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## Stocks

DGEN ▲ 1.21%  
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CSCX ▲ 1.26%  
9,737.12

## Currencies

	Buy Tk	Sell Tk
USD	68.55	69.55
EUR	94.82	100.51
GBP	108.41	114.31
JPY	0.75	0.80

SOURCE: STANDARD CHARTERED BANK

## Commodities

Gold ▼ \$1,084.00 (per ounce)

Oil ▼ \$75.15 (per barrel) (As of Friday)

## News in Brief

### No progress in fixing new pay for garment workers

#### STAR BUSINESS REPORT

The board for minimum wages for garment workers could not make any progress in fixing a new salary structure, as the owners' representative failed to turn up at the board's first meeting yesterday.

Board Chairman Ikter Ahmed said Annisul Huq, the representative from garment factory owners who is also president of the Federation of Bangladesh Chambers of Commerce and Industry, conveyed the board about his other preoccupations through a letter.

"As a result, we could not make any progress in the first meeting. However, four other members were present," said Ahmed, who presided over the meeting, convened to review the demand to raise garment workers' minimum salary to Tk 5,000 from the existing Tk 1662.50 a month.

"A fresh date will be announced later," the board chief said.

Meanwhile, Bangladesh Garment Workers Unity Council announced a 90-day programme to press home their demands, including the salary hike.

Making amendments to labour law and reversing the move to introduce industrial police are the other main demands.

After the meeting, Nazma Akter, workers' representative in the board, said all other members suggested the labour and employment ministry take measures to finalise a new salary structure.

"The government can select anybody as the representative from owners' side. Our demand is a reasonable salary structure for the garment workers as soon as possible," Nazma said.

### Bank of China to sell up to \$5.8b in bonds

#### AP, Beijing

Bank of China plans to sell up to 40 billion yuan (\$5.8 billion) in bonds to replenish its capital and meet government standards following a record surge in lending last year amid Beijing's stimulus measures, a state-run news agency reported.

Regulators have warned some banks that they have fallen below minimum capital requirements after handing out some 9.5 trillion yuan in loans last year. Banks are expected to scale back lending to roughly 7.5 trillion yuan in 2010.

## Stocks on scary ride

SARWAR A CHOWDHURY

The stock market rides a thermal upward and continues its record-breaking trends both in the key index and turnover, with experts warning the sustainability is questionable without supply of new securities.

The market is expected to see price corrections. The market is also floating on a tsunami of liquidity that has engendered a huge demand for securities and so share prices are getting overvalued.

The overall market P/E (price earning) is increasing gradually that indicates that the investment is getting more risky. At the end of December 2009, the overall market P/E stood at Tk 25.65, which was Tk 18.42 a year earlier.

The benchmark index of Dhaka Stock Exchange crossed 5,000 points last week and reached 5,156 points yesterday, while the single-day turnover hit a new record at Tk 1,452 crore.

Grameenphone's listing is a big factor for the recent upward trend, as the telecom company has alone added around 1,000 points so far to the key index, which was counted wrongly, they said. If each Grameenphone share falls or goes up by Tk 1 on a single day, the index will decline or increase by 4 points, said an analysis by a merchant bank.

Index	Closing	Opening	Rise in points	Rise in percent	Year to date
DGEN	5156.62	5095.21	61.41	1.21%	13.69%
DSI	4254.92	4204.07	50.85	1.21%	13.54%
DSE-20	2839.74	2824.92	14.82	0.52%	8.66%

The experts said supply constraint is one of the major problems, while rumour and the investors' lack of adequate knowledge about company fundamentals are the other concerns.

"Although figures tell a little, upward trend in an unabated way may not be sustained and the market may face a big correction or downfall," said Salahuddin Ahmed Khan, professor of finance at Dhaka University.

He said the concern is that the market did not get any significant new issues after listing of Grameenphone. "If there are no new issues, prices of existing securities go high." But the rising trend may not last long, as company earnings hardly match the investors' speculation, and so the market witnesses a big correction leading to a heavy downfall, he said.

Arif Khan, deputy managing director IDLC Finance, said the index would not have crossed the 5,000 level, if it had been counted rightly during Grameenphone listing.

He said new investors are entering the market everyday and they usually follow the trends, which is also a reason for the uptick.

However, the regulator says it is strictly monitoring the market behaviour. "If necessary, appropriate measures will be taken," said Ziaul Haque Khondker, chairman of Securities and Exchange Commission.

sarwar@thedailystar.net



Farmers carry paddy from a field in Rangunia. The government recorded a rise in aman output but the price of the staple is still high.

