

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES				
DGEN	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	JPY	
2.78%	2.75%	\$1,524.00	\$98.62	0.91%	0.57%	1.18%	0.91%	73.25	103.31	118.48	0.89	
5,292.53	9,517.02	(per ounce)	(per barrel)	17,847.24	9,422.88	3,118.65	2,741.74	BUY TK	73.39	103.53	118.74	0.89

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DHAKA THURSDAY MAY 26, 2011, e-mail:business@thedailystar.net

Cash crunch continues

SAJJADUR RAHMAN

Money markets remain volatile to the growing demand of banks' for liquidity, bolstered by an increase in government borrowing through treasury bills and bonds.

The inter-bank call money rate reached 12 percent yesterday, the rate the Bangladesh Bank (BB) capped in December last year after it reached more than 160 percent.

"What is important for the money market is liquidity. The volatile situation will not improve unless the BB sells adequate amount of liquidity against demands of the commercial banks," said a senior treasury official of a private commercial bank (PCB). Officials in different PCBs said they demand Tk 30,000-32,000 crore everyday through repo, by which the central bank sells cash to the banks. But they get only Tk 7,000-8,000 crore, of which Tk 5,000-6,000 crore is assured liquidity provided only for the primary dealer banks.

Some 6-7 banks that have lent beyond their capacities are in severe liquidity crunch following the BB directive on bringing down the loan-deposit ratio to 85 percent by June.

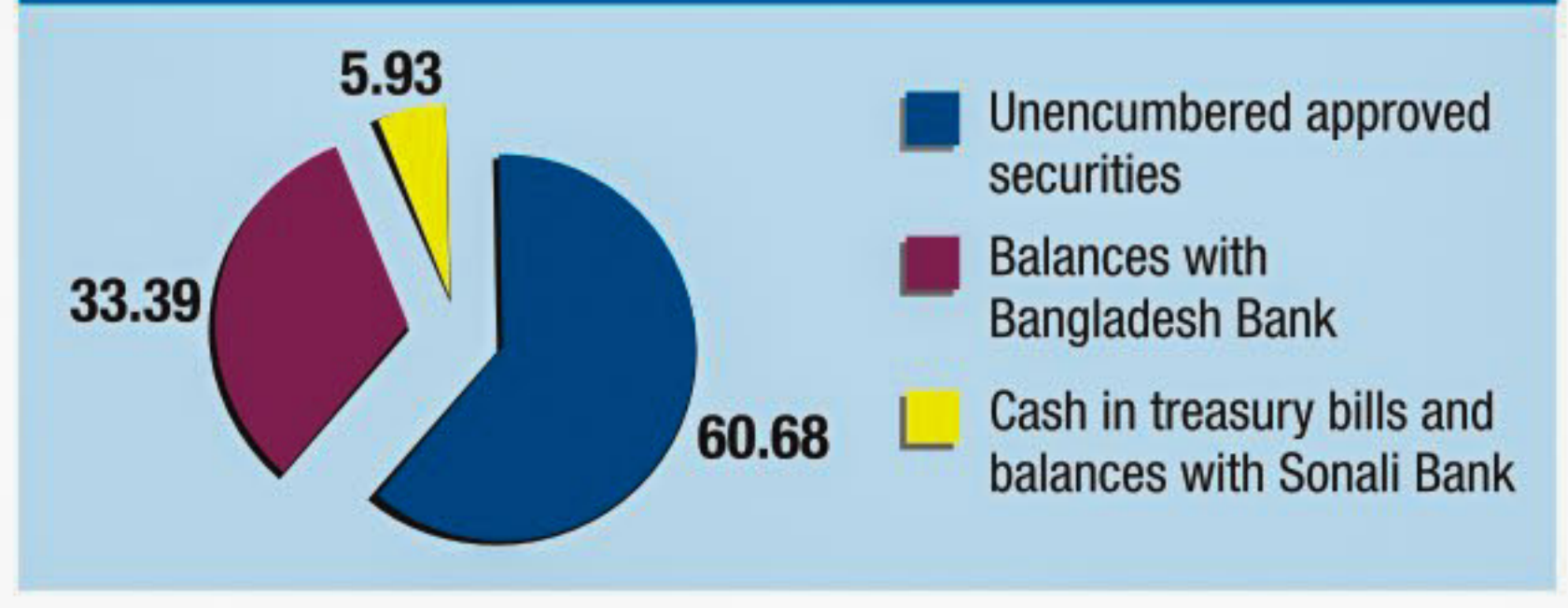
The ongoing liquidity crisis has affected not only the banks, also the stockmarket, industries and importers. Many banks are now unable to pay against a large or a mid-sized LC (letter of credit).

