

STOCKS		COMMODITIES		ASIAN MARKETS		CURRENCIES	
DGEN	CSCX	Gold	Oil	MUMBAI	TOKYO	USD	EUR
0.74%	1.20%	\$1,572.50 (per ounce)	\$97.27 (per barrel)	1.00%	0.37%	74.25	102.95
6,562.91	11,877.70			18,596.02	9,963.14	GBP	JPY
						116.87	0.93
						BUY TK	75.25
						SELL TK	106.98
							120.83
							1.01



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DHAKA THURSDAY JULY 14, 2011, e-mail:business@thedailystar.net

Inflation soars past target



Inflation is on the rise, largely fuelled by high food prices on the international market.

REJAUL KARIM BYRON

The average inflation rate crossed the government's revised target of 8 percent last fiscal year due to high prices of food items, especially rice.

However, in the current fiscal year the government expects inflation to come down but economists are doubtful, saying inflation is likely to increase due to both international and domestic causes.

Last fiscal year, the government's original estimate was that inflation will remain within 6.5 percent on an average. Later it was revised to 8 percent.

According to Bangladesh Bureau of Statistics, the overall inflation rose to 8.80 percent in fiscal 2010-11 from 7.31 percent a year ago, while food inflation soared to 11.34 percent from 8.53 percent.

However, non-food inflation eased to 4.15 percent compared to the previous year's 5.45 percent.

On a point-to-point basis, the overall inflation fell slightly to 10.17 percent in June from 10.20 percent a month before.

Though food inflation fell slightly in June, non-food infla-

tion marked a rise.

Finance Minister AMA Muhith in his budget speech in June blamed the domestic price hike on abnormal increase in the prices of primary commodities and other items, including fuel, on the international market.

However, the government hopes inflation may remain within 7.5 percent on an average through the next fiscal year.

The finance minister in his budget speech also said the initiatives taken by the government to ensure food security would help contain the prices.

Bangladesh Bank Governor Atiur Rahman said most countries, including India and China, have adopted tight monetary policy. He expects the demand pressure to ease globally which may have a positive impact on the commodity prices.

In recent times, petroleum prices have started falling which will also have lessened pressure on inflation.

Zaid Bakht, research director of Bangladesh Institute of Development Studies (BIDS), said the government's target of getting the inflation figures down in the current fiscal year is not realistic.

He said the prices of various

commodities, including petroleum products and food, on the international market are still unstable.

Though rice production was good for three years in a row, this year's yield still remains uncertain. The aman production may adversely be affected by early monsoon. The government's macro-economic management will also push up inflation as the government borrowing is on the rise, and the central bank has so far failed to cut money supply, Bakht said.

On the other hand, exchange rate will also fuel inflation, he added.

In the current fiscal year, the government may adjust energy prices further to reduce spending on subsidies. All these will push up inflation.

Zahid Hussain, senior economist of the World Bank, said the main reason behind the rise in food prices is the increase in international prices. "Domestic monetary expansion also contributed."

Monetary growth in FY2011 has remained high and part of it came from the monetisation of deficit through government borrowing from Bangladesh Bank, he

said.