## Rice output up, so is the price

SOHEL PARVEZ

The Ministry of Agriculture has estimated record aman output at 1.31 crore tonnes this season, while millers claim a paddy supply shortfall pulls the staple price up.

The rice price has seen an uptick since early September 2009. Coarse rice was Tk 26-28 and medium quality rice was Tk 30-34 on Saturday.

In September last year, coarse rice was Tk 20-22 and medium quality rice was Tk 24-26, recording a 28 percent rise, according to the Trading Corporation of Bangladesh (TCB).

"It appears that the rise in the price of rice is not linked to production. Our estimation is conservative and till date we have not received any indication of a fall in output," Agriculture Secretary CQK Mustaq Ahmed told The Daily Star yesterday.

Economists say such a rise in aman output is welcome, but if DAE (Department of Agricultural Extension) estimates are correct, rice prices should not go up.

Traders may take advantage of the fact that global rice prices are on the rise and that it will be expensive for the government to procure rice from the international market, said economist Mahabub Hossain.

"Big millers may also hold back supply to create an artificial shortage in the market to encourage the price hike," he said.

The DAE aman production estimates showed that aman output exceeded the target of 1.27 crore tonnes in fiscal year 2009-10.

The latest estimate stood at 1.28 crore tonnes in FY 2008-09, which is 2.34 percent higher than the previous aman production figure prepared by DAE.

"Aman output went up because of a rise in acreage, proper distri-

bution of the monsoon and fewer pest attacks," said Sayeed Ali, director general of DAE.

He said low rainfall levels encouraged farmers to plant aman paddy on low lands in some districts, such as Brahmanbaria and Habiganj, leading to an overall rise in acreage to about 55 lakh hectares, up from a target of 54 lakh hectares.

Free irrigation facilities extended by the government in the wake of low rainfall during the farming season also helped attain good output, he said.

Barisal, Khulna, Sylhet, Chittagong and Rangpur recorded better output in the imminent aman season, he added.

Bangladesh Bureau of Statistics, which recorded aman production at 1.16 crore tonnes in FY 2008-09, is yet to publish its estimate for the current fiscal year.

Millers said paddy should be available for sale in the market, provided a bumper aman pro-

duction, prices of which rose since the beginning of December last, riding on speculations of a shortfall in production.

Factors such as late rains, delayed farming and thereby low yield fuelled the speculation.

"I think there is a missing link in the calculation, as the supply of paddy remains low in comparison to demand," said KM Layek Ali, convener of Bangladesh Rice Mills Association, a body of about 17,000 mills.

He said farmers usually sell large quantities of paddy in January to get money to buy inputs for boro crop.

"The government should undertake a survey to examine how much paddy is coming to the market to be sold," Ali said, denying any rice hoarding to create artificial shortfalls.

"The government should check whether we hoarded rice," he said, linking inadequate supply to the hike in rice prices.



Wholesalers gather cauliflowers at a vegetable market, known as Mohasthanhat, in the northern district of Bogra. This year's harvest has been up to the mark, but farmers are deprived of fair prices because of inadequate cold storages in rural areas. The wholesalers sold cauliflowers for up to Tk 200 per maund yesterday.

## BB upbeat on Bangladesh's status upgrade

### Middle-income country in four years in terms of per capita GNI

STAR BUSINESS REPORT

The central bank yesterday forecast that Bangladesh could achieve the middle-income status by 2013 in terms of per capita gross national income (GNI) that reflects the average income of the country's citizens.

But it kept quiet on the other two indicators that determine the status.

Three criteria -- income, human assets index and economic sustainability -- define a middle-income country status.

GNI per capita is the dollar value of a country's final income in a year, divided by its population. Knowing GNI per capita is a good first step toward understanding the country's economic strengths and needs, as well as the general standard of living enjoyed by the average citizen.

Bangladesh has achieved nearly 50 percent growth in GNI between 2004-05 and 2008-09. At the end of fiscal 2008-09, Bangladesh's GNI stood at \$690, nearly \$300 lower than the threshold of a middle-income country of \$976. The GNI was \$463 in 2004-05.

"Indeed, it is great news for us. If we continue to grow at current pace,

we won't take more than four years to become a middle-income country," said BB Governor Atiur Rahman in a news briefing marking the publication of the central bank's annual report for fiscal 2008-09 at the BB headquarters.

The BB chief however identified some potential challenges that could hinder the country's ambition to upgrade to a middle-income country.

