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20,465.74

SINGAPORE ▲ 0.61%  
3,224.97

SHANGHAI ▼ 0.47%  
3,030.99

**Currencies**

	Buy Tk	Sell Tk
USD	69.90	70.90
EUR	96.19	100.79
GBP	110.24	115.25
JPY	0.85	0.92

SOURCE: STANDARD CHARTERED BANK

**Commodities**

**Gold** ▲  
\$1,358.15  
(per ounce)

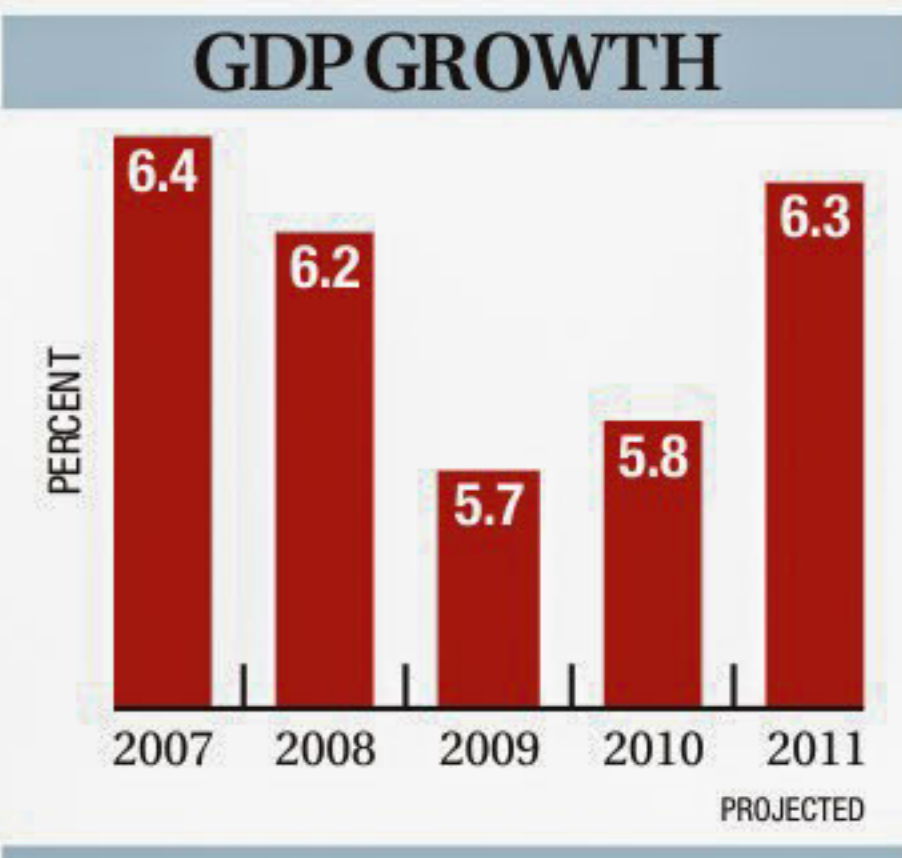
**Oil** ▲  
\$84.29  
(per barrel)  
(Midday Trade)

SOURCE: AFP

**Contact Us**

If you have views on Star Business or news about business in Bangladesh, please email us at [business@thedailystar.net](mailto:business@thedailystar.net)

## WB forecasts 6.3pc economic growth



**STAR BUSINESS REPORT**

The World Bank (WB) has projected that the economy may grow by 6.1-6.3 percent this fiscal year, driven by recovery in investment and exports.

The projection came in the WB quarterly report on 'Bangladesh State of Economy' released from its country office yesterday. It identified some risks that may affect growth prospects.

The risks are -- power shortage, continual disruptions of Chittagong Port, a rise in inflation and maintenance of industrial harmony.

WB Lead Economist Sanjay Kathuria and Senior Economist Zahid Hussain presented the report, while WB Country Director Ellen Goldstein responded to journalists' queries.

Hussain said there was a debate over the calculation of growth last fiscal year. Bangladesh Bureau of Statistics (BBS), in its first projection, pegged growth prospects at 5.5 percent, but later it revised the figure upward to 5.8 percent.

He said investment and export are growing this fiscal year. In the first quarter of fiscal 2010-11, exports grew 29.9 percent, capital machinery imports went up by 49.4 percent and industrial raw material imports grew 4.9 percent.

It can be said the economy is making a turnaround; in the field of investment good signs are visible; and as a result, growth in the current fiscal year may cross 6 percent, Hussain said.

However, Kathuria said there are a good number of risks. A major risk lies in whether the power shortage would persist and the roadmap prepared by the government for power generation will be implemented quickly, he added.

Utilisation of the existing power plants, subject to the availability of gas and prevention of mechanical failures, is necessary to avert the risk, Kathuria said. The overall power supply may not increase with new rental power, if the existing plants suffer frequent disruptions, he added.

