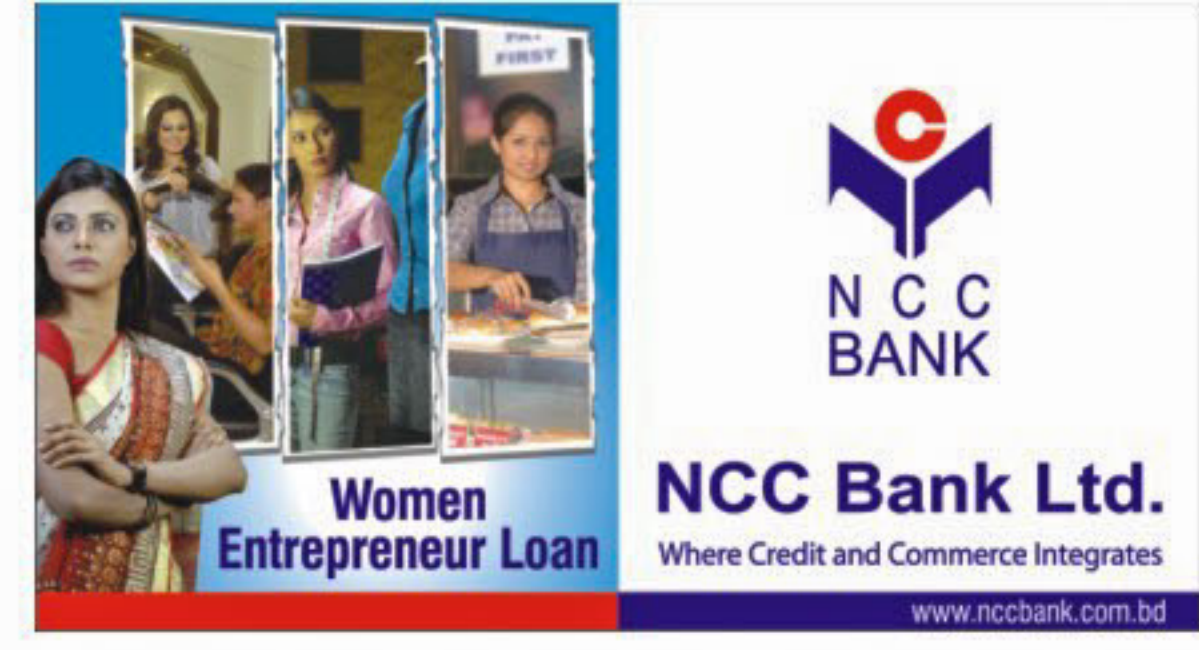


STOCKS		COMMODITIES		ASIAN MARKETS			
DGEN	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 5.10%	▲ 4.94%	\$1,428.00 (per ounce)	\$104.84 (per barrel)	▼ 0.77%	▼ 1.46%	▼ 0.56%	▼ 1.50%
6,639.18	12,092.79			18,327.98	10,434.38	3,075.44	2,957.14

CURRENCIES				
	USD	EUR	GBP	JPY
BUY TK	72.15	98.07	114.74	0.86
SELL TK	73.15	103.46	120.38	0.94



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Star BUSINESS

DHAKA FRIDAY MARCH 11, 2011, e-mail: business@thedailystar.net

BB revs up fight against inflation

REJAUL KARIM BYRON

Bangladesh Bank (BB) yesterday increased repo and reverse repo rates by 0.5 percentage points to slow credit growth in a bid to contain inflation.

The new move came a day after the central bank lifted the lending cap. Executives of commercial banks and a former governor of the central bank have backed the move.

The central bank increased the interest rate on repo to 6 percent, which was 5.5 percent earlier.