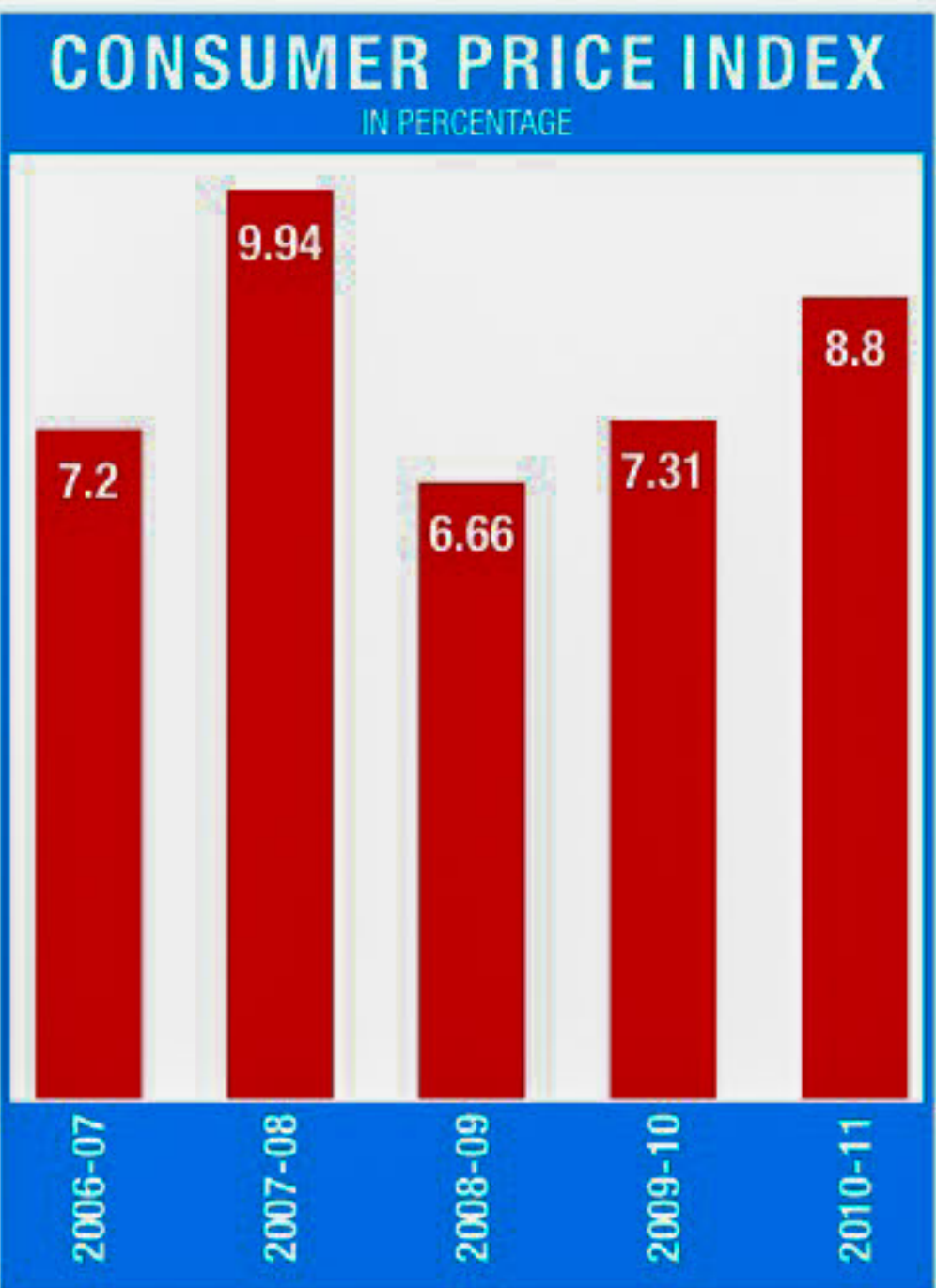
This year's increased monetary financing of deficit is a large turnaround that fuelled monetary expansion, Hussain said.

He also said he was expecting inflation to ease in the near future because of the *boro* harvest, somewhat stable global commodity prices due to the release of strategic oil reserves by the US, and a commitment to shrink money growth on the part of the central bank.

Internal disruptions due to shutdown and other untoward incidents may prevent *boro* harvest from bringing regional parity in rice prices within Bangladesh, thus taking away a bit of air from the downward trend in rice inflation.

As the unrest in the Middle East and North African countries is getting protracted, it is not clear how lasting the impact of US President Barack Obama's oil release will be on the global oil prices, Hussain said.

"We also have an expansionary fiscal policy stance. It will, therefore, not be easy to reduce inflation down to 7.5 percent as targeted by the government," he said, adding that monetary management will need significant tightening.



Beximco-Bextex merger gets court approval

STAR BUSINESS REPORT

Beximco and Bextex have won approval from the High Court for their earlier announced amalgamation.

According to separate postings on the Dhaka Stock Exchange, Beximco Textiles (commonly known as Bextex) will merge with Beximco, the flagship company of Beximco Group.

Bextex will be amalgamated with

Beximco at an exchange ratio of five Bextex shares for one Beximco share.

The record date for the exchange of shares has been set for July 31, and the amalgamation will be effective from August 1.

On the DSE yesterday, each Beximco share traded between Tk 181.50 and Tk 188, before closing at Tk 181.90, while each Bextex share traded between Tk 37.90 and Tk 40, before closing at Tk 38.20.

Bourses to get corporate finance wings

SARWAR A CHOWDHURY

The bourses will set up separate corporate finance departments by this month in line with a directive by the stockmarket regulator to ensure corporate governance and bring more transparency among the listed companies.

The initiative, meant for making the bourses the primary regulator, will also help the investors in getting financial information or corporate disclosures more accurately.

Activities at the departments would start next month, as the Dhaka and Chittagong stock exchanges have agreed to follow the advice of Securities and Exchange Commission.

