

COMMODITIES		ASIAN MARKETS				CURRENCIES					
DGEN	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	JPY
0.77%	0.60%	\$1,592.30 (per ounce)	\$85.73 (per barrel)	16,668.01	1.96%	1.82%	1.07%	BUY TK	81.40	100.12	124.20
4,689.20	8,902.49				8,624.90	2,787.81	2,305.86	SELL TK	82.40	104.19	128.16

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DHAKA TUESDAY JUNE 12, 2012, e-mail: business@thedailystar.net

Muhith: It's an evil market

Finance minister says he has done enough for stockmarket, hits out at critics of rental power plants

STAR BUSINESS REPORT

Finance Minister AMA Muhith says he has done enough for the stockmarket, but the market is not improving.

"It's an evil market. I won't comment on it."

An apparently frustrated Muhith yesterday responded to lawmaker Rashed Khan Menon's criticism of the stockmarket in parliament during the passage to the supplementary budget for the outgoing fiscal year.

But Muhith did not explain why it is an evil market.

Though at the beginning of his speech the minister said he would not comment on the stockmarket, he gave full vent to his feelings in an outburst at the wrap-up.

Muhith said the government plans to demutualise the Dhaka and Chittagong bourses by December and he would only talk about the market once demutualisation is done.

The minister also said the reason behind so much excitement over the stockmarket is that the prime bourse is located in Motijheel. He did not provide an



explanation.

Most of the stock investors are young and buoyant with a lot of enthusiasm and the number is around 11 lakh, he said.

"The economy will not suffer if I don't worry about the stockmarket."

Coming down heavily on the

critics of quick rental power plants, Muhith said achieving the country's expected economic growth would have not been possible without such power plants.

After his speech, the parliament gave a go-ahead to the Tk

8,880.47 crore supplementary budget for additional spending by ministries and divisions during the current fiscal year.

The railway ministry had the highest extra spending at Tk 3,890 crore, followed by agriculture at Tk 1,854 crore.

Confusion over tax status of merchant banks

STAR BUSINESS REPORT

The government's offer to reduce the income tax for merchant banks from 42.5 percent to 37.5 percent in the upcoming fiscal year was met with a wave of confusion, as the merchant banks were already paying the lower rate of 37.5 percent.

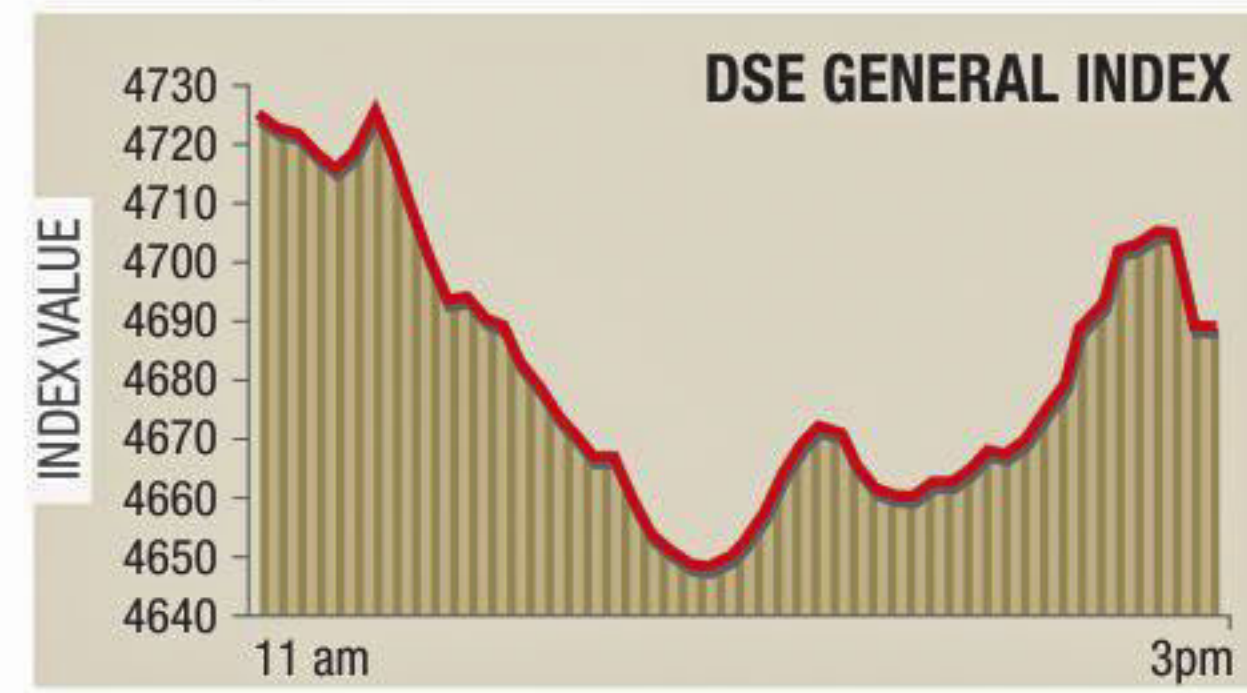
Merchant banks provide a myriad of financial services, ranging from underwriting shares to lending to stock investors amongst other activities. Due to their multi-faceted roles as financial institutions they are not classified in the same bracket as 'banks and non-bank financial institutions'.

