| STOCKS | | COMMODITIES | | ASIAN MARKETS | | | | CURRENCIES (STANDARD CHARTERED BANK) | USD | EUR | GBP | JPY |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| DGEN | CSCX | Gold | Oil | MUMBAI | TOKYO | SINGAPORE | SHANGHAI | BUY TK | 73.95 | 100.10 | 115.86 | 0.95 |
| ▲ 2.26% | ▲ 2.33% | ▼ $1,818.60 (per ounce) | ▲ $89.00 (per barrel) | ▼ 0.21% | ▲ 0.95% | ▼ 0.52% | ▼ 1.06% | SELL TK | 74.95 | 104.18 | 119.92 | 1.04 |
| 6,055.17 | 10,971.34 | | | 16,467.44 | 8,616.55 | 2,729.37 | 2,471.30 | | | | | |




Star BUSINESS

DHAKA WEDNESDAY SEPTEMBER 14, 2011, e-mail:business@thedailystar.net


# Fuel prices to rise: Muhith

## Govt plans to reduce burden of subsidy on budget; Hasina orders a study before the hike

REJAUL KARIM BYRON

The government plans to increase fuel prices this fiscal year to cut the pressure of subsidy on the national budget, Finance Minister AMA Muhith said yesterday. But he did not mention when it will take place.

The issue was discussed at a high-level meeting chaired by Prime Minister Sheikh Hasina at her office yesterday.

"In my budget speech I said we will face many economic risks this year. The risks were discussed at the meeting," Muhith told reporters.

An official who attended the meeting said the government -- before hiking the prices -- will study the impact of the fuel price increase on the cost of living.

Hasina directed the finance division to do the study, the official told The Daily Star.

A detailed report on how much pressure subsidy puts on the national budget was placed at the meeting, said the official. The finance division recommended price adjustments to reduce subsidy on petroleum products and electricity.

An official of the finance fivision said that if more subsidy than projected is provided, it will create indiscipline in the budget. The budget deficit may rise to 6.5 percent from the projected 5 percent of GDP in the current fiscal year if the amount of subsidy exceeds the projection, the official added.

The meeting also focused on how bigger subsidy will increase the government borrowing from the banking system, ultimately fuelling inflation.

According to the finance and energy ministries, Tk 8,198 crore was counted in subsidies in the last fiscal year, as petroleum products were sold at a subsidised rate.

A total of Tk 5,000 crore has been allocated in subsidy for the current fiscal year. If the petroleum prices are not revised up, the subsidy may nearly double to Tk 16,000 crore this fiscal year.

In case of failure to adjust the prices of power, electricity subsidy may double to Tk 7,000 crore from the projected amount this fiscal year.

At yesterday's meeting, Hasina said: "Agriculture subsidy will not be reduced as it keeps the economy buoyant."

Hasina asked the related ministries to assess the impact that transport and other sectors will face if petroleum prices go up Tk 1 a litre.


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Angry investors take to the streets in Motijheel to protest a stockmarket fall in early trade yesterday, blocking traffic for four and a half hours.

# SEC assures investors of steps to raise credit

GAZI TOWHID AHMED

The Securities and Exchange Commission (SEC) has assured the stockmarket investors that the central bank will increase the adjustment period of single-party exposure limit from December 31 in a bid to enhance credit flow in the market.

The assurance came at a meeting with the leaders of Bangladesh Merchant Bankers Association (BMBA) at the SEC in Dhaka yesterday.

The meeting was called to discuss ways to increase liquidity flow to the bruised stockmarket and rebuild investor confidence.

Prof M Khairul Hossain, chairman of the SEC, presided over the meeting, while representatives from all leading merchant banks were present.

"We hope the liquidity problem will go," said Saifur Rahman, the spokesman of the SEC.

Bangladesh Bank's Executive Director SK Sur Chowdhury said: "We might increase the adjustment period of single-party exposure limit for the development of the market."

