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IDLC 50	0.67% 6,420.03

Asian Markets	
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TOKYO	2.43% 10,238.01
SINGAPORE	1.84% 2,885.64
SHANGHAI	2.90% 2,586.21

Currencies		
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USD	69.35	69.35
EUR	85.82	85.85
GBP	102.80	102.83
JPY	0.76	0.76

Commodities	
Gold	\$1,265.30 (per ounce)
Oil	\$78.50 (per barrel) (Midday Trade)

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

Private sector loans fuel inflation: BB

REJAUL KARIM BYRON

An increase in loan flow to the private and unproductive sectors has led to a rise in inflation, according to a report by Bangladesh Bank (BB).

The report said if the private sector loans go up by 10 percent, both the overall and food inflation increases by 2.4 percent.

The central bank has prepared the report on the possible link between inflation and the increase in loan flow in the private sector, and how to contain inflation within 10 percent.

The report identified some causes for the rise in inflation rate and made a 10-point recommendation to the government on the measures to rein in inflation.

The loans in the construction sector went up by 23.33 percent and consumer loans by 30.69 percent in fiscal 2008-09 compared to the previous year, according to the report.

It contributed to a rise in inflation, the report said, adding that increased loans for the productive sectors can help tame inflation.

The BB said the demand for commodities shot up recently because of the rising prices of lands and flats, a bullish trend in the stockmarket, and the government's stimulus package to revive the economy.

Implementation of the new pay scale for public servants and an increase in wage for the workers, high inflow of remittance, and a rise in disposable income in rural area also fuelled inflation.

In June last year point-to-point inflation came down to 2.25 percent but started increasing again in July, and in February this year it stood at 9.06 percent. However, it fell slightly to 8.78 percent in March.

The central bank said a halt in rice import from India and high price of the staple on the international market have led to a tendency of hoarding among the mill owners and producers, creating a deficiency in supply.

The BB recommended that the government continue efforts to increase farm production in the next season and ensure adequate supply of agricultural inputs.

The government also has to

ensure fair prices for the farmers to avert any negative impact on farm production in the next season.

The BB report also suggested special incentives for the small importers of commodities to curb monopoly in the market.

The central bank, citing a report of think tank Centre for Policy Dialogue, said middlemen take away around 40 percent of the total value of the commodities.

Against this backdrop, the BB said steps should be taken for direct sale and purchase of commodities by forming cooperatives of the producers and consumers.

The BB suggested import and supply of different essential commodities through Trading Corporation of Bangladesh.

BB officials said the central bank has recently taken a number of steps to reduce loan flow to the unproductive sectors. The government has also taken some measures to increase supply in the commodity market.

They said the government has set the inflation target within 6.5 percent for the next fiscal year.



AK Azad

New president for FBCCI

STAR BUSINESS REPORT

AK Azad, managing director of Ha-Meem Group, a major apparel maker, has been elected the president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) for 2010-12.

Azad, who will succeed Annisul Huq, will take over formally on June 30. In a board meeting yesterday, 44 directors -- 28 elected and 16 nominated -- made the unanimous choice of their new leader.

The directors also elected Jasim Uddin as the first vice-president and Mostafa Azad Chowdhury Babu as vice-president of the new executive committee of the apex trade body.

Both Jasim and Babu were elected as directors from Azad's panel at the biennial election at the FBCCI building on Saturday.

Stocks sink as market jitters linger

STAR BUSINESS REPORT

Stocks dived for a second day as investors continued to speculate a massive correction in the market.

The benchmark index slumped by more than 100 points yesterday.

The speculation was backed by multiple factors, including regulatory measures to cool the market, profit booking sales by institutional investors ahead of the half yearly accounts or financial adjustment, and government plans to impose taxes on capital market, insiders said.

The Securities and Exchange Commission reset the margin loan criteria by reducing the PE (price-earnings) ratio from 50 to 40 to control the liquidity inflow.

Also, the central bank limited commercial banks' capital exposure to stockmarket. The banks will no longer be allowed to invest more than 10 percent of their total liabilities in stockmarket.

In the proposed budget, the government proposed taxes on the capital gains of institutional investors, and to increase the tax at source on brokerage commission.

"Backed by all the factors, investors are panicking on rumours that a falling trend would continue in the market, resulting in a selling pressure," said Akter Hossain Sannamat, managing director of Prime Finance and Investment.

Besides, most institutional investors are booking profits by the end of June, the half yearly period for all institutions when they adjust stock portfolios, he said.

The benchmark index of the Dhaka Stock Exchange -- DSE General Index -- plummeted 116.12 points, or 1.86 percent, to

6,101.14.

With no positive performers in the market yesterday, losers outnumbered gainers 202 to 38. Eight securities remained unchanged.

The premier bourse traded more than 3.56 crore shares and mutual fund units with a turnover of Tk 1,245.60 crore -- a 26 percent decline over yesterday's turnover.

Chittagong stocks also marked a sharp fall with the CSE Selective Categories Index declining by 216.66 points, or 1.82 percent, to 11,661.19.

Robi CEO upset over new telecom law

MD HASAN

Robi Managing Director Michael Kuehner says the existing law is enough to deal with any wrongdoing in the telecom sector.

He has expressed concern over some tough provisions in the upcoming telecom law: Bangladesh Telecommunication (Amendment) Act 2010.

"Any individual or organisation can do wrong if they have ignorance or intention to do that. But there are provisions in the existing law to deal with the issue right away," Kuehner said, referring to the Criminal Procedure Code (CrPc).

The boss of the third largest mobile operator shared his views on the new law with journalists at his office in Dhaka yesterday.

The telecom bill was placed in parliament on June 13 and sent to the parliamentary standing committee on posts and telecommunications ministry for scrutiny.

This draft law proposes punishment to telecom operators for wrongdoings giving them no scope for challenging a decision on cancellation and suspension of licences. The bill also suggests a fine up to Tk 300 crore for violation of the provisions of the law. It has scaled up the punishment up to five years in jail from six months or a maximum fine of Tk 50,000, or both, for posting obscene, indecent, threatening and grossly insulting message through the use of telecom or radio apparatus.

Telecom regulator or law enforcers can arrest officials of any telecom operators for their wrongdoing without issuing any warrant.

"We don't want any exemption from legal framework. We want to follow the normal procedure that the country already has," said Kuehner.

The government has a vision to make digital Bangladesh by 2021, but the present atmosphere is unfriendly to achieving the goal, Kuehner said.

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