These are proper distribution of benefit from economic growth, quick poverty alleviation and improvement in human development.

The ultra-poverty level is nearly 30 percent of Bangladesh population who live on \$1 or below a day, according to the household income and expenditure survey 2005.

In a public lecture earlier last month, Debapriya Bhattacharya, special adviser to the Unctad secretary general said Bangladesh would need 23 years to graduate to a lower middle-income country from the LDC status, with the current pace of growth.

"Bangladesh will meet the graduation threshold for lower middle-income country by 2047 based on the average growth rate of 5.9 percent, while the status could be achieved by

2039 at 6.3 percent rate," Bhattacharya added.

Bangladesh achieved eligible scores in economic vulnerability, among the three criteria, but lags in the other two, Bhattacharya said.

In 2008, an Unctad report on LDC said Bangladesh would require another 17 years to graduate from the LDC to a middle-income one if 6.5 percent growth is sustained.

Similarly, a World Bank report titled "Bangladesh: Strategy for Sustained Growth" said in 2009 that Bangladesh could possibly be a middle-income country by 2016 if GDP growth continues to sustain a 7.5 percent rate throughout the period.

In yesterday's briefing, the BB governor said Bangladesh has done quite well in fiscal 2008-09 despite the global recession. Economic growth was 5.9 percent, down from 6.2 percent a year ago.

Exports also grew by 10 percent, which Rahman described as a big achievement compared to other countries including India that saw nearly 20 percent negative growth.

He said inflation was under control at 6.7 percent during the reporting year.

## Recession pares down BB profit

STAR BUSINESS REPORT

Global financial crisis has taken a heavy toll on Bangladesh Bank's profit although the central bank's prudential measures have helped commercial banks avoid losses during the recession period.

Bangladesh Bank's operating profit declined by 20.6 percent or Tk 650 crore in fiscal 2008-09 compared to that of a year ago.

"Lower interest rate globally has caused this fall in profit," BB Governor Dr Atiur Rahman told reporters while releasing the central bank's annual report at its headquarters in Dhaka yesterday.



The BB generally invests its money in US and European banks. It had withdrawn its investment in foreign banks in the wake of the ongoing global recession that started in mid-2007.

The central bank earned Tk 2,500 crore as operating profit in fiscal 2008-09. The profit was Tk 3,150 crore in 2007-08.

"There was not more than one percent interest rate in the global market last year," said Rahman, reasoning the slide in profit.

During fiscal 2008-09, the BB deposited Tk 1,000 crore less to the government account than that of the previous year. Out of the Tk 2,500-crore operating profit, Tk 1,730 crore was transferred to the government and Tk 770 crore to statutory funds, interest reserve account and other funds.

Senior BB officials were also present.

## SEC clears clouds over mutual fund dividends

STAR BUSINESS REPORT

Mutual fund managers will now be able to declare dividends, as the Securities and Exchange Commission has decided not to challenge a High Court verdict on a long-running case.

"The commission took the decision after analysing the legal aspects of the verdict and considering the interests of the market and investors," Mansur Alam, member of SEC, said in a press briefing.

"All directives, which were made in the verdict, will be followed appropriately."

The HC verdict that was handed down on November 8 last year declared unlawful the amendments to the rules that restricted the issuance of stock dividend or rights issue.

The amended rules will no longer be effective for the mutual funds that came to market before the modifications.

In line with the verdict, the mutual funds will however have to seek permission for bonus shares from the SEC, which will be at liberty to say yes or no.

The amendment, which was made in June 2008, will however remain effective for the mutual funds that were launched after the amendment, the SEC member explained.

It means such mutual funds are not allowed to seek permission from the SEC to declare stock dividend or rights issue.

The HC passed the verdict following a writ petition filed by three investors challenging SEC's modifications to the mutual fund rules.

In response to the petition, the HC in August 2008 stayed the stock market regulator's ban on the issuance of bonus shares or rights issues for closed-end mutual funds. The HC had also stayed the dividend declarations by all mutual fund managers until disposal of the case.

"It is a welcome initiative by the SEC that will end all speculations on the mutual funds," said Yawer Sayeed, managing director of AIMS of Bangladesh, an asset management company.

**NOTICE ON NINE MUTUAL FUNDS**  
The SEC yesterday issued a notification on the closing of nine mutual funds having no maturity period.

The notification said the mutual funds, which passed 10 years, would have to pull out of the market by December 2011.

The mutual funds, which have no maturity period, are ICB's eight mutual funds and 1st BSR Mutual Fund.

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