The central bank, however, holds differing views on the pressure in the money market. It says the liquidity crisis was due to the inefficiency of the PCBs' fund management.

"The banks fell into liquidity crisis due to their inefficient fund management. The Asset-Liability Committee headed by the chief executive officers failed to perform prudently," said Jahangir Alam, executive director of the BB.

He said some banks gave loans to

Sectoral distribution of total liquid assets in percentage (As on end-March 2011)



industries, which are unsure of getting electricity and gas connections.

"Banks have given loans to new CNG stations, which are not getting gas supplies," Alam, also the in-charge of the Banking Regulations and Policy Department of the BB, said, citing an example.

Now these banks are in troubles to maintain the loan-deposit ratio within the ceiling of 85 percent by next month. Many banks are offering 13.5 percent interest for deposits to comply with the obligation.

But the bankers find other reasons for the current pressure in the money market. They said the growing government borrowing from the banking sector and a huge demand for money arising from the soaring prices of commodities on international markets led to the crisis.

The government has already borrowed Tk 11,000-12,000 crore from the banks and the trend continues, said the bankers.

The private bankers also differed with the central bank's calculation and publicity on the excess liquidity.

"How much of this excess liquidity is in cash? I have to maintain CRR (cash reserve requirement) in cash," said an aggrieved official who heads treasury department of a private bank that is also a primary dealer.

He said, if the BB says there is Tk

28,000 crore excess liquidity in the market, the cash is not more than Tk 3,000 crore. "About Tk 25,000 crore of this liquidity is in treasury bills and bonds," he pointed out.

According to private bankers, the primary dealer banks are in great troubles, as they have to meet regulatory obligations in the form of investing in treasury bills and bonds.

"I have nearly Tk 1,400 crore excess holding in treasury bills and bonds and now I have to borrow at higher rate to maintain the CRR and provide money to borrowers," said the official of the dealer bank.

A chief executive of a private bank said he disagreed with the BB on the score of poor fund management by banks, rather credit exceeded deposit due to a surge in demand.

"We had to open large LCs for cotton, raw sugar, petroleum and equipment for power plants at three times higher prices compared to last year," said the CEO, requesting he not be named.

The good news is that the signs of recovery have shown up recently, said Helal Ahmed Chowdhury, managing director of Pubali Bank. "The situation has improved except for a few banks that had greatly mismanaged their funds," he added.

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Market fall sets off protests

STAR BUSINESS REPORT

Stocks plunged back into the red, only after a day's gain, forcing frustrated investors to stage protests on the Motijheel streets yesterday as the premier bourse suffered a 151 points fall.

The agitating investors also threatened to stage a sit-in in front of the Dhaka Stock Exchange for an indefinite period from today.

They blocked the road from the Ittefaq crossing to Shapla Chatter and halted traffic for about an hour.

They chanted slogans condemning Finance Minister AMA Muhih, Bangladesh Bank Governor Atiur Rahman and DSE President Shakil Rizvi, demanding their resignation.

"I lost Tk 15 crore of my total investment of Tk 20 crore," said Abu Siddique, a retail investor, who was among the protesters.

Referring to the liquidity crisis in the money market, he said the central bank is the money market regulator, but it remains silent about steps on easing the liquidity crunch in the money market.

Everyone knows that the liquidity crisis in the money market has its impact on the stockmarket, he said.

"The central bank and the government should take initiatives to increase credit inflow in the money market so that it helps the stock market to come back to normalcy," he added.

Faruk Ahmed, another retail investor, said: "I bought GP shares at Tk 250 each, but the price came down to Tk 138 [yesterday]. I don't know what I should do now."

"We will have no other means but to resort to begging on the street," said Shelly Ahmed, another frustrated investor.

The general index of the Dhaka



Investors shout slogans on the Motijheel streets in the capital yesterday as the premier bourse suffered a 151-point fall.

Stock Exchange yesterday came down to 5,229 points, registering 2.78 percent decline.

Arif Khan, managing director and chief executive officer of Zenith Investment Ltd, said, "Credit crisis hits the market badly; as a result, the individual and institutional investors have no buying power."

"Most of the commercial banks have increased the deposit rate. It seems that they are facing a credit crunch," said Khan, also former president of Bangladesh Merchant Bankers Association.

