Sunday.

The Securities and Exchange Commission issued a directive yesterday withdrawing restrictions on margin loans for mutual funds, officials said.

In a circular on October 26, the SEC directed merchant banks, portfolio managers, brokers and dealers to suspend margin loans.

Market experts said only a few mutual funds would now qualify for margin loans under the new criteria.

The current market prices of most mutual funds are much higher than their NAV.

Currently, 19 mutual funds trade on bourses with their combined issued capital of around Tk 500 crore.

A mutual fund is a professionally managed type of collective investment scheme that pools money from many investors and invests it in stocks, bonds, and short-term money market instruments.

NBR to alter tax rules

SAYEDA AKTER

The National Board of Revenue (NBR) is set to bring changes in VAT and customs regulations to simplify the taxation system, said the chairman of the board yesterday.

The tax administrator will make public the changes by end-January and present the reform proposals in the budget for the next fiscal year, said Dr Nasiruddin Ahmed.

"We are trying to rationalise the tariff structure and remove anomalies in the taxation system to encourage more taxpayers to submit value added taxes, customs duties and income taxes," he said.

"Now we are revising the VAT Act and the First Schedule of the Customs Act, and will make public the changes on January 27. We hope to present and pass the reform proposals in the next finance bill in June 2010," he added.

The NBR chairman was speaking at a discussion on 'Complexities in the Income Tax Laws: A Quest for Simpler Taxation', organised by International Business Forum of Bangladesh (IBFB), in Dhaka.

"Modification to the First Schedule of the Customs Act will help simplify customs appraisal, while the reformed VAT structure will help entrepreneurs pay taxes under a sin-

gle VAT registration," he said.

At present a high duty structure is in place for industrial raw materials, which disrupts growth. The board considers revising the present tariff structure for industrial raw materials to make it more pragmatic. Also, it plans to reduce supplementary duties.

The 'First Schedule' of Customs Act includes general rules for interpretation of the Harmonised System Code, which is essential to pay taxes.

"If we can simplify the entire taxation system, it will help increase revenue collection," Ahmed said, adding that the NBR is working to introduce an online tax payment system by next month to upgrade the existing tax returns submission procedure.

"We have signed a memorandum of understanding with International Finance Corporation to initiate the online tax payment system. In this process, the taxpayers will be able to pay tax online from January," said Ahmed.

"Simultaneously, we are trying to enhance the board's transparency and accountability further by initiating a Digital NBR," he said. "Introduction of an effective online system will also reduce complexities and weaknesses related to 'tax at source'."

The NBR chief said they will set up a national data centre to provide adequate information to help taxpayers

avoid hassles.

Dr Mashiur Rahman, economic affairs adviser to the prime minister, said the tax structure should be reshaped to widen the tax net and increase revenue collection.

"If the tax structure gets a new shape, the government will earn more revenue. For example, the government should bring the agricultural sector under the income tax system," he said.

If the farm sector is taxed, the government will earn at least 10 percent to 20 percent more revenue than before, he said.

Speakers at the discussion also stressed the need for taking necessary measures to strengthen the tax administration.

"The government should recruit more people to improve NBR's performances. The tax administration body needs more budgetary allocation and investment to enhance its performance," said Prof Mohammad Ali Ashraf, a lawmaker.

"Tax administration should be computerised and a complete database should be there to help taxpayers get information regarding income and corporate taxes," he said.

MK Anwar, another lawmaker, and Mahmudul Islam Chowdhury, president of IBFB, also spoke at the discussion. sayeda@thedailystar.net

Southeast Bank under BB scanner

STAR BUSINESS REPORT

Bangladesh Bank (BB) has brought Southeast Bank (SEBL) under an 'early warning system', a method that alerts a bank when its performance goes below satisfactory level.

To closely monitor the bank activities, Abdur Rahim, general manager of foreign exchange investment department of the central bank, has been made the SEBL observer.

The bank's default loans increased by 74 percent to Tk 433 crore at the end of September 2009, which was only Tk 248 crore at the end of December 2008.

However, Mahbul Alam, SEBL managing director, claimed a significant improvement in his bank performance, which went unnoticed by the central bank.

Along with default loans, some other performance indicators of SEBL were not in line with BB's rating, central bank officials said. SEBL disbursed a large sum of loans to three of its clients a few years back, bypassing the bank's traditional process. In an investigation, BB found around Tk 200 crore as classified loans.

BB usually treats a bank as a problem bank when its performance drops. But before branding it as a problem bank, the

central bank brings the bank concerned under the 'early warning system' to monitor its activities.

The SEBL MD said the central bank issued the warning notice based on SEBL's performance until March 31. "But if the central bank considers our present performance, it will find a different scenario."

"Our default loans against total outstanding came down to 7 percent, which was 14 percent in March. We have no shortfall in provision or liquidity crisis."

SEBL earnings also increased in the meantime and its operating profit is expected to reach Tk 400 crore by year end, he said.

Regarding irregularities on providing loans to the three clients, he said SEBL regularised loans worth Tk 100 crore of one client recently under the government's direction that was announced because of the global economic crisis.

Another client, who took Tk 70 crore, failed to begin its production unit due to a gas crisis. The prime minister recently directed concerned authorities to provide gas to such industries. "We hope to recover money from the client after gas is supplied to the client's production units."

The third client, Alam said, took Tk 30 crore. "It is now being rescheduled."

