

# 2012: a tumultuous year for forex market

## Says Standard Chartered Bank in its market review

STAR BUSINESS DESK

In the tumultuous year of 2012 for global forex market due to the eurozone debt crisis and the challenges faced by the US economy, the dollar-taka market posted a unique story in its book.

For the dollar-taka market, this year was marked by a record level of exchange rate movement and radical shift of fundamental factors that influence the rate of the taka against the dollar.

Throughout 2012, the taka appreciated almost 2.81 percent where it depreciated about 15 percent against the dollar in 2011, according to Bangladesh Foreign Exchange Dealers' Association (Bafeda) and Bangladesh Bank.

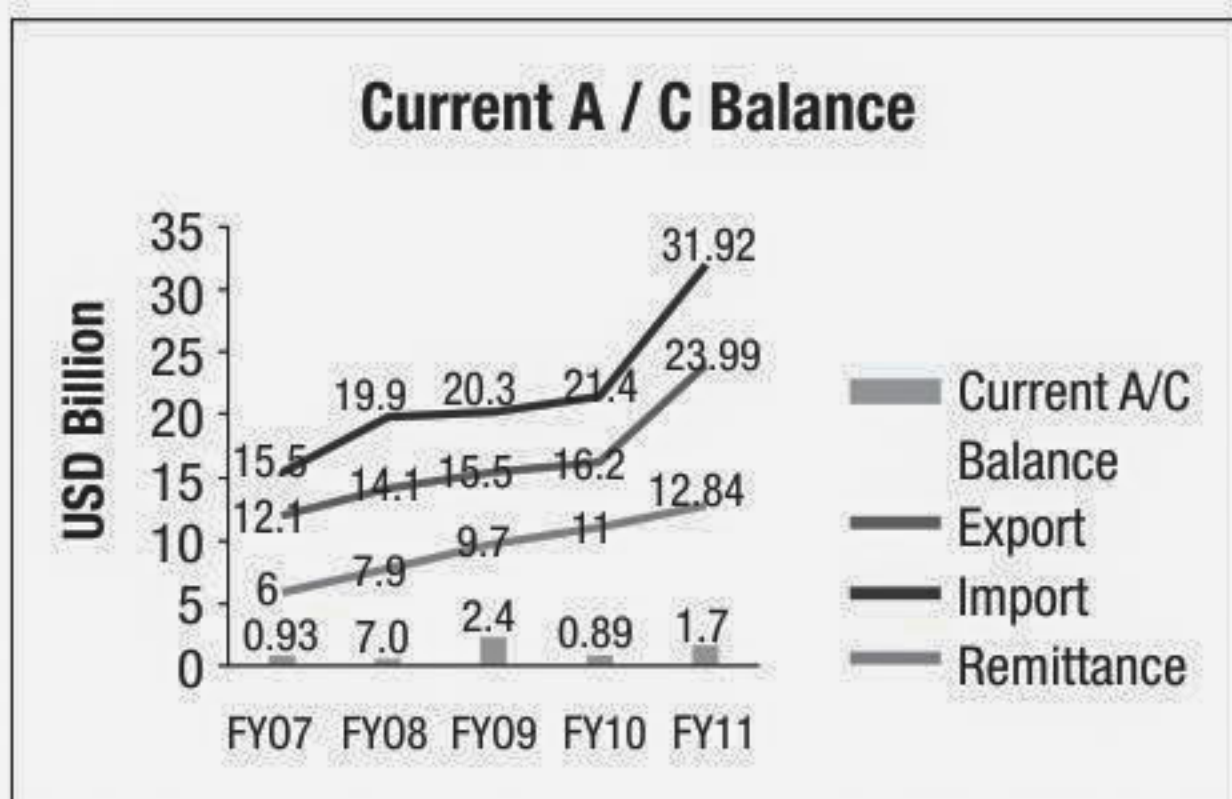
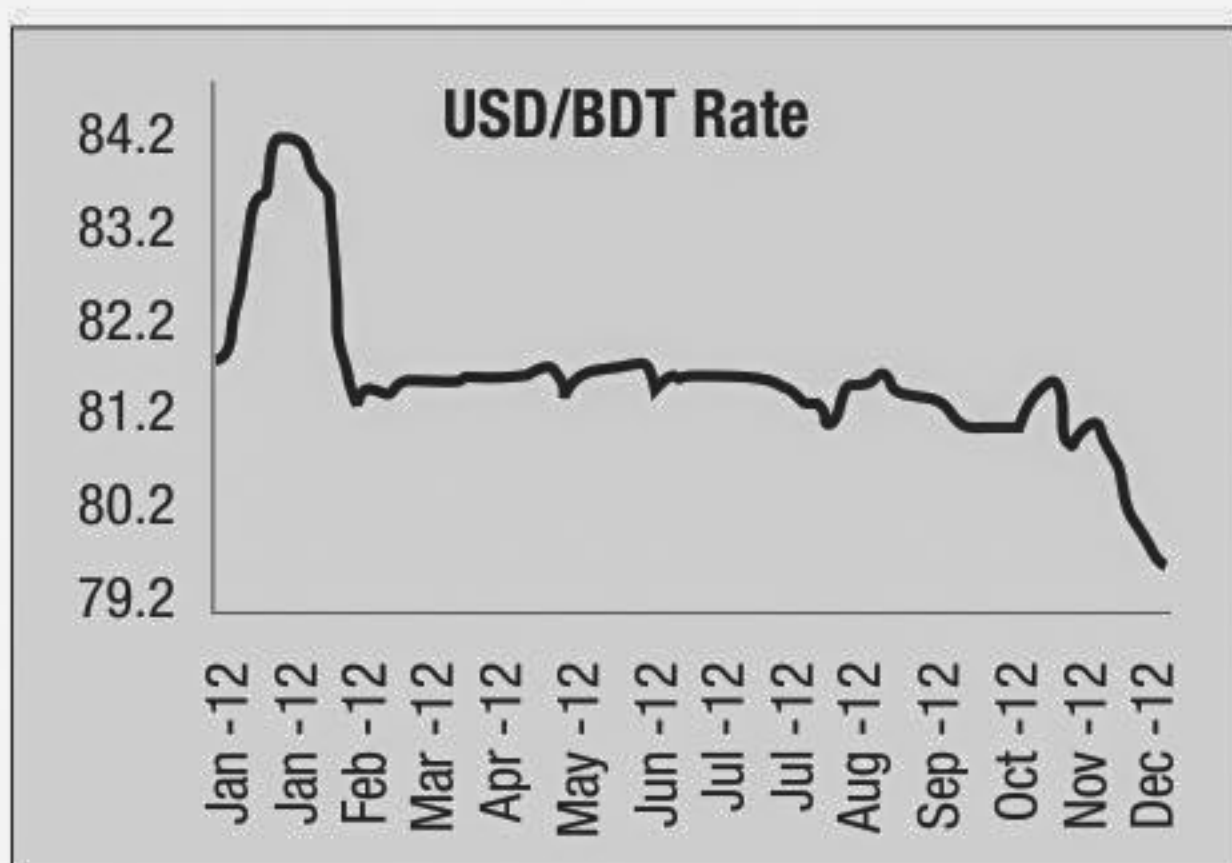
The year started with the dollar/taka riding on the uprisping trend that started in 2011 till February 2012 reached all time high of 84.45, jumping up nearly 3 percent from the beginning of the year.

