

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES				
DGEN	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	JPY	
▲ 0.63%	▲ 1.45%	\$1,597.50	\$98.43	▼ 0.36%	▲ 0.04%	▲ 0.38%	▼ 1.01%	74.63	106.07	120.53	0.94	
6,660.97	12,291.84	(per ounce)	(per barrel)	18,436.19	10,010.39	3,138.51	2,765.89	BUY TK	74.63	106.10	120.58	0.94
								SELL TK	74.64	106.10	120.58	0.94

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DHAKA FRIDAY JULY 22, 2011, e-mail: business@thedailystar.net

## BB warns Islamic banks

STAR BUSINESS REPORT

The central bank yesterday warned that Islamic banks must not be involved in terror financing, money laundering or any other illegal activities that damage their image.

There are allegations that Islamic banks have been involved in unexpected activities, such as terror financing and money laundering, Bangladesh Bank said in a statement.

However, Islamic banking showed resilience while some conventional banks caved in during the recent global financial crisis, the statement quoted Bangladesh Bank Governor Atiur Rahman as saying.

The governor spoke at a meeting on Islamic banking at the central bank, where Jasim Ahmed, secretary general of Islamic Financial Services Board, was present as the key speaker.

Islamic banking systems are gaining popularity in Bangladesh, the governor said. Of the 47 banks, seven are now completely Islamic banks, nine have Islamic banking branches and eight have Islamic banking windows.

The Islamic banking sector accounts for 17.83 percent of total deposits in the banking sector, while 18.45 percent of the total loan/investment and the ratio is 15.11 percent in total banking assets.

The central bank issued the 'guidelines for Islamic banking' in 2009 to manage and develop the Islamic banking system in Bangladesh.

## Imports grow 35pc, pressure on BoP

SAJJADUR RAHMAN

Bangladesh's imports stood at nearly \$32 billion in fiscal 2010-11, up 35 percent year-on-year.

Latest data showed imports grew in all major sectors from consumer items to intermediate goods, industrial raw materials, capital machinery and petroleum products.

Trade gap has widened to nearly \$9 billion (for goods only) because of the much larger import base, creating a pressure on the declining balance of payments (BoP) that is now more than \$500 million negative.

Bangladesh Bank (BB) data shows industrial raw materials, capital machinery and machinery for miscellaneous industries accounted for more than 54 percent of the country's imports for fiscal 2010-11.

Import of intermediate goods was nearly \$2 billion or 7 percent of the total imports.

Import of petroleum and petroleum products, which is growing rapidly on additional demand to run rental power plants, constituted more than 10 percent of the total import values. Import of consumer goods was not far behind -- about \$3.5 billion or 12 percent of the total imports.

Bangladesh's imports were

\$23.73 billion in 2009-10, up by only 5.47 percent from \$22.50 billion a year ago.

Though analysts termed the trend in imports 'good' for the country's industrialisation, they said time has come to manage this high import growth, which they said 'not sustainable'.

"BoP is not in crisis, but 40 percent growth in imports is not sustainable," said Sadiq Ahmed, vice chairman of Policy Research Institute and a former official of World Bank.

Bangladesh had record surpluses in the current account of the BoP in the past few years. The surplus was \$2.4 billion in fiscal 2008-09 and \$3.7 billion in fiscal 2009-10. Foreign exchange reserves increased from a low of \$6.1 billion in June 2008 to \$10.4 billion in June 2011.

The BoP situation changed dramatically in fiscal 2010-11. While exports of goods and services measured in nominal dollars grew even more rapidly than in the past, registering an expansion of 37 percent over the level in fiscal 2010, imports of goods and services increased at an unprecedented pace of 41 percent.

"As a result, the trade balance widened by 56 percent to \$10 billion in 2010-11 from \$6.4 billion a year ago," said Ahmed,

including the import of services. As compared to this, remittances grew modestly by 5.5 percent, he pointed out.

Besides managing high growth of imports, Ahmed suggested another option -- flow of foreign capital into the country -- to manage the situation prudently. "All the adjustments should not be on the exchange rate," he added.

"There is nothing to be worried," said Monzur Hossain, senior research fellow of Bangladesh Institute of Development Studies (BIDS).

Hossain suggested restriction on import of fancy items and facilitation of \$1 billion credit to be provided by the International Monetary Fund as short term remedies to address the situation.

Dr Nazneen Ahmed, a senior research fellow of BIDS, said recovery of world economy and relatively cheaper credit provided in 2009 and 2010 have encouraged industrialists to go for expansion and accordingly, import of machinery and raw materials.

"Recovery of global financial crisis has increased the demand for our products," said Nazneen Ahmed.

sajjad@thedailystar.net



LEONHARD NIMA  
Professor Muhammad Yunus, the 2006 Nobel Peace Prize winner, and Takahiro Yokomichi, speaker of the lower house of the Japanese Parliament, pose for photographs during a discussion on social business in Tokyo on Wednesday. Story on B3

## Stocks cheery over investor activity

STAR BUSINESS REPORT

Turnover on the twin bourses rose to its highest since the December 8 market crash, buoyed by cheerful investor activities.