He turned down the claims that the draft amendment to the Banking Companies Act is responsible for the downward trend in the stockmarket.

The amendment is not finalised yet, and it might take two to three years to take effect, said Chowdhury.

He said commercial banks can invest 10 percent of their liability in the stockmarket as per the Banking Act of 26 (2), but most banks invested 5 percent so there is a chance to invest more 5 percent in the market.

There is no liquidity problem in the banking channel, he added.

According to the Bangladesh Bank rules, financial institutions are not allowed to lend more than 15 percent of their 'investable' amount to a single borrower, including its subsidiary.

The exposure limits of commercial banks in the stockmarket will be 25 percent of their equity instead of 10 percent of liability, according to the draft amendment to Banking Companies Act.

"It is a draft law so there is nothing to be panicked as it might be changed," said Mohammad A Hafiz, acting president of the BMBA.

Jahangir Miah, chief executive officer of Janata Capital and Investment, said: "The SEC will urge the commercial banks to make new investment in the capital market as investment limit of most commercial banks is less than 10 percent of their liability."

He said the SEC will also sit with the commercial banks to know about their investment in the market.

The SEC earlier formed a nine-member recommendation and implementation committee with representation from the BMBA and leading merchant banks to implement the recommendations of the merchant banks.

Saifur Rahman of the SEC has become the convener of the new committee, while the president and secretary of the BMBA are members.

The chief executive officers of ICB Capital Management, Janata Capital and Investment, Sonali Investment, LankaBangla Investment, IDLC Finance and Green Delta Investment are also the members of the committee.

The SEC will not discourage the merchant banks to raise their paid-up capital, said Hafiz.

"We will go for debt financing and initial public offers and issue bonds to build our own fund for the stockmarket," he added.

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# Oxfam study questions food sufficiency estimates

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An Oxfam supported alliance of 200 NGOs yesterday questioned the validity of government's estimates, saying Bangladesh should have achieved food sufficiency since 2005-06 if the official data on population, consumption and production had been correct.

The group -- Campaign for Sustainable Rural Livelihood (CSRL) -- said Bangladesh should have a surplus of 59 lakh tonnes of grains without import in fiscal 2010-11, up from 11 lakh tonnes in 2005-06.

The group presented the study at the opening of a three-day launching programme of Oxfam's new global campaign on food justice -- Grow.

The CSRL organised the event with the support of Oxfam at CIRDAP Auditorium in Dhaka.

National Human Rights Commission (NHRC) Chairman Prof Mizanur Rahman attended the discussion, chaired by CSRL Convener CS Karim, also a former agriculture adviser.

''Where have the remaining foodgrains gone since 2005-06 if the data are correct and no grains are smuggled out,'' questioned Ziaul Hoque Mukta, co-author of the study.

The paper estimates surplus of foodgrains in the last five year based on official data of production, population and per capita consumption requirement.

Noting the issue of surplus grains, NHRC Chairman Prof Rahman said: "Why do many people still live in hunger if there is surplus? It's a big question why people suffer for high prices if is so."

The findings of the study came as food prices, including rice, remain high throughout the year 2011, putting strains on people's purchasing capacity.

''After the food price spike in 2007-08, the price levels of almost all the necessary food items in the country reached up to some unprecedented heights in 2011,'' said Mukta, also member secretary of CSRL.

The group advocates for a comprehensive agrarian reform to ensure food security.

Besides rice and wheat, prices of edible oil, sugar and lentil remained significantly higher throughout the first half of 2011, leading the food inflation to a record at 14.36 percent in April.

The study finds that the government efforts to curb price hike of essentials turned futile in the face of syndication by a section of traders, a lack of appropriate policy framework and institutional mechanism.

''The government is performing like Nidhiram Sardar or Don Quixote. Seems the government has surrendered to businessmen,'' said the study.

It also said businessmen 'do not keep their words' with the government to maintain low prices.

