STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES (BANGLADESH BANK)				
DGEN	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI		USD	EUR	GBP	JPY
▼ 3.46%	▼ 2.93%	▼ $1,655.60 (per ounce)	▲ $101.54 (per barrel)	▼ 0.09%	▲ 0.99%	▼ 0.73%	▼ 1.39%	BUY TK	83.75	106.68	128.38	1.08
4,695.57	8,729.73			16,451.47	8,550.58	2,795.40	2,266.38	SELL TK	84.05	107.10	128.89	1.09

Star BUSINESS

DHAKA THURSDAY JANUARY 19, 2012, e-mail:business@thedailystar.net

Stocks dip, violence hits Motijheel

STAR BUSINESS REPORT

Stock investors launched violent protests yesterday against a continuous downswing in share prices following the government's move to enforce a ban on public servants from investment in stocks. Later in the day, the government halted the move.

The angry investors staged demonstrations in front of the Dhaka Stock Exchange building around 10:30am, blocking a road through the commercial hub of Motijheel, a day after a sudden suspension of trade on the country's bourses.

The protesters also locked the main gates of the DSE annex-building and Modhumita Bhaban around 11am, just before the start of trading.

Most investors stayed away from trade at the opening hour. As a result, the DSE resumed trade 30 minutes late, a DSE official said.

"We feared investors may start desperate protests and vandalise brokerage houses," the official said.

The benchmark General Index of Dhaka Stock Exchange closed at 4,695.57 points, after falling 168.72 points or 3.46 percent, the steepest fall in the New Year.

Faruq Ahmad Siddiqi, a former chairman of the SEC, said panic gripped the investors so that they went for huge sell-offs.

"I don't find any reason for today's downtrend except panic-selling of shares," Siddiqi said.

Yawer Sayeed, managing director and chief executive officer of AIMS of Bangladesh, said investors went for huge sell-offs as panic ran deep.

The suspension of trade on Tuesday came as a relief to small investors from financial pain, Sayeed said.

He said the market was in a turbulent situation and it was not the right time for the government to enforce an old ban under the Government Servants (Conduct) Rules 1979.

Investors put barricades in the middle of the road by building a makeshift bonfire from different objects, including abandoned wooden boxes and paper. They also set fire to overhead cables near the DSE building.

The relentless fall in share prices prompted small investors to launch demonstrations. They marched towards the central bank in dozens of processions.

They shouted slogans against the government and the finance minister in particular for "failing to stabilise the market".

"Investors want an end to a continuous fall in share prices," said Mizanur Rashid Chowdhury, president of Bangladesh Share Investors Association. "The investors demand a stable market, nothing else."

Police detained two investors, Mohammad Salimul Haque and Gaziur Rahman, with links to violence in Motijheel. The police said they were yet to file any case against them.

The agitators finally calmed down around 4:30pm.

The Chittagong Stock Exchange also declined yesterday with the Selective Categories Index lost 266.66 points or 2.96 percent, to end the day at 8,726.83. The port city bourse had started its trading at the regular time at 11:00am.

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Police detain a protester after hundreds of people took to the streets at Motijheel in Dhaka to protest a downslide in share prices yesterday.

GDP growth to slow down

WB says global turmoil to impact Bangladesh economy

REJAUL KARIM BYRON

Bangladesh's GDP (gross domestic product) growth will slow down in the current fiscal year and stand at 6 percent against the government's target at 7 percent, the World Bank forecast.

The growth was 6.7 percent last fiscal year.

A WB report -- Global Economic Prospectus: Uncertainties and Vulnerabilities -- released yesterday said the world economy has entered a dangerous period and developing countries including Bangladesh will suffer from its negative impact.

Economists have also agreed with the WB observation and said the growth rate may be lower due to such domestic factors as slow investment, high inflation and volatile exchange rate.

The report said, "Growth in several major developing countries is significantly slower than it was earlier in the recovery, mainly reflecting policy tightening initiated in 2010 and early 2011 in order to combat rising inflationary pressures."

The Euro area represents about one fourth of South Asian merchandise export market including Bangladesh, the report said, adding that the European demand for merchandise will go down due to a debt crisis there.

According to Bangladesh Bank statistics, economy is already showing some signs of slowdown.

The number of instances of LC (letter of credit) opening to import capital machinery and raw materials has come down in the first five months of the current fiscal year.

