

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES				
DGEN	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	JPY	
1.48%	1.35%	\$1,520.00 (per ounce)	\$97.20 (per barrel)	0.23%	1.05%	Flat	1.10%	74.00	104.94	119.49	0.92	
5,817.29	10,408.14			18,308.66	9,547.79	3,057.39	2,730.04	BUY TK	75.00	111.25	125.25	1.00

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star BUSINESS

DHAKA WEDNESDAY JUNE 15, 2011, e-mail: business@thedailystar.net

BB builds up fight against inflation

Repo, reverse repo rates go up 50 basis points

REJAUL KARIM BYRON

The Bangladesh Bank (BB) yesterday again increased repo and reverse repo rates by 50 basis points -- the third attempt in about one and a half months -- to rein in credit growth and inflation.

The central bank hiked the interest rate on repo to 6.75 percent from 6.25 percent. The latest increase comes into effect today, according to a central bank circular.

The rate of interest on reverse repo was raised to 4.75 percent.

A repo rate is the interest rate at which the central bank lends money to commercial banks, while a reverse repo rate is the interest rate earned by a bank for lending money to the central bank in return for government securities.

A rise in the reverse repo or repo rate means a squeeze on credit from financial institutions to the private sector, which makes loans costlier.

Earlier, on April 26 the repo and reverse repo rates were increased by 25 basis points, while on March 13, the rates saw a rise of 50 points.

The BB also increased cash reserve requirement (CRR) on December 15 last year.

The latest central bank move came at a time when both inflation and credit are on a continuous rise despite different measures against such increases.

According to Bangladesh Bureau of Statistics (BBS) data, the overall inflation edged down slightly to 10.20 percent in May, when food inflation also slowed down a little but non-food inflation marked a rise.

Non-food inflation rose to 4.78 percent in May from 3.97 percent in the previous month.

In a bid to check inflation, the central bank took several steps to contain the private sector's galloping credit growth, which still remains high.

In April, the private sector credit growth was 28.98 percent, up from 27.58 percent in December last



year.

In July last year, in the first Monetary Policy Statement of the current fiscal year, the BB set a target of trimming down the private sector credit growth to 16 percent by June this year from 24 percent in June 2010.

Bankers said the moves will make credit costlier. In January, the central bank indicated that it would hike the policy interest rate to contain inflation.

An official of the BB said, now it has become a main challenge for all

developed and developing countries to keep inflation stable.

As the economic growth is still slow due to the impacts of global recession, only the USA and the UK have not yet increased their interest rates. But the central banks of European Union, China and India have raised their policy interest rates several times.

From January this year, the central bank of China hiked interest rate four times, while India did it nine times.

Mobile users cross 75m

ABDULLAH MAMUN

Mobile phone subscription has crossed 75 million, according to the country's telecoms regulator.

Grameenphone had 33.261 million, Banglalink 20.047 million, Robi 14.350 million, Airtel 4.911 million, Citycell 1.747 million and Teletalk 1.166 million subscribers at the end of May, according to Bangladesh Telecommunication Regulatory Commission (BTRC).

Abu Saeed Khan, secretary general of Association of Mobile Telecom Operators of Bangladesh, said there is nothing to celebrate about the current subscription growth. "The whole industry is plagued with many policy impediments," he said.

The market achieved the growth after dealing with a lot of barriers, Khan said.

He listed the barriers: SIM tax, uncertainty over licence renewal, spectrum management, technology-neutrality issue, sectoral and non-sectoral taxation.

"The growth could be much more," Khan said, adding the investors are keen to invest here. "And the government's job is to allure them."

The industry insiders said the high SIM tax has slowed subscription growth. Currently, the operators are paying Tk 800 for every SIM, excluding 15 percent VAT, to the state coffers. For fiscal 2011-12, the government has proposed Tk 600 in SIM tax.

Stocks swing down

STAR BUSINESS REPORT

Dhaka stocks finished lower yesterday, despite a bullish start.

After going up more than 60 points, the key index swayed several times until it closed down 87 points, or 1.5 percent, due to selling pressure on Dhaka Stock Exchange. At the end of the four-hour trading session, the benchmark index slumped to 5,817 points.

