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Taka on freefall against dollar

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The local currency has been on a freefall in recent weeks on a continuous demand for the dollar amid weak inflow of foreign exchange, treasury officials said.

Strong demand yesterday forced many banks to ask Tk 79.90 for a US dollar at the customer level. A private bank quoted the price highest at Tk 79.95 per dollar.

"We had predicted the taka would fall and reach 80 a dollar at end-December or early next year, but it happened at the beginning of the month," said an official of a private bank.

The taka has been devalued by 4.44 percent in the past one month, creating a further strain on consumers already suffering from double-digit inflation. So far the depreciation has been nearly 12 percent this calendar year.

"Bangladesh Bank should take immediate steps to stabilise the exchange rate. Otherwise, the import costs will rise further," said Dr Salehuddin Ahmed, a former Bangladesh Bank governor.

He said analysts were cautioning the central bank on the issue, but it paid a little attention. Even the BB declined to admit the challenge, he added.

Bankers said limited supply of foreign exchange has prompted the freefall of the taka. This time the country is under serious pressure in meeting international obligations in import payments.

"We offered Tk 79.50 per dollar for exchange houses yesterday," said a chief executive officer of a private bank.

Among other factors, forex dealers attributed the steep fall of taka to poor inflow of foreign aid.

Bangladesh received \$330 million as external aid in the first four months of the current fiscal year to October, down 26 percent from the same period last year.

The government paid \$321 million as principle and interest amount during the same period, leaving the country with a net gain of \$9 million from aid.

The World Bank and the International Monetary Fund have delayed disbursements of \$1.25 billion and \$1 billion of credit respectively. The WB halted the loan disbursement for the Padma Bridge on corruption charges.

Sliding foreign exchange reserve, which now stands at \$9.7 billion, has further made the situation critical. "The reserve has come down significantly which has tightened the central bank's hand to sell dollar in the market," said Ahmed.

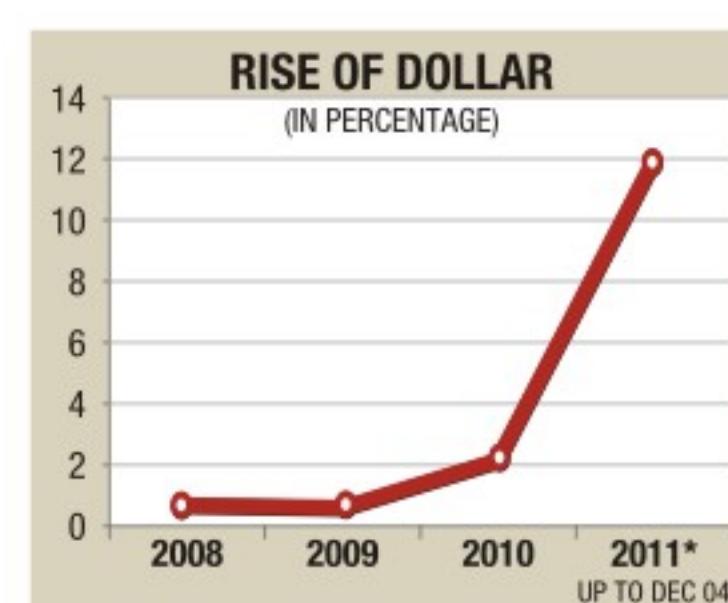
Former finance adviser Dr AB Mirza Azizul Islam asked the government to improve the supply side, otherwise the taka would be devalued further.

"The supply can be enhanced by increasing exports, remittances, foreign aid and foreign investment," he said.

Ahmed suggested the BB vigorously scrutinise the surge in import demands.

A dollar was sold at around Tk 69 between 2004 and 2010. Taka was somewhat stable till August 2010, when the local currency started going down against the greenback.

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Communications summit kicks off tomorrow

STAR BUSINESS REPORT

A daylong summit on the importance of communications in business will begin tomorrow in Dhaka.

Bangladesh Brand Forum (BBF), in collaboration with The City Bank, will organise the "Communication Summit 2011" at Westin Dhaka.

The summit is an initiative of BBF in association with Cannes Lions, the world's largest advertising festival, to focus on the growing importance of communications, irrespective of the nature of business. The topics to be covered in the summit include producing famous and effective communication, marketing dynamics and brand evolution.

Leading advertising professionals will provide insightful lectures on effective communications strategy, marketing dynamics and brand evolution, said Nabila Khurshed, managing editor of BBE.

Key speakers at the summit will include Manfred Abraham, head of brand strategy of Interbrand Global UK, Allein G Moore, chairman of Creative Circle Singapore and editor of Ad Asia Singapore, Charu Aggarwal Harish, regional planning director of Grey Asia Pacific, and Sharaman Jha, senior vice president of NIUT India.

In addition, the chairman of Creative Circle Singapore will conduct a two-day certified course styled 'The Craft of Copywriting' that will begin on Wednesday at Hotel Lake Castle in Dhaka, said Nabila.

Software glitch rattles DSE

STAR BUSINESS REPORT

The premier bourse yesterday started share transactions with uniform face value, but its trading software showed misleading figures due to some problems with the software.

Price movement of 132 listed firms, whose trading started with a uniform face value of Tk 10, showed unusual ups and downs. In one case, price jumped up by 857.75 percent, while the rest showed a 90 percent fall.

"It happened as the software system was not programmed or upgraded as it was needed to do the price movement mathematics of the stocks whose face value were converted into Tk 10 from Tk 100 or Tk 1," said a DSE official.

The existing software of the Dhaka Stock Exchange calculates the price movement and ups and downs based on the previous day's closing prices.

As and the previous day's closing price of the shares that changed face value was based on Tk 100, the software showed a 90 percent fall because the face values were also reduced by 90 percent.

The DSE also said the glitch led to the ups and downs.

"Trading of shares or units of 131 companies or mutual funds shall start as losers

and a fund as gainer due to the denomination change to uniform face value of Tk 100, which will remain as gainer or loser for the rest of the day," DSE said in a posting on its website.

"These 131 companies or funds were traded with a face value of Tk 100, and a fund was traded with a face value of Tk 1 on November 30," it said.

The bourse also asked the investors not to take investment decision based on these gainers and losers calculated on the previous day's closing price.

Contacted, Shafiqur Rahman, deputy general manager for public relations of DSE, refused to make any comments on the issue.

As per a directive of the Securities and Exchange Commission, trading of all listed companies was supposed to start with a uniform face value at Tk 10 from yesterday.

The three companies, who failed to convert their face value within stipulated time, traded their shares with the face value of Tk 100.

The misleading figures were however not reflected on the price index, but left a negative impact on the index. The dawn-to-dusk hartal called by the main opposition BNP for yesterday did not affect the market also, said analysts.

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*Source: HSBC 'The world in 2050'

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