The GDP growth rate will be affected this fiscal year due to high inflation and an increase in exchange rate, said Zaid Bakht, research director of Bangladesh Institute of Development Studies.

Bakht said the investment rate is also sluggish. Although an improvement was noticed in the power sector, the gas crisis is hindering investment, he added.

He said an increase in banks' lending rate in recent times may also hold back investment.

The WB mentioned some local factors

> *Domestic factors such as slow investment, high inflation and volatile exchange rate will stymie growth*

such as policy uncertainty, stalled reforms and deteriorating political and security conditions behind the slowdown in investment in South Asian countries including Bangladesh.

WB's senior economist in Bangladesh Zahid Hussain said the country is vulnerable to a severe crisis in high income countries because of its reliance on commodity exports and remittances.

He said the WB report estimates that a severe crisis could cause remittances to developing countries to decline by 6 percent or more with particularly acute impacts on the 24 countries where remittances represent 10 percent or more of their GDP. Bangladesh is one such country.

Hussain also said one would have expected some reprieve from a decline in international oil prices as happened in 2009 due to weak demand. But oil prices so far have proven resilient around the $110 per barrel level because of turmoils and uncertainties in Russia, Nigeria, Libya and, of late, the problems with Iran.

The WB economist also said, "We should of course guard against excessive pessimism".

He said industrial activities in Europe, Central Asia, the US and Japan have picked up since August last year. But the global trade volume, particularly European imports, has declined during the three-month period ending in October last year.

"That does not bode well for Bangladesh. It is always good to hope for the best, but prepare for the worst," said the WB economist.

Steel millers want cap on interest, exchange rates

STAR BUSINESS REPORT

Steel and re-rolling millers yesterday demanded the government reduce bank interest rates and set a ceiling on the dollar exchange rate against the local currency.

The millers said the abnormal devaluation of the taka against the greenback and higher bank interest rates have already affected the prices of two basic construction materials -- steel and rod -- in the local market.

Moreover, the scarcity of dollars in the banking sector and the price hike of gas and power have affected the cost of production at the factory level, they said.

As a result, the price of rod reached Tk 70,000 to Tk 72,000 per tonne from Tk 60,000 to Tk 62,000 per tonne a month ago, the millers told reporters after a meeting with Commerce Minister GM Quader at his secretariat office.

"If the rod and steel prices go up further, the implementation of the government's annual development programme will slow down, which might affect the whole economy," said SK Masadul Alam Masud, chairman of Bangladesh Auto Re-Rolling and Steel Mills Association.

In a statement, Quader said he would continue to support the sector so that the demand for rod and steel could be met from local production.

Govt to allow refiners to export sugar

STAR BUSINESS REPORT

The government will soon allow sugar export to help utilise the full production capacity of the local sugar refining mills, said Commerce Secretary Ghulam Hussain yesterday.

However, the refiners will have to meet the local demand first and ensure 10 percent value addition at the manufacturing stage to be able to export, the official said.

The secretary did not mention when the exports would start but said the exporters might need a few months to take preparation.

The refiners now import raw sugar to sell in the local market.

Currently, the annual demand for sugar in the country is 15 lakh tonnes, while the refiners have the production capacity of 35 lakh tonnes to 40 lakh tonnes, the secretary said.

Six refiners are active in the market.

"We will allow sugar export under some conditions as the refiners have additional production capacity," Hussain told journalists after a meeting with the refiners at his office.

"We are examining the feasibility. Primarily, the government has a plan to permit sugar export on a case-by-case basis," he said.

The refiners now use only 40 percent of their production capacity, said the official.

The local mills can supply only one lakh tonnes of sugar a year and the rest of the demand is met through imports, the secretary said.

After the meeting, Golam Rahman, managing director of Deshbandhu Group, a refiner, said they have targeted the EU, Japan, Korea, Malaysia and Sri Lankan markets for export.

At present, the refiners enjoy a zero-duty benefit on import of both raw and refined sugar.

Fazlur Rahman, chairman and managing director of City Group, ASM Mohiuddin Monem, deputy managing director of Abdul Monem Ltd, and Mostafa Kamal, chairman and managing director of Meghna Group, also attended the meeting.

Bharti to challenge tax demand in court

REUTERS, *New Delhi*

India's Bharti Airtel yesterday said it will challenge in court a 10.67 billion rupee tax demand from the country's tax department over payments to international telecoms operators.