

Rising inequality saps growth, Muhith warns

STAR BUSINESS REPORT

Finance Minister AMA Muhith yesterday warned saying that rising inequality could stop the country's growth potential.

"It (inequality) is an impediment to progress and needs to be addressed immediately," Muhith told a seminar co-organised by the newly established Dhaka School of Economics and Bangladesh Economic Association at the Palli Karma-Sahayak Foundation (PKSF).

"Effective demand is not growing because of the gaping inequality and it will stop growth at one stage," said the minister.

He, however, admitted that it is not easy to address the problem.

Quazi Mesbahuddin Ahmed, chairman of PKSF, presided over

the event while Managing Director Quazi Mesbahuddin Ahmed presented a paper on 'Macroeconomic performance: vision, realities, strategies, constraints and future prospects'.

Sadiq Ahmed, vice chairman of Policy Research Institute and a former World Bank official, spoke on the paper. The seminar will run for five days and make recommendations for the government.

Besides inequality, the finance minister spotlighted issues such as poor foreign investment inflows, rising population, inefficient land use, food insecurity, low productivity and soaring fuel oil price which according to the minister are major challenges to macroeconomic stability.

Quoting the latest household income and expenditure survey, Muhith said though Bangladesh has achieved remarkable success in reducing poverty, growing inequality is posing a big threat to the development.

"Steps need to be taken immediately, otherwise unmet demands of the poor will stop the growth," said the minister.

On poor foreign investment and donor fund flows, Muhith said Bangladesh's expenditure is almost met by domestic resources, which is creating a pressure on the economy and the banking sector.

He cited the example of deposit-lending ratio that has exceeded the regulatory limit and thrown the banking system

into volatility. This lending is also fuelling the inflation. The power sector is consuming huge amount of domestic finances, he added.

Of the cost estimated for the sixth five year plan (2011-15), 92.5 percent will come from the domestic sources, which the minister sees as 'impossible'.

"Even the contractor of the elevated expressway is trying to get fund from the Bangladesh sources," said Muhith.

On food security, the minister urged the people to diversify the crops to add more value. About fuel oil prices, the minister said a rise in the price affects the macro-economy badly.

He said inefficiency and corruption are eating up the capacity and productivity of

the nation. On the much-talked-about remittance, Muhith said it will not go down in today's world.

The minister said an effective land use policy is important, as people need to know how they will use their lands for industries and other purposes.

Sadiq Ahmed was upbeat about the implementation of the public private partnership as many countries, including India, have implemented it.

Alim said volatile stockmarket, soaring inflation, rising imports, declining remittances and exchange rate are some of the major emerging challenges for Bangladesh.

Kholiquzzaman urged economists to devise a mechanism to identify 'tolerable inflation'.



VIDYUT
Morali Mohan, general manager (sales), Middle East and South East Asia of Vidyut Ltd, and Prasanna Ota, country director of Vidyut Bangladesh Pvt Ltd, launch the triple blade disposable razors of the company, Vidyut Hattrick, in Dhaka on Friday.

Probe report fears weigh on weekly stocks

STAR BUSINESS REPORT

Share prices dropped for a second week as investors went for massive sell-offs speculating a further fall in the stockmarket.

The benchmark general index of Dhaka Stock Exchange (DGEN) lost 193 points, or 3.03 percent, to close at 6,192 points last week.

Investors feared that the market would fall further when the government publish the probe report," said Reaz Islam, chief executive officer of LR Global.

Many small and institutional investors are facing a credit crunch as the money market remained tight which contributed to a lower turnover this week, he added.

The institutional investors were not going to buy shares, while some investors, who are liable for the stockmarket debacle, are trying to create a volatile situation in the market, said insiders.

During the five trading sessions last week, only the last gained, while the first four sessions lost 291 points.

However, the commission approved the trust deed and investment management agreement of Tk 5,000 crore Bangladesh fund last week.

Of 264 issues traded, only 44 advanced and 217 declined while three remained unchanged during the week.

Daily average turnover on the DSE stood at Tk 667 crore, down Tk 337 crore from the previous week.

Among the major sectors, nearly all sectors except life insurance declined, which gained marginally by 0.46 percent.

Banks lost 1.55 percent, non-bank financial institutions 5.02 percent, general insurance 5.67 percent, telecoms 4.28 percent, pharmaceuticals 1.69 percent, fuel and power 2.06 percent, cement 5.52 percent and tannery 2.41 percent.

ACI Formulations was the week's top gainer, posting a 32.84 percent rise following its corporate declaration of 30 percent bonus share.

Beximco Limited topped the week's turnover list with shares worth Tk 102.55 crore changing hands.

The other turnover leaders were Malek Spinning Mills, Aftab Automobiles, Bextex, BSRM Steels, Titas Gas, DESCOP, United Airways, AIMS First Mutual Fund and RN Spinning Mills.

City General Insurance was the worst loser of the week, slumping by 40.48 percent.

Microsoft bumps pay to keep top talent

AFP, San Francisco

Microsoft said Friday it was raising pay for employees to retain "top talent" in the fiercely competitive market for skilled technology workers.

"Through our history, we have been THE place people came when they wanted to make a difference in the world through software, hardware and services," Microsoft chief executive Steve Ballmer said in a statement.

