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DHAKA THURSDAY APRIL 12, 2012, e-mail: business@thedailystar.net

## Economy to take hit from global headwinds: ADB

The agency says GDP may slow to 6.2pc this fiscal year, 6pc next

**STAR BUSINESS REPORT**

Bangladesh's economic growth may slow in two back-to-back years due to falling exports and a hike in interest rates, the Asian Development Bank (ADB) said yesterday.

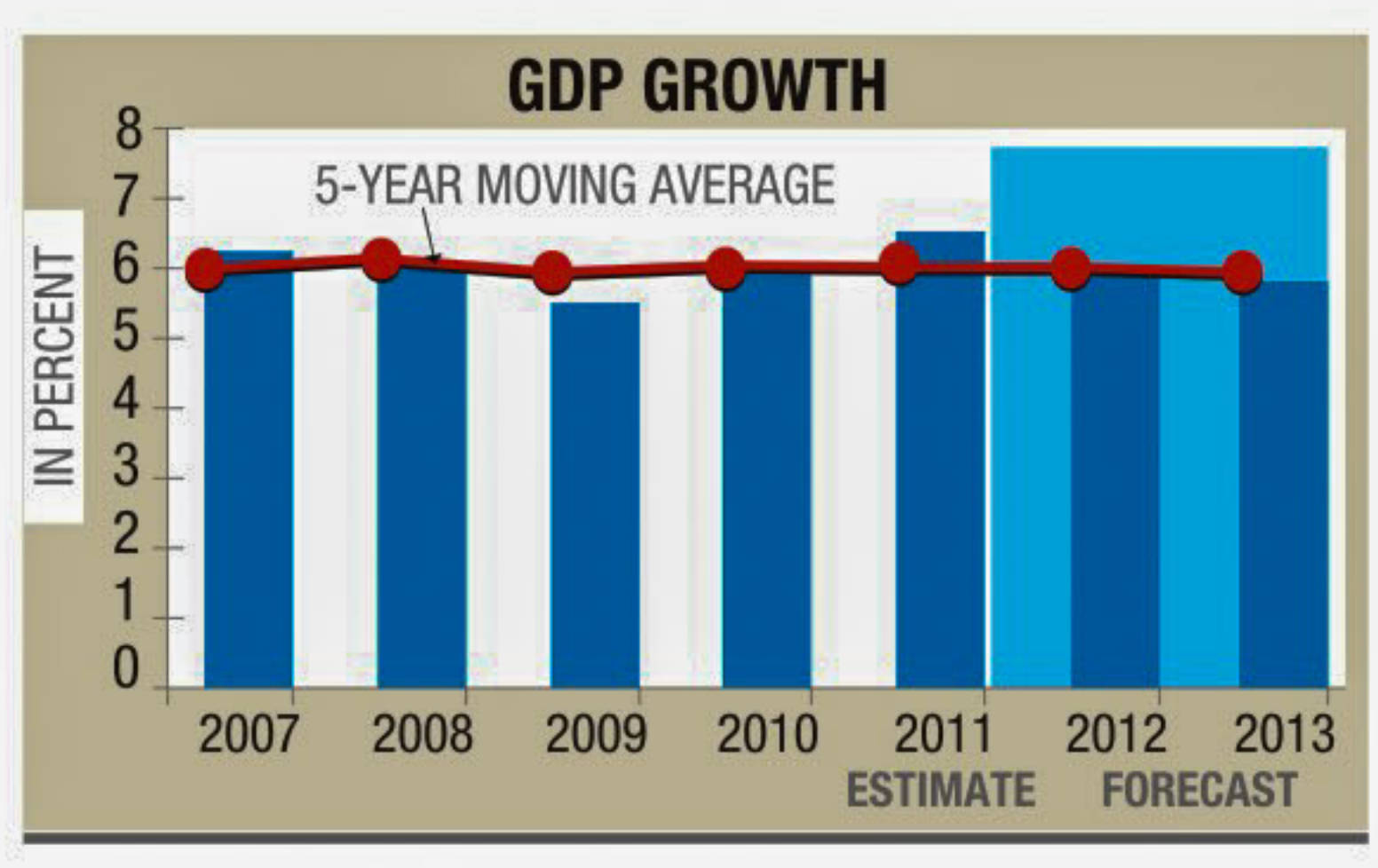
The ADB projected the country's GDP growth at 6.2 percent for fiscal 2012, down from 6.7 percent a year ago. The government, however, expects this fiscal year's GDP to be 7 percent.