The regulator and the two stock exchanges yesterday sat at a meeting, presided over by SEC Chairman M Khairul Hossain, where the bourses agreed to set up corporate finance departments. The SEC commissioners, and presidents and chief executive officers of the bourses were present at the meeting.

The major task of the departments would be examining financial reports submitted by the listed firms, which are required to disclose financial statements in every three months.

There have been allegations that many listed companies inflate financial reports by showing higher earnings and profits, especially when they submit un-audited quarterly reports. But, when the reports are annualised and audited, huge anomalies are detected.

Another task of the corporate finance departments will be to check whether the listed companies are complying with the corporate governance guidelines set

by the SEC.

The departments will also examine the existing listing rules.

Prior to the launch of the new wings, the bourses will have to appoint professional accountants and financial analysts so they can efficiently detect any financial jugglery in the statements.

The move will also lower the practices of financial manipulation and increase transparency and accountability, the regulator said.

"The corporate finance departments will report to the commission on their works and findings on a regular basis," Saifur Rahman, the spokesman and an executive director of the SEC, told journalists after the meeting.

Presently, there is no corporate finance division at the bourses, and the work on corporate finance till date was done on a piecemeal basis.

"If we can address the corporate disclosures and corporate governance issues properly, the investors will get the highest benefit with the access to more accurate information," said Fakhor Uddin Ali Ahmed, president of Chittagong Stock Exchange.

It was seen in many occasions that decision or information was leaked to the secondary market even seven days before board meetings of the listed companies, he said.

"The corporate finance departments at the bourses will not only look after the issue, but also see whether the listed companies are complying with corporate governance guidelines," the CSE president said.

"If we find any irregularities, we will inform the SEC and the regulator will take actions," he said.

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SEC gets new member

STAR BUSINESS REPORT

Abdus Salam Sikder, a former district judge, has been appointed as a member of the Securities and Exchange Commission (SEC).

The finance ministry issued a notification in this regard, SEC Executive Director Saifur Rahman told journalists yesterday.

Sikder will become the fourth member of the stockmarket regulator.

M Khairul Hossain, a professor of finance at Dhaka University, was appointed as the SEC chairman on May 15, while Chittagong University teacher Helal Uddin Nizami was appointed SEC member on May 7.

Md Amzad Hossain, a former executive director of the Bangladesh Bank, and Arif Khan, managing director of Zenith Investment Ltd and former deputy managing director of IDLC Finance Ltd, became SEC members on May 29.

The appointments were made as part of the SEC's restructuring plan as announced by the finance minister while publishing the full probe report on the recent anomalies in the share market.

Stocks rise for seventh day

STAR BUSINESS REPORT

Stocks gained for a seventh day as investors went on a buying spree to cash in on the lower price earnings ratio of individual sectors.

The benchmark general index of Dhaka Stock Exchange, DGEN, rose 48 points or 0.78 percent to 6,562.

On the port city's bourse, the selective categories index of Chittagong Stock Exchange, CSCX, added 141 points or 1.20 percent, to close at 11,877.

The market started the day on a negative note but retraced to positive trend at 11:10am, gained 40 points.

The volume of trading hits a high at the country's premier bourse as 20.83 crore shares and mutual funds changed hands yesterday.

The price earnings ratio of banking sector seemed very lucrative for long term investment, said a market insider.

The commission should work for increasing supply in the market to reduce gap between demand and supply, he added.

The surveillance system of the Securities and Exchange Commission is not adequate for finding all manipulations, said an asset manager.

It is a matter of concern that some low-profile shares are behaving abnormally without any price sensitive information, he added.

Indices gained for the last couple of sessions due to active participation of the small and institutional investors and an increased flow of money, said Green Delta Securities in a daily analysis.

Turnover on the DSE floor surged 4.3 percent to Tk 1,480 crore from the previous day's turnover of Tk 1,419 crore.

The mutual funds sector was the biggest gainer, posting a 5.75 percent rise as the investors anticipated that most of the funds will declare a good corporate result. Among the top ten gainers, eight were mutual funds.

The banks added 1.05 percent, non-bank financial institutions 0.51 percent, telecoms 3.05 percent, pharmaceuticals 0.34 percent and fuel and power 0.77 percent.

Bextex topped the turnover leaders with 17.20 lakh shares worth Tk 66.29 crore traded.

Federal Insurance was the biggest gainer of the day, posting a 9.97 percent rise, while Meghna Life Insurance Company was the worst loser, slumping 27.29 percent.

Indices gained due to active participation of small and institutional investors and an increased flow of money



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