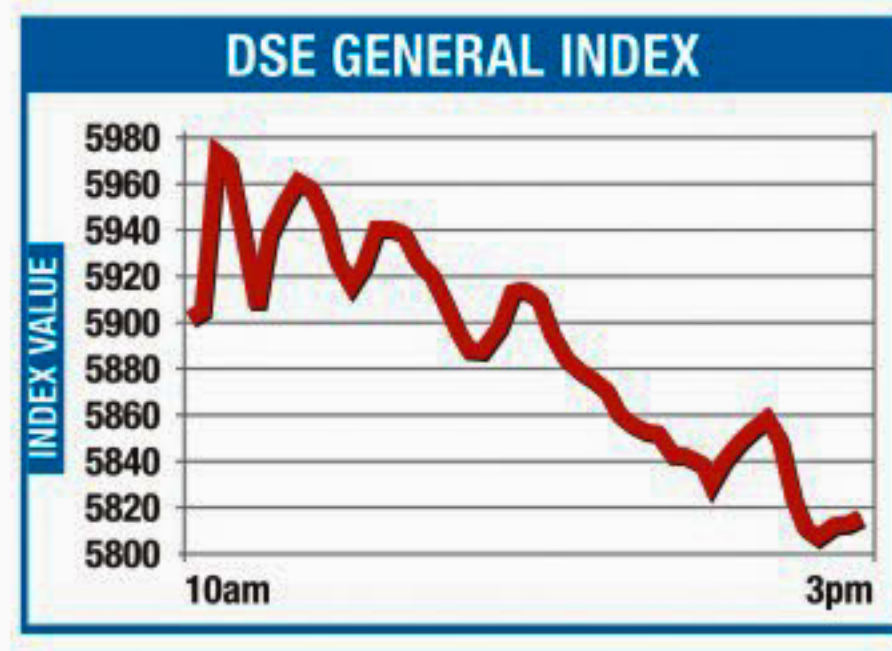
Insiders said the trading pattern in the post-budget days showed that investors remained sceptical that the market was not a safe place to invest in.

For three days of trade after the budget announced by Finance Minister AMA Muhith, the market went through big swings -- up and down -- with a big fall on Sunday.

"Mixed feelings among investors made investment difficult," Green Delta Securities Limited said in its daily market analysis.

There were only 28 gainers on the trading board, while 219 securities declined and four remained unchanged on the premier bourse.

Turnover was slightly greater than the previous day and stood at Tk 606 crore on a transaction of more than 7.46 crore



shares and mutual fund units.

Although the banking stocks lost 0.89 percent on average, the bellwether sector accounted over 40 percent of the turnover value.

The non-banking financial institutions lost 2.46 percent on average, while the fuel and power sector declined 1.51 percent, and Grameenphone that represents the telecom sector fell 1.94 percent.

The stocks in Chittagong also slid yesterday, with the Selective Categories Index of the port city bourse declining 143 points, or 1.35 percent, to 10,408.

Losers beat advancers 155 to 28, with six securities remaining unchanged on the Chittagong Stock Exchange that traded more than 1.38 crore shares and mutual fund units on a value of Tk 88.87 crore.

Two firms may get IPO nod

GAZI TOWHID AHMED

The securities regulator sits today for giving approval to the initial public offerings of a number of companies, including Rangpur Dairy and Food Products Ltd and Shurwid Industries Ltd.

The Securities and Exchange Commission is also due to give go-ahead to rights offers of several listed companies, said an official.

Rangpur Dairy & Food Products, popularly known as RD Milk, plans to offload more than 1.63 shares to expand business, with a face value of Tk 10 plus a Tk 15 premium, according to the company's prospectus.

The authorised capital of the company

is Tk 100 crore and its paid-up capital stands at Tk 23.66 crore.

The company's earnings per share were Tk 2.64 and net asset value Tk 20.53 until December 2010. Alliance Financial Service Ltd has been appointed as its issue manager.

Shurwid Industries, a manufacturer of polyvinylchloride (PVC) materials, will offload 1.4 crore shares with face value of Tk 10. It will use the proceeds for repayment of outstanding loan and as working capital.

The net tangible asset per ordinary share is Tk 12.40 as of September 2010 if the revaluation surplus is taken into account, it said. Its annualised EPS is Tk 1.10.

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