Khan said the government should take immediate steps to increase credit flow into the market to increase the buying power of investors.

"Lack of credit support pushed the market to go down, although

most of the share prices look lucrative for investment," said Reaz Islam, chief executive officer of LR Global. He said the secondary market needs fresh money support.

Of the traded issues on the DSE yesterday, only 15 advanced, while 238 declined and three remained unchanged. The prime bourse traded more than 3.97 crore shares and mutual fund units on a value of Tk 234.24 crore.

The Selective Categories Index of Chittagong Stock Exchange dropped 269 points, or 2.7 percent, to 9,517.

Of the traded issues, 11 advanced and 182 declined with three remaining unchanged on the port city bourse, which traded more than 71.88 lakh shares and mutual fund units worth Tk 45.65 crore.

KH Lee, managing director of Samsung Electronics, poses with the company's latest cellphone, E2530, at its launch at Dhaka Regency Hotel yesterday. The set is priced at Tk 4,990. Story on B3



Santos rolls out \$100m plan for gas exploration

STAR BUSINESS REPORT

Energy-starved industries in Chittagong could see their nagging gas crisis improve next year as energy company Santos rolled out a \$100 million investment plan to drill three new wells in the Bay of Bengal.

The Australia-based gas and oil exploration firm said yesterday it plans to spend over \$100 million beginning in the last quarter this year to drill three wells in Block 16 in the Bay of Bengal.

The wells will target new pools of gas not intersected by the existing Sangu field development that Santos operates.

Of the three wells, Sangu-11 will be drilled from the Sangu platform and if successful, the port city will get some relief, said John Chambers, president of Santos Sangu Field Ltd.

Chambers was speaking at a media briefing at Sonargaon Hotel in Dhaka to announce his company's upcoming plans in Bangladesh. Ajay Nambiar, vice president (planning) of Santos, and ABA Siraj Uddowlah, vice president (government and public affairs), were also present.

Chittagong now receives about 216 million cubic feet of gas a day (mmcf), which is nearly half of the demand. If the drilling of the three wells turns out successful, the company will be able to supply 50 to 60mmcf in addition to 16mmcf it supplies now.

The officials of Santos said Sangu hubs could deliver up to 500mmcf, as the region is well-placed to bring new gas to Chittagong market. "We have infrastructure and are bold to invest. But the government has to make the PSC (production sharing contract) investment-friendly to allow the market set the price," Chambers said.

The other two wells will target prospects approximately five kilometres away from the Sangu platform.

Study works out costs of carbon cut efforts

STAR BUSINESS REPORT

Bangladesh will require an investment of \$26.6 billion in the years to 2030 to cut carbon emission in the energy sector for mitigating the effects of climate change, according to a study released yesterday.

The investment to trim down carbon emission will require in the areas of coal production, electricity generation through coal and gas, transmission and distribution, transport, brick kilns and industries that use boilers and motors, it says.

The study -- assessment of investment and financial flows to address climate change -- predicts that the use of coal will rise in the coming years as the govern-

ment aims to generate electricity by coal.

The demand for coal will rise because of its increased use at brick kilns, says the study unveiled at a workshop at CIRDAP in Dhaka. The Ministry of Environment and Forest in cooperation with United Nations Development Programme (UNDP) organised the event.

Researchers involved in the study said they have used various government's long-term documents and papers including power and gas sector master plans, Perspective Plans 2010-2021 and Strategic Transport Plan to make the forecast of required investment.

Iftekhar Hussain, who led the team to assess the requirement of investment

and financial flows to cut energy sector related carbon emission, said the estimate was based 'purely on accounting method.'

But he said the estimate may change because of the changes in the context and plans of the government.

"The document is a beginning," he said at the workshop.

Secretary to the environment ministry Mesbah-ul-Alam, UNDP Representative in Bangladesh Stefan Priesner and Chairman of Palli Karma-Sahayak Foundation (PKSF) Qazi Kholiquzzaman Ahmad also spoke, among others.

According to the estimate, the share of coal in carbon emission will be 32 per-

cent by 2030 from 17 percent now due to increased use of the black mineral, while that of natural gas will drop from 62 percent now to 53 percent.

Mesbah-ul-Alam said the assessment provides an idea about the present and future position and helps determine the gap in investment required to address the issue of climate change.

"It will help open the discussion. But this should not be considered as a comprehensive assessment. We are just working on it," he said.

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