ASIAN MARKETS

0.69%

TOKYO

2.17%



DHAKA TUESDAY SEPTEMBER 27, 2011, e-mail:business@thedailystar.net

COMMODITIES

\$1,614.50

Current account heading for deficit

\$78.69

Govt says IMF loan to help meet the shortfall

CURRENT ACCOUNT BALANCE

FY'05 FY'06 FY'07 FY'08 FY'09 FY'10 FY'11 FY'12

3,724

REJAUL KARIM BYRON

STOCKS

DGEN

CSCX

The current account may fall into deficit at \$884 million for the first time in seven years due to a wider trade gap and slow remittance growth.

Earlier such deficit was recorded at \$557 million in fiscal 2004-05, according to Bangladesh Bank data.

The government presented the information in a report on the country's overall economic situation at a meeting with Standard and Poor's on the sidelines of the annual IMF meeting in Washington on September 25.

Government high officials led by Finance Minister AMA Muhith attended the

meeting.

Except for balance of payments (BoP), the state of the economy is good and the credit rating agency is satisfied with it, Bangladesh Bank Governor Atiur Rahman told The Daily Star by phone from Washington.

The BB governor said they are hopeful that the rating of Bangladesh will improve further next time.

Rahman also said if an IMF loan, which the government sought earlier for BoP support, is available, the BoP situation will improve.

-557

Already the finance minister in Washington sought quick release of BoP support.

The government report said the current account balance is projected to swing into deficit in fiscal 2011-12, with remittance inflows falling short of the increasing deficits in trade, services and income

accounts. The government projected that remittance growth

may be 5 percent in the current fiscal year, down from 6.03 percent last fiscal year.

An IMF mission that visited Bangladesh recently also projected that the country's current account deficit will be \$861 million in the current fiscal year.

According to IMF estimates, trade deficit will increase by around 31 percent and may reach \$9.58 billion this fiscal year.

The current account balance was also under a tremendous pressure last year which resulted in the overall deficit in the last 10 years.

However, the IMF said one of the major causes of

the pressure on the current account balance is the substantial rise in fuel prices on the international market.

According to IMF projection, oil import bill may reach \$6.24 billion in the current fiscal year, up from \$4.10 billion last year.

At a meeting, the government officials told the rating agency that Bangladesh has been facing a pressure due to the volatile situation in the world oil market.

The government in the report portrayed a bright picture of the overall economy. It said the growth target of 7 percent is quite achievable provided that internal and external environment remains benign and stable, with major progress in power and gas supply.

On inflation the report said it will be limited within 7.5 percent if the global commodity price trends remain moderate and demand pressures from excessive liquidity expansion remain limited with a stable benign domestic environment with no major supply side disruption.

Stocks soar as institutional investors return to market

STAR BUSINESS REPORT

CURRENCIES

BUY TK

SHANGHAI

1.64%

STANDARD CHARTERED BANK

■EUR ★GBP ★JPY

98.59 114.11 0.97

Stocks on the premier bourse yesterday took their biggest leap in three and a half months in signs of increasing participation of institutional investors.

The benchmark index of Dhaka Stock Exchange, DGEN, went up 3.56 percent to 5,991 points. The index witnessed a 4.02 percentrise on June 13.

Institutional investors are becoming active in trading, as indicated by the last couple of days' gains in share prices and yesterday's transaction value that almost doubled from the previous session. Of yesterday's total transaction, the insti-

tutional investors' participation was 55 percent, while the retail investors' participation was 45 percent. Earlier, institutional investors had thin

presence in daily trading and their inactiveness was a major reason for a continuous downward trend in the market. "Institutional and retail investor's active

participation pulled up the market," said Reaz Islam, chief executive officer of LR Global, an asset management company. "The rising trend of the market is good but

when the market gains sharply it is a doubtful matter," said Fakhor Udidn Ali Ahmed, president of Chittagong Stock Exchange.

The investors should invest slowly in the market, Ahmed said.

But insiders said desperate efforts by some influential persons to bring back stability to the market might help maintain the current upward trend.

The influential investors asked institutional investors to become active in stock trading for the sake of market stability, they said.

After consecutive portfolio erosion, many investors took holding strategy from the beginning in expectations of better prices in coming sessions, said LankaBangla Securities.

WB strings delay work: Muhith

STAR BUSINESS REPORT

Finance Minister AMA Muhith has blamed the World Bank for tagging delays project execution.

financing was felt for years by the LICs because the traditional project financwhich significantly delays project swana." execution," Muhith said.

annual meetings of the WB and International Monetary Fund in Washington on Friday. The budget support and extended credit facility programmes of based power plants." the WB and the IMF are meaningful only if they can be acted upon quickly and they are not cluttered with what is fearfully termed conditionality, he said.

The minister also said power rental and small independent power producers' plants are not expected to bring in transformational change in power Asia of the twenty-first century." sector that Bangladesh is looking for.

countervailing load of energy import Bangladesh I would urge upon the bills of unbearable magnitude. What is international public sector in money, required is going for bigger units. A finance and trade to play a pioneering mega-size coal-fired power plant pro- role," Muhith said.

ducing 1,000-2,000 megawatt electricity using coal from the northern part of the country is technically feasible."

Muhith urged the WB to come forconditions to financial assistance that ward with financing in the power plant project. "We are aware of World Bank's "The need for such an instrument of aversion to financing fossil-fuel power projects in the light of environmental (low income countries), particularly considerations but the World Bank is known to have financed coal-fired ing entails IDA-imposed conditions large projects in South Africa and Bot-

"An energy-starved country such as Muhith delivered a speech at the Bangladesh can legitimately request the Bank to finance power plants using coal and help the country in securing the least polluting option for coal-

> "The country is also in need of large projects for transport development, especially in roads and railways. The demand in this sector has escalated as a result of the choice of the country to be a transit territory in South and South-west Asia and thus transform itself into an economic hub in bustling

"Thus for transformational impact "Its accretion of wattage is offset by in the quality of life of the people of



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regular



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