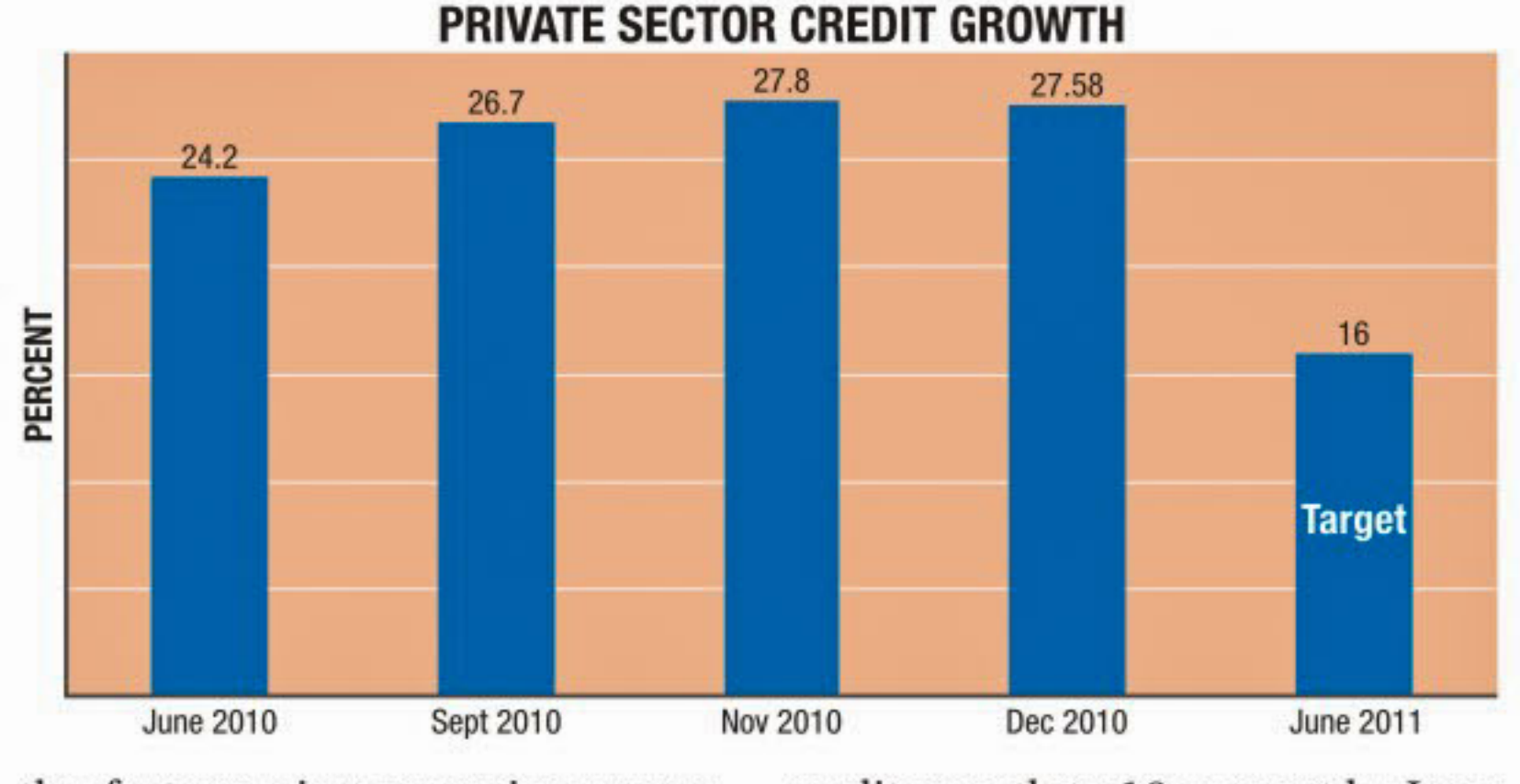
The repo rate is the interest rate at which the central bank lends money to commercial banks. The reverse repo rate is the return banks earn on excess funds parked with the central bank.

The rate of interest on reverse repo was hiked by 0.5 percentage points to 4 percent. A central bank circular said the new rates of interest will come into effect from Sunday.

On Sunday the BB withdrew 13 percent lending cap on the rate of interest on credit.

The bankers said the moves will make credit costlier. In January the BB in its Monetary Policy Statement (MPS) indicated repeatedly that it will hike the policy interest rate to contain inflation.

The MPS said: "All central banks in our immediate neighbours and in



the fast growing emerging economies of the East Asia are acting decisively to curb inflationary pressure from excessive monetary expansion, with repeated rounds of hikes in both policy interest rates and Cash Reserve Requirement (CRR)".

The MPS also said the recent rates of growth in the credit to the private sector are high and well out of line with likely growth trend in nominal GDP (gross domestic products).

It said, getting to a firmer grip on monetary expansion is an unavoidable necessity.

In the recent times, inflation is rising in almost every month. In January, alongside food inflation, non-food inflation started going up, ringing an alarm bell in the BB.