Earlier in the year, the National Board of Revenue (NBR) wrote a letter to merchant banks putting them in the same classification as the rest -- an idea which was met with vehement objections from merchant bankers. The plan did not come into effect.

But it looks like Finance Minister AMA Muhith based his decision to reduce the income tax on that provisional letter.

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Stocks tumble for the third day in a row



STAR BUSINESS REPORT

Dhaka stocks fell for the third day on the back of a writ petition challenging the authority of the Securities and Exchange Commission.

Ahmed Rashid, senior vice president of DSE said the market would not stabilise until the court settles the matter once and for all.

"Unresolved court issues and political instability continued to undermine investors' confidence level," said IDLC Investments about the downward trend in the market.

Turnover rose 14.76 percent, compared to Tk 156 crore of the previous day. A total of 0.45 lakh trades were executed, with 3.45 crore shares and mutual fund units changing hands on the Dhaka bourse.

Of the 257 issues that traded on DSE, 138 declined, 94 advanced and 25 remained unchanged.

During yesterday's downturn pharmaceuticals lost the most among the major sectors, falling by 1.34 percent. Power at 1.24 percent, non-bank financial institutions at 1.03 percent, telecommunications at 0.49 percent and banks at 0.45 percent were the other notable losers.

Lafarge Surma Cement topped the turnover chart with 31.60 lakh shares worth Tk 13.21 crore, followed by Social Islami Bank and Grameenphone.

Exim Bank was the biggest gainer of the day, recording a 5-percent gain. Pragati Life Insurance fell the most at 7.45 percent.

Mozena warns of a storm brewing in RMG

STAR BUSINESS REPORT

US Ambassador Dan W Mozena yesterday warned the country's readymade garment industry of a possible storm stemming from recent unrest in the sector.

Many US buyers have already expressed concern for the reputation of their brands, as Bangladesh is a massive supplier of apparel items to the US, he said.

"I have been contacted by a huge number of US buyers who expressed concerns over the reputation of the garment products of Bangladesh," Mozena told the reporters after a meeting with Finance Minister AMA Muhith at the latter's secretariat office.

"A possible perfect storm might threaten the country's RMG sector for reasons such as labour rights, labour organisations and particularly the killing of labour leader Aminul Islam in early April," Mozena said.

The US buyers are worried, as recent unrest in the garment sector is tarnishing their good reputation, he said.

"I have already shared the concerns of the US buyers with the leaders of Bangladesh Garment Manufacturers and Exporters Association, Bangladesh Knitwear Manufacturers and Exporters Association and Bangladesh Frozen Food Exporters Association," Mozena said.

US Secretary of State Hillary Clinton will discuss the Grameen Bank issue at the US-Bangladesh partnership dialogue meeting to be held in Washington in September, Mozena said.

He said the US wants the government to settle the Grameen Bank issue in a fair and transparent manner.