He said Chittagong Port is Bangladesh's main port, through which the country's import export activities are carried out. So to increase growth, the port needs to be kept operational continuously, Kathuria added.

Hussain said there is uncertainty over inflation. The government has projected 6.5 percent inflation for the current fiscal year, but it may reach 7 percent, the senior economist anticipated.

He said the main reason behind the rise in inflation is the price hike of rice.

Rice prices shot up due to international market factors. It is observed that when rice prices go up in India and Thailand, the prices of the staple food item also increase in Bangladesh.

Hussain also said demand for rice in the domestic market is on the rise, but production has not. To keep prices under control, he says, production has to be boosted.

The economist however said the government steps to make the inflation bearable were appropriate.

## Banks see liquidity at a low ebb

**SAJJADUR RAHMAN**

Banks now face liquidity shortage, as deposits fall and loan demand rises.

Many banks could not mobilise deposits, though they offer higher interest rates. They blamed it on a massive outflow of funds into the capital market.

"I am comfortable with the growth of loans, but my concern is with the poor deposit," said Ali Reza Iftekhar, managing director and chief executive officer of Eastern Bank.

He termed the deposit growth-trend a shortcoming for his bank.

Bankers said shortage of liquidity was not because they had not been able to raise fresh deposits. The booming stock business and high inflation, now hovers around 8 percent, are discouraging people not to save their money in banks, they pointed out.

Although third quarter profits show many banks netted huge profit, it was because of their over exposure to the stock market, not from the core banking business, according to the bankers.

Bangladesh Bank data show average deposits per branch were Tk 46.36 crore in July, down from Tk 46.49 crore a month ago. On the other hand, average credit per branch rose to Tk 46.66 crore in the month, up from Tk 46.18 crore a month ago.

The deposit mobilisation has further gone down in recent months mainly because of continued outflow of funds to the stock market.

Credit to the private sector is on a rising trend. Such growth was 24.75 percent in July on a year-on-year basis compared to 24.24 percent in June, according to the central

bank data.

"If fresh deposits remain out of reach, banks will face extremely difficult situation when demand for investments will pick up," said a branch manager of a private bank at Motijheel in the capital.

Private commercial banks have recently increased deposit rate by 1.25 percentage point to 9.75 percent, in a bid to retain the money now flowing to the capital market, and to strengthen their capital bases for loans to new power projects.

"We're offering as high as 9.75 percent interest rate for fixed deposits, but still we're concerned," said Shafiqul Alam, deputy managing director of United Commercial Bank.

Around 70 percent of UCB deposits are in the fixed form that costs the most. Short-term deposits up to three months and savings and current accounts consist the remaining 30 percent.

Anis A Khan, managing director of Mutual Trust Bank, said personal savings are chasing higher returns in capital markets, which entail much higher risks. The stockmarket is increasingly drying up the balances of the small and medium savers, Khan added.

Stock investors expect higher returns from the capital market than from banks. Their numbers, as per beneficiary owners' accounts, crossed 30 lakh in September, up from 15 lakh a year ago.

In April 2009, private banks set the deposit rate ceiling at 9.5 percent, down from 13 percent, following Bangladesh Bank's order to reduce the lending rate then at an average 14.5 percent. In August last year, they capped deposit rates at 8.5 percent.

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## Regulator okays AIMS dividend

**STAR BUSINESS REPORT**

The stockmarket regulator has approved the AIMS 1st Mutual Fund's rights offer and bonus dividend, said an official yesterday.

On February 24, the trustee committee of AIMS 1st Mutual Fund announced 70 percent stock dividend for 2007-08 and 2008-09 and a 130 percent rights entitlement.

The committee proposed the rights offer, 13 units of Tk 1 each, against a holding of 10 units of Tk 1 each, at a price equal to the net asset value of a unit of the fund.

The approval came after the Securities and Exchange Commission (SEC) decided not to appeal against a High Court verdict that had declared illegal the regulator's earlier rejection of the dividend announcement.

"Showing respect to the court's verdict and considering the greater interest of investors, the commission has decided not to appeal against the verdict," said Mansur Alam, SEC member.

"We are very happy for the magnanimity shown by SEC in relieving anxiety of the investors of this mutual fund," said Yawer Sayeed, managing director of AIMS of Bangladesh, the manager of the fund.

On October 5, the HC directed SEC to approve the fund's proposal for offering rights issues and declaring bonus dividend. The court handed down the verdict after hearing a writ petition filed by Md Abdul Hossain, a stock investor.

## Roadworks halt Akhaura port

**OUR CORRESPONDENT, Brahmanbaria**

Road reconstruction by Agartala Land Port will halt export and import activities through Akhaura Land Port for seven days from today.

The Indian port will reconstruct a 400-metre long road, says a letter sent by the Agartala port to the authorities of Akhaura port yesterday.

The pause in trade activity will cost the port Tk 80 lakh in lost revenue a day, said Md Abul Basar Chawdhury, assistant land customs officer of Akhaura port.

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