In July last year, in the first MPS of the current fiscal year, the BB set a target of cutting down private sector

credit growth to 16 percent by June next from 24 percent in June. But instead of coming down, the credit flow went up every month and in December the private sector credit growth stood at 27.58 percent.

Earlier the BB increased repo rate in September last year, and in December it hiked CRR to bring down the rate of credit growth.

Association of Banks, Bangladesh President K Mahmud Sattar said, after the central bank gave a contractionary signal in the market, the repo rate had to be increased. He said the withdrawal of the lending rate cap is a good decision on the part of the central bank.

Former BB governor Salehuddin Ahmed said the BB will have to remain alert so that the banks after borrowing through repo do not use the money in unproductive sector.

Rice prices mark a fall

SOHEL PARVEZ

Rice prices mark a decline amid a lack of demand in the wake of expanded government operations to sell the staple at subsidised prices.

The respite from a continuous spiral is also backed by a dip in prices of paddy on prospect of a good harvest of the principal crop, boro, towards the end of next month.

Coarse rice leads the fall. The prices of medium and fine quality rice also declined amid a drop in demand.

Traders say the prices may go down further if the government continues its intervention in the market through measures such as open market sale, ration, fair price cards and food for work programme.

Now coarse rice sells at Tk 34-Tk 36 each kilogram at retail level, down from Tk 35-Tk 37 a week ago, a record high price that continued since the beginning of 2011, influenced by high prices of grains on the international market and a low stocks.

The prices of medium and fine varieties dipped Tk 0.5-Tk 1 per kg at city markets yesterday, according to state-run Trading Corporation of Bangladesh.

"It seems that the rush for buying rice is over. There have been a few buyers in the mill gate for the last 12-14 days," said KM Layek Ali, convener of Bangladesh Auto, Major and Husking Mill Owners' Association.

The millers and traders said panic buying on worries of further escalation in prices had helped the rice



prices, transplanted boro paddy to enjoy another bounty following the past three seasons.

"The field-level situation is good. A low price of fertiliser and better prices of rice have encouraged the farmers to stay with boro rice cultivation," said Md Habibur Rahman, director general of Department of Agricultural Extension (DAE).

The traders also expect a good harvest unless there is adverse weather, and the prospect of a better output now impacts the paddy market.

The prices of coarse paddy and aromatic varieties declined due to a lack of demands among the millers.

Guti Shwama, a coarse paddy variety, sells at Tk 800-Tk 810 per maund (37.320 kilogram) from Tk 850 two weeks ago, said two paddy traders in two upazilas of Naogaon, a rice hub in the north.

The prices of paizam and other fine varieties of paddy also slipped.

"People bought much to keep stocks at that time, fearing a further spike in prices. That demand has declined," said Belal Hossain, managing director of Nadia Food & Agro Ltd that runs auto rice mills.

Nirod Boron Saha, president of Naogaon Dhan-o-Chal Aratdar o Babosayee Samity (an association for paddy and rice stockists and traders), said various government programmes helped the market calm down.

"If the government continues the operations until the next harvest, the prices may decline further."

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Stocks keep momentum

STAR BUSINESS REPORT

Stocks kept the upbeat momentum for the sixth day as the big fund and buy-back system inspired investors to inject fresh cash into the stockmarket.

The board of Investment Corporation of Bangladesh (ICB) on Wednesday approved proceedings on their part to generate funds for the much-hyped Bangladesh fund, which also boosted the investors' confidence to go on a buying spree.

Earlier, the government gave Tk 600 crore loans to the ICB to buy shares in a bid to stabilise the stockmarket.

Khairul Hossain, chairman of ICB, said: "We have the required liquidity and we are capable to repay the loans on schedule."

Daily turnover on the Dhaka Stock Exchange stood at Tk 1,492 crore yesterday, up Tk 249.39 crore, from the previous session of trading.

The benchmark general index of the Dhaka Stock Exchange (DGEN)

advanced by 322 points, or 5.1 percent, to close at 6,639. The selective price index of Chittagong Stock Exchange gained 569 points, or 4.9 percent, closing at 12,092.

Meanwhile, United Commercial Bank decided to sponsor the UCBL infrastructure fund of Tk 1,000 crore, where it has a stake of Tk 100 crore, subject to approval from SEC and other regulatory bodies. The Asset Manager for this fund will be Alif Assets Management.

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