In the Asian Development Outlook released throughout the Asia-Pacific region, the ADB also said GDP would further slip to 6 percent in the next fiscal year.

The forecast comes in line with other Asian economies that will experience flat growth this year before recovering in 2013.

The GDP growth this fiscal year is expected to slow with a slowdown in exports -- the country's main growth driver -- as the year progresses, ADB Country Director Teresa Kho told reporters in Dhaka yesterday.

In the next fiscal year, the growth will further decrease as interest rates are raised to bring



down inflation and export growth is slowing further, ADB Senior Country Economist Zahid Hossain said in his presentation on the economy.

Kho said the external economic environment for the developing countries, including Bangladesh, remains unfavourable as the eurozone fell into a prolonged period of debt adjustments, and the US recovery still remains weak.

She also said domestic demand has also weakened with rising interest rates, following the adoption of credit tightening measures to rein in inflation.

Industrial growth will be lower because of the weakening in domestic and external demand conditions, Kho said, adding that agriculture growth will slow mainly because of the high base in the previous year.

Citing a number of risks to the economy, Kho said macroeconomic management, however, began to come under pressure, as the current fiscal year unfolded. Inflation rose rapidly.

Kho said the balance of payments came under strain from higher oil imports for power generation, in the face of weakened exports.

Reserves fell and the taka depreciated significantly, she said, adding that the external current account is expected to move into a deficit, the first time in more than half a decade.

"Fiscal pressures were also built up because of rising subsidies on fuel and electricity," she said. To finance the subsidies, the government had to borrow heavily from the banking system, as foreign assistance declined and revenue growth was slower than in the previous year, she added.

Kho also said project implementation continues as a weak area, as evidenced by the recent cut in the annual development programme.

Bangladesh needs to reduce its growing fiscal and external imbalances and cut subsidies by adjusting fuel and electricity prices, she said.

The senior country economist said the country needs to create space for more-acutely needed-outlays on infrastructure and human development, and reduce the budget's excessive domestic borrowing.

## SEC asked to monitor big players in stocks

The finance ministry sends a set of recommendations to the regulator

**SARWAR A CHOWDHURY and GAZI TOWHID AHMED**

The finance ministry has advised the stockmarket regulator to monitor trading patterns and trading positions of big investors, who allegedly manipulate the market with huge investments.

"A number of retail investors allege that a group of unscrupulous investors with huge investments manipulates the market almost at their will," the finance ministry wrote in a set of suggestions to the Securities and Exchange Commission recently.

"Something has to be done to diminish their influence on the market through close monitoring and surveillance. Trading patterns and trading positions of some big investors with apparent suspicious motives should be very closely monitored," it said.

The ministry also observed that the Dhaka Stock Exchange may furnish daily or weekly statements on such trading with unequivocal comments.

The DSE, which has a strong surveillance department, may be entrusted with this task till the SEC establishes a modern surveillance system with adequate manpower, it added.

"This must be done very tactfully so that it is not used as a pretext to create panic in the market," the finance ministry advised.

The ministry came with the sugges-

tions as the market was witnessing sharp declines both in indices and turnover, despite adoption of a raft of market-friendly and investor-centric measures. "The present situation of the stockmarket is inexplicable," it wrote.

It advised the investors to build diversified portfolios of stocks that may comprise three to eleven securities depending on the size of investment.

"A sizeable number of investors have been found to invest in only one or two stocks. This is contrary to the fundamental investment guideline."

"An investor with Tk 10 lakh fund can build a portfolio of three stocks, with Tk 25 lakh six to seven stocks and so on," the ministry cited, adding that the merchant banks while providing loans to clients may ask the investors to adhere to such strategy.

However, the finance ministry observed, the merchant banks must not make any advice on the choice of individual stocks since law does not permit it.