In the same month, the dollar/taka rate came down to 81 level. After that, volatility that was seen in previous periods was absent in the dollar/taka market until December. During this period, the dollar/taka rate moved only within the territory of 81.

In December, the taka gained more against the dollar breaching the 81 figure and touched 79.75 gaining by almost 1.89 percent in just one month, according to Bafeda and BB.

With the improvement of overall liquidity scenario from the later part of February 2012, average daily inter-bank trading volume improved to \$26.52 million, although daily average interbank volume was below \$10 million in January 2012.

The interbank trading volume was \$6.93 billion in November 2012, an improvement of 160 percent over the same period of 2011 (\$2.66 billion) and 19.48 percent



over the respective period of 2012 (\$5.8 billion).

In times of excess liquidity in the market, the central bank has absorbed it and contributed to ease down the market, as per Bafeda report.

The liquidity scenario improved and relative down-cast demand for the dollar decreased due to improvement in current account balance. The account balance

was \$885 million in 2010-11, which increased to \$1,704 million in 2011-12.

Stronger current account was the result of the high growth in export and remittance than in import which ultimately posted \$494 million in balance of payment when the previous year's number for the same was negative \$656 million.

Major sectors where imports were decreasing in 2011-12 are: food grains (by 60.06 percent, from \$2.05 billion to \$749 million), raw cotton and yarn (by 25.63 percent, from \$4.6 billion to \$3 billion) and capital machinery (by 22.39 percent, from \$3 billion to \$2.1 billion, according to the website of Bangladesh Bank.

In the first quarter of 2012-13, the positive trend of balance of payment has continued as balance of payment for the period has recorded a surplus of \$1.1 billion against the deficit of \$99 million during the same period in 2011.

During this period, export earnings stood at \$6.1 billion with around 6 percent growth from the same period last year.