"This is as true today as it has been at any time in our history, and the changes we're rolling out today will help ensure Microsoft continues to be the place that top talent comes to change the world."

A Microsoft spokesman would not disclose the amount of the wage hikes or how they were being doled out.

The raises come as Internet titans and fledgling startups compete for software and hardware engineers.

Microblogging service Twitter said it was taking new hires on weekly.

Sony to delay earnings report due to quake

AFP, Tokyo

Sony said Friday it would announce its annual results on May 26, more than a week later than usual, as the firm assesses the impact of the March 11 earthquake and tsunami on its business.

"We have decided to delay the announcement date to analyse in details what impact the disaster might have on our business," said a Sony spokeswoman.

The 9.0-magnitude earthquake and tsunami destroyed many factories in various business sectors and small parts makers along the Pacific north-east coast.

The region's economy was also hit hard by the crisis at a nuclear power plant crippled by the disaster which has affected electricity supplies.

Firms listed on the Tokyo Stock Exchange usually must release their earnings by May 15 but the bourse allowed firms to delay their announcements to account for the damage done to their business by the twin disaster and nuclear crisis.



Kanghyun Lee, managing director of Samsung Electronics for Dhaka Branch Office, inaugurates its first-ever Mobile Privilege Partner in Dhaka with cutting a ribbon recently

It's mistrust that hurts trade in South Asia

FBCCI chief speaks at South Asian Countries SME Forum

STAR BUSINESS REPORT

Mistrust among South Asian neighbours has hurt trade and cooperation for long and regional countries cannot help each other, without overcoming the barrier, said speakers at a conference yesterday.

The speakers stressed that enhancing bilateral and multi-lateral trade and cultural exchanges might be a plausible way out of the longstanding problem.

"Trade volume between Bangladesh and other South Asian nations is only 5 percent of our total international trade. And

behind this, there is no major trade barrier such as tariff or anything. It's a psychological barrier, instead," said AK Azad, president of Federation of Bangladesh Chambers of Commerce and Industry (FBCCI).

"The governments of South Asian countries, especially India, should consider efforts to open up ways of more human mobility across the neighbouring nations. We hope it will not only benefit the neighbours, but also guarantee greater mutual benefits," he said.

Azad spoke at the second South Asian Countries SME (small and medium enterprise)

Forum Conference 2011, organised by the National Association of Small and Cottage Industries of Bangladesh (NASCIB) at Pan Pacific Sonargaon Hotel in Dhaka.

Aftab-Ul Islam, chairman of SME Foundation, said the South Asian neighbours are not in a position to reap the full benefit of coexistence with each other because of less connectivity.

"We cannot tap the huge potential of inter- and intra-trade opportunities possible among our neighbours, whereas lifestyle and consumer behaviours are homogenous in all south Asian countries," he said.

"Simultaneously, problems and prospects of the small and medium industries are also identical in these countries, which make a common ground of mutual cooperation," said Islam.

Dilip Barua, minister of industries, stressed the need for finding solutions to challenges that the SME sector is facing now, including access to finance, high bank interest rate, and poor marketing facility.

A total of 30 member-delegates from eight countries participated in the conference.

This year, Bangladesh has

been elected as the chair of the South Asian Countries SME Forum, which was established in 2005 in India.

The objective of the forum is to promote and encourage increased trade, commerce, investment, technical and economic cooperation among member countries of the Saarc [South Asian Association for Regional Cooperation], said Sheikh Mohammad Abdus Sobhan, president of NASCIB, and also new president of the forum.

Samir Gupta, the immediate past president of South Asian Countries SME Forum, and Ahsan Kabir, vice president of NASCIB, also spoke.

Thailand keen on investment in Bangladesh

DIPLOMATIC CORRESPONDENT

Thai Prime Minister Abhisit Vejjajiva has conveyed to the Bangladesh ambassador to Thailand special interests of his country's private sector to invest in Bangladesh.

Thailand has an intention to promote cooperation with Bangladesh in "all dimensions and at all levels", said Vejjajiva when Bangladesh Ambassador Kazi Imtiaz Hossain called on him at the Government House in Bangkok on April 21.

Turning to the Thai private sector's investment in Bangladesh, Vejjajiva noted that the engagement of the Italian-Thai Development Public Company Limited in the expressway construction project "Dhaka Elevated Expressway Project" is an example of growing economic cooperation between the two countries.

The Bangladesh ambassador briefed the prime minister on the prospective areas for foreign investment, including power and energy sectors, in Bangladesh. Noting that Bangladesh has a rich reservoir of labour force, Hossain requested Vejjajiva to consider recruiting from Bangladesh.

The Bangladesh ambassador also raised and discussed a wide range of issues of mutual interest with the Thai prime minister. He noted that the present government of Bangladesh is keen to strengthen and deepen relations with Thailand in all spheres.

Observing that the Italian-Thai project is a landmark in the Bangladesh-Thailand cooperation, Hossain hoped that it will usher in a new phase in investment relations between the two countries.



PERSONA
Chittagong City Mayor Manjurul Alam Monju inaugurates an outlet of beauty parlour Persona in the port city on Friday. Persona's Chairman Hossain Nasrat Ali Khan and Managing Director Kaniz Almas Khan were also present.