Mozena said he also discussed the national budget proposed last week and the ways of revenue collection with Muhith. "We also discussed Bangladesh's sovereign credit rating by the S&P"

Next worry: fertiliser subsidy

SOHEL PARVEZ

Rising fertiliser price in the international market is likely to add to the subsidy burden on the government.

Finance Minister AMA Muhith assigned Tk 6,000 crore subsidy for the farm sector for the next fiscal year, 7.7 percent less than this year's Tk 6,500 crore.

The import cost of urea and MoP, two mostly used inputs to grow crops, soared by 55 percent and 25 percent respectively over the year through April, according to an analysis by the Centre for Policy Dialogue (CPD), a private think-tank.

"Subsidy pressure will increase further because of rising prices of fertiliser on the world market," said Nafisa Khaled, senior research associate of CPD.

According to CPD's analysis, the farm subsidy may rise to Tk 8,226 crore, unless the government increases fertiliser prices.

Prices of MoP (muriate of potash) also increased in the last one year, she said.

"The situation will further worsen in case gas supply to the local factories is cut," Nafisa said.

The farm ministry projects that the total fertiliser requirement will be 46.7 lakh tonnes in the next year, up from 44 lakh tonnes expected to be used this year, according to officials of the agriculture ministry and private importers.

Of the quantity used, state-run Bangladesh Chemical Industries Corporation (BCIC) produced a fourth of fertiliser, mainly urea, in local factories because of diversion of gas supply by the government to reduce power cuts.

"Demand for fertiliser has increased worldwide. Tunisia is one of our major supplier of TSP and DAP. But produc-



PALASH KHAN

The government's subsidy pressure will go up further due to the rising prices of fertilisers on the international market.

tion there was hampered creating supply shortage on the international market," said Mosharaf Hossain, owner of Mosharaf Group, a leading non-urea fertiliser importer.

Urea fertiliser prices soared on strong demand in the USA and concerns about the availability of Iranian supply, the World Bank said in its latest commodity markets review.

Dipak Ranjan Datta, director (commercial) of Bangladesh Chemical Industries Corporation (BCIC), linked high price of urea to increased demand in South American region.

He however expected that prices might decline in July-November due to increased supply from China.

The country usually eases the ban on export of fertiliser during this time of the year, said Datta of BCIC which imports urea on behalf of the government. "As per experience, prices usu-

ally remain low during this period of the year."

Currently, Bangladesh has a stock of 10.5 lakh tonnes of fertiliser. Add to the stock, 12.5 lakh tonnes of chemical fertiliser, including 10 lakh tonnes of urea, which are likely to come from state-owned factories in the next fiscal year, according to the BCIC official.

It means the country will need to import 24 lakh tonnes of fertiliser in the next fiscal year to meet annual demand.

Nafisa suggested the government encourage farmers to use granular urea to reduce consumption of urea, which accounts for half of the total fertiliser requirement in the country.

Another way is to increase production of fertiliser locally is to cut import dependence and pressure of subsidy, Mahabub Hossain, an economist told The Daily Star in his budget reaction.

Taka slides further against dollar

STAR BUSINESS REPORT

The local currency depreciated by Tk 0.25 against the dollar in the past week after stability for nearly two months, treasury officials said.

The average exchange rate of the greenback rose to Tk 82.44 yesterday for import payments (bills for collection) from Tk 82.20 on June 3, according to statistics from Bangladesh Foreign Exchange Dealers Association (BAFEDA).

"Declining export earnings and payment pressures for imports, particularly fertiliser, have played a part in depreciation," a treasury official of a private commercial bank said.

Usually, the taka depreciates when the country's import payments exceed exports and remittances. In Bangladesh, almost all of its oil demand is met by import. Recent import demand for fertiliser has put additional pressure on the exchange rate.

Exports declined 4.13 percent to \$2.2 billion in May from a year earlier. Businesses pointed at the dip in demand for apparel items in the Eurozone due to the ongoing debt crisis.

A senior Bangladesh Bank official said the recent depreciation of the taka against the dollar is within limits.

"The depreciation is insignificant compared to that in India by 4-5 rupees in a month," said the central bank official.

He hoped the exchange rate would remain at Tk 82.50 throughout June.

The taka witnessed massive depreciation -- over 16 percent -- in between January 2011 and January 2012.

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