It suggested that merchant banks must be asked to exercise due diligence in providing loans to their clients.

"Some merchant banks had provided loans to their clients without proper and due diligence, that is, loans have been given to clients without determining their loan eligibility and loan repayment capacity," it explained.

## Matia slams statistics bureau for sluggish work

**STAR BUSINESS REPORT**

Agriculture Minister Matia Chowdhury yesterday came down heavily on the Bangladesh Bureau of Statistics for taking so long in conducting the population census and releasing data in three phases.

"There is no meaning in playing hide-and-seek about the population," she said.

"The size of the population must be more than 14.8 crore, Matia said. "Is it a fish market where we can bargain?"

Matia spoke at a seminar on "Harmonisation in Dissemination of Agricultural Crop Estimation Methodology" at the BBS in Dhaka.

Her criticism came just three days after the Bangladesh Institute of

Development Studies (BIDS), after verifying the fifth census data, said the 2011 census left out 3.97 percent or 57 lakh of the population in its count.

The latest number came more than eight months after the BBS, in a preliminary report, revealed that the country's population stood at 14.23 crore.

The figure surprised many, including a number of ministers, as independent agencies put the number at much higher, forcing the government to take help from the BIDS to ensure that everyone has been counted.

The BBS is expected to produce the final result in June.

Matia said there is a debate over how BBS conducts surveys and pro-



**Matia Chowdhury**  
 provides data in many areas apart from agriculture, creating confusions. "The BBS has increased the size of

population after talks over the issue in parliament. Now they are saying that this is the result of the second step survey, and in the final stage, they will increase the number further to some extent," she said.

"If it takes so long and compiles the data in three stages then, I don't understand, how agriculture or food management or business or economic activities in light of the information would be designed," Matia said.

"I think the population census should be done first properly. There is no logic to take too much time and do it in three stages. The BBS must present a right population census for the sake of the country and its people," she added.

The minister said the enumera-

tors even did not visit her residential building in Ramna. "If the BBS conducts population census in case of living people in this manner then it becomes clear how they act in case of other issues."

Apart from the agricultural ministry, the land ministry should be incorporated into the process of enumeration and forecasting, Matia said.

The BBS and the Department of Agricultural Extension (DAE) should work together to provide reliable data to help develop the country, said Planning Minister AK Khandker.

"The two state-run agencies follow different methods in collecting and compiling data. As a result, difference often crops up in their information."

"But if the two agencies provide different data then the users become confused. So, there is the need for information sharing and coordination between officials of the two organisations," he said.

Food Minister Muhammad Abdur Razzaque said there should be a flawless database and statistics for formulating an effective plan for the development of the country.

He said there is always misunderstanding about estimation of population and food production.

He said planning is very important to ensure food security. "So, data should be authentic."

Razzaque said there should be more coordination between the DAE and the BBS.

## Stocks rise for second day

**STAR BUSINESS REPORT**

Stocks gained for the second day as investors placed fresh buying orders amid high confidence.

The DGEN, the yardstick of Dhaka Stock Exchange, closed at 5,226.62 points, after gaining 12.58 points or 0.24 percent.

Turnover lost 8.4 percent compared to the previous day.

The Selective Categories Index of Chittagong Stock Exchange finished the day at 9,778 points, after gaining 29.56 points or 0.30 percent.

## Bourses plan to discuss HC's shareholding rule

**STAR BUSINESS REPORT**

Dhaka and Chittagong bourses will separately sit on Monday to discuss a High Court rule that asked regulators to explain why a directive on minimum shareholding by directors of listed companies would not be declared illegal.

The bourses will appear before the court with explanations, leaders of the bourses said yesterday after a joint meeting at the DSE.

"We will place all necessary facts and figures before the court, so that the directive remains effective," Rakibur Rahman, president of Dhaka Stock Exchange, told reporters.

"We received a certified copy of the rule," said Al Maruf Khan, president of the Chittagong bourse.

The HC on April 8 asked the regulators to explain why the directive for directors to hold at least 2 percent stakes in companies should not be declared illegal, following a petition filed by Sheikh Abdul Momen, husband of the late Masuda Begum, a sponsor of NCC Bank Ltd.

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