Turnover on the premier bourse stood at Tk 1,899 crore, registering a 7.6 percent rise from the previous day. DSE had a previous best value of transactions standing at Tk 1,969 crore on December 8 last year.

Turnover on the port city bourse soared to Tk 202 crore from Tk 175 crore on December 8.

The benchmark general index of the Dhaka Stock Exchange, DGEN, went up 41 points or 0.63 percent to end the day and week at 6,660.

The selective categories index of Chittagong Stock Exchange, CSCX, added 176 points or 1.46 percent to close at 12,291.

The bourses gained for a third day as investors went for fresh buying, expecting the rising trend to continue, said a market analyst.

Prof Mahmood Osman Imam, who teaches finance at Dhaka University, said: "Institutional investors' participation pulled up the market."

Some low profile companies behaved abnormally without any price sensitive news in the market. Securities and

Exchange Commission (SEC) should track down any manipulator prowling the market, said Imam, also a member of DSE index development committee.

He said the surveillance system of SEC, DSE and CSE should be alert and stop any unusual behaviour of low profile shares.

Market capitalisation and turnover increased over the last week, which indicate that DSE has stabilised and investors' confidence has improved, according to Green Delta Securities, in its daily market analysis.

Of the total 261 issues traded on DSE, 141 advanced, 111 declined and nine remained unchanged. Among the DSE 20 blue chips, 9 closed positive.

The banking sector gained 0.66 percent, making 29.6 percent of total market capitalisation, pharmaceuticals 0.32 percent and fuel and power 1.29 percent, while non-bank financial institutions lost 0.47 percent.

Grameenphone gained 8.5 percent following the news of its hefty profit declaration of 140 percent. It topped the list of turnover leaders with 35.46 lakh shares worth Tk 75.13 crore changing hands.

Active Fine Chemicals was the biggest gainer of the day, posting a 9.7 percent rise, while Eastern Lubricants slumped 5.8 percent.

## Sugar prices remain unchanged



STAR  
Volatility in sugar prices ahead of Ramadan is commonplace in Bangladesh, as retailers still charge more than the government fixed prices on claims that they have bought the item at much higher prices.

STAR BUSINESS REPORT

Prices of sugar continued to remain over Tk 70 each kilogram yesterday as retailers defied a government decision on keeping the price at maximum Tk 65.

The retailers claimed they bought sugar at higher prices than the government declared rates from wholesalers, who cashed in on a supply crunch and increased demand ahead of the fasting month of Ramadan.

"We will incur loss if we sell sugar at the government prices," said Mohammad Siraj, a salesman at a grocery in Wari, who asked for Tk 75 for a kilogram of 'Teer' brand sugar ignoring the government rates.

The maximum retail price (MRP) quoted on the packet was Tk 63. The salesman claimed they bought a kilogram of packaged sugar at Tk 72 two days ago.

On Wednesday, the government announced Tk 65 for a kilogram of

sugar, Tk 109 for a litre of loose soybean oil and Tk 99 for loose palm oil to curb unusual spike in prices ahead of Ramadan.

Yesterday, the price of a kilogram of sugar was Tk 70-Tk 74 at city markets as on Wednesday, Trading Corporation of Bangladesh data showed.

Packaged sugar was sold at as high as Tk 75 a kilogram.

The wholesale prices of the sweetener also remained unchanged as market continued to suffer from a supply shortfall due to closure of four out of six sugar refineries.

Apart from small groceries, large retailers also maintained high rates. Swapno, a leading retail chain run by ACI, also charged a kilogram of packaged sugar of ACI Pure brand at Tk 75 yesterday at its Wari outlet.

The MRP on the packet was Tk 73. Syed Alamgir, head of ACI Logistics that runs Swapno, said the gov-

ernment has set the prices of loose sugar at Tk 65 each kg, not the packaged ones.

"The prices of packaged sugar usually remain Tk 8-10 higher than loose ones," he told The Daily Star by phone.

"The government has to give us time. We are assessing the cost of our purchase to find out how much we can cut," he said, claiming that they had bought sugar at higher prices than the government fixed rate.

Md Mozibur Rahman, chairman of Bangladesh Tariff Commission, said the prices of both packaged and loose sugar should be the same.

"They are misleading. All are refined sugar and refiners pack the sweetener. That's why the prices will be the same," said Rahman, who chaired the meeting on sugar and cooking oil price fixation with millers.

However, he expected that sugar prices will decline.

## Govt explains tax on earnings from savings instruments

STAR BUSINESS REPORT

Tax will not be deducted at source on the profit on Family Savings Instrument and Pensioner Savings Instrument purchased before June 30, the Internal Resource Division (IRD) said in a statement yesterday.

IRD will issue a circular to Bangladesh Bank, commercial banks and the office of the Savings Directorate next week, it added.

In the current fiscal year, the rate of interest on all savings instruments has been increased. Tax at source has also been lowered to 5 percent from an earlier rate of 10 percent.

However, no tax has been deducted on the profit of the two savings instruments in the past.

But many banks have been charging 5 percent on profits of the two savings instruments maturing after July 1.

A finance ministry official said they are going to issue a new circular prohibiting deduction of tax on the savings instruments purchased before July 1.

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