"Unless there are changes in policy framework and institutional mechanisms to curb unusual spiral in food prices, efforts of the government will appear as eyewash.''

The study finds that prices of sugar, cooking oil have increased in the last one year more than the spiral on the international market. The hike in prices of cooking oil and sugar was 10-25 percentage points higher here than that of the international market, it added.

''It is unacceptable in a country where people spend 70 percent of their income to buy food,'' said Mukta.

NHRC Chairman Rahman said the government's continuous failure to take effective and courageous steps makes ways for syndicates to control the market.

''Our rights to food have gone to the hands of a few businessmen who give priority to their business and financial interests,'' he said, suggesting the government take effective steps to regulate the market so that the food prices do not go beyond people's purchasing power.

''It (price spiral) will deprive them of their rights to food which is tantamount to violation of human rights,'' he said.

The study suggested the government frame a Competition Law, establish a separate price monitoring cell, strengthen the capacity of Trading Corporation of Bangladesh by setting up an endowment fund, and break down the 'cartel' of importers.

It also recommended collecting data to properly estimate demand for food items.

# Stocks return from deep loss

## Benchmark index of Dhaka bourse gains 2.27pc

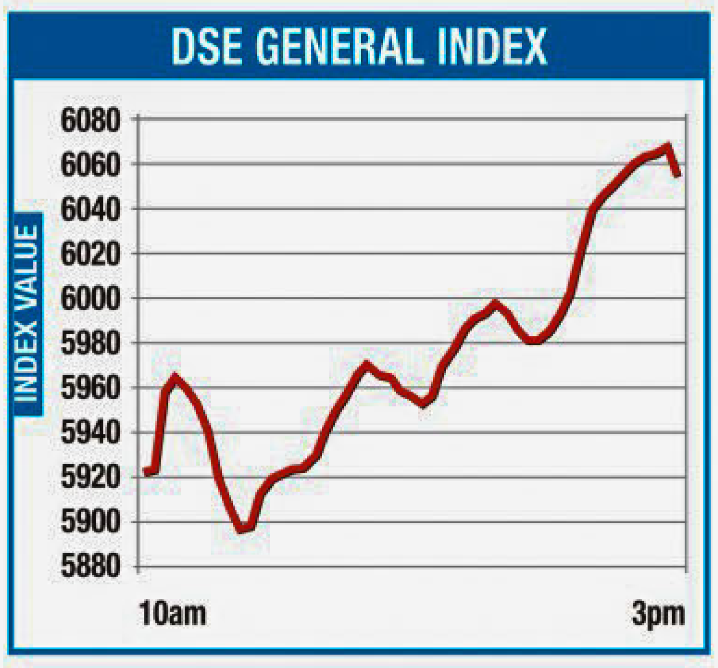
STAR BUSINESS REPORT

Stocks returned to the black yesterday after four days of a losing streak as the regulator moved to increase the liquidity flow to the bruised stockmarket and rebuild investor confidence.

The benchmark General Index -- DGEN -- of Dhaka Stock Exchange closed at 6,055.17, after gaining 134.32 points or 2.27 percent.

"It is not a sound rise in the market if only the top ten gainers and most traded shares are taken into account," said Prof Mahmood Osman Imam.

"It is a push by some institutional investors," said Imam, also a member of index development committee of DSE. He said if the rise continues for a couple of days, the market will stabilise.




Investors once again staged demonstrations in front of the DSE building in Motijheel yesterday, the commercial hub of the city.

Traffic between Shapla Chattar and Ittefaq crossing was blocked from 11:00am to 3:30pm. The angry investors tried to lock the gates of the DSE Annex Building and Modhumita Complex that house brokerage houses.

Mizanur Rashid, president of the Capital Market Investors Unity Council, had urged investors to opt out of the market as share prices fall sharply in early trade.

**NOTICE**

*We bring out today four pages instead of our regular eight, as business activities are yet to pick up after the Eid-ul-Fitr holidays.*