At the same time, import posted a negative growth of 5.24 percent posing at 8.1 billion where it increased by 23.18 percent in the corresponding period of 2011.

On the other hand, the flow of inward remittance crossed \$3.50 billion in the Q1 of this fiscal, marking a 19.70 percent growth over the corresponding period last fiscal, according to Bangladesh Bank.

Being one of the next 11 countries to overcome West by 2050 through its current strong economic growth and use of potential resources according to the prediction of Jim O'Neill of Goldman Sachs, 2013 would be another year for Bangladesh to go one step closer towards the goal.

But there would be many challenges along with the ongoing financial crisis in developed economies and many other domestic hurdles.



**Hafiz Ahmed Mazumder, chairman of Pubali Bank, attends the first conference of 2013 of regional and corporate branch managers of the bank, at its head office in Dhaka yesterday. Helal Ahmed Chowdhury, managing director, was also present.**



**GM Quader, commerce minister, attends a seminar on "From bottomless basket to middle economy - a journey towards enhanced competitiveness" organised by Institute of Management Consultants Bangladesh (IMCB) in Dhaka recently. Rahim B Talukdar, chairman of IMCB, was also present.**

## Exports rebound, exceed target

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In July-December, Bangladesh exported knitwear products worth \$4.98 billion, with a 3.85 percent growth, compared to the same period a year ago.

Earnings from woven garments were \$4.98 billion during the period, an 11.53 percent rise.

Bangladesh Jute Mills Association Chairman Nazmul Huq said they receive a lot of inquiries about jute and jute goods. "I hope exports of jute and jute goods will rise in near future," he said.

Exports of jute and jute goods, leather and leather products, footwear and handicrafts also increased significantly during the period due to product diversification, according to EPB data.

However, Shafiqul Islam Mohiuddin, president of Bangladesh Garment Manufacturers and Exporters Association, said though the volume is increasing, buyers are not offering higher prices for Bangladeshi garment products.

"I want to credit the human resources of our country for the higher export growth of the garment products," he said.

The growth is amazing in the backdrop of inadequate gas and power, higher bank interest rate and weak infrastructure, he added.

Mohammad Hatem, president of Bangladesh Knitwear Manufacturers and Exporters Association, said the garment makers receive a lot of orders from buyers, who now drift away from China due to higher labour costs there.

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## Lumia sales boost Nokia Q4 results

REUTERS, Helsinki

Nokia's mobile phone business achieved underlying profitability in the fourth quarter of last year, ahead of its earlier forecast, boosted by strong sales of its new Lumia smartphone.

Thursday's trading update was a rare spot of good news for the Finnish handset maker that has been losing market share to Samsung and Apple.

The company said that its results were also helped by 50 million euros in patent fees, improved cost management and a better than expected performance from its Nokia Siemens Networks unit.

It estimated fourth-quarter operating margin in its mobile phone business was between break-even to 2 percent. It previously forecast the margin to be around minus 6 percent.

## Costly misdeeds at govt firms

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In 2010, the company bought polythene pallet at higher prices, even though Desh Trading Corporation, the lone bidder, twice offered lower prices.

The irregularity cost the company Tk 18.60 lakh, said the audit report.

In the same year, Triple Super along with Natural Gas Fertiliser Factory Ltd in Fenchuganj, Jamuna Fertiliser Company in Jamalpur and BSIC head office cost the government Tk 1.94 crore for overtime payment, a direct breach of labour laws.

The BCIC itself was involved in an anomaly of Tk 6.19 crore, said the audit watchdog.

The audit found that the corporation billed the government to distribute fertiliser across the country, although those expenditures were already covered in the office's budget.

The Patenga-based General Electric Manufacturing Company Ltd cost the country Tk 1.95 crore in 2008-09 and 2009-10 as superfluous commission, said the audit report.

The power, energy and mineral resources ministry instructed distributors to procure electric equipment from the state-run manufacturer.

And records show that Power Development Board, Dhaka Power Distribution

Company, Dhaka Electric Company and Rural Electrification Board did purchase transformers and electric equipment directly from General Electric Manufacturing Company.

But the company appointed MS Enterprise Ltd and Saurav Enterprise as sales agent nevertheless and as a result, it had to pay the sum as commission.

Going forward, the audit report recommended the authorities stop appointing sales commission agent.

Some corrupt officials at Zeal Bangla Sugar Mills in Jamalpur misappropriated Tk 16.19 lakh in 2008-10 by extending loans on forged documents.

Shampur Sugar Mills Ltd in Rangpur could not realise the Tk 10.59 lakh it lent to sugarcane farmers by breaching credit disbursement policy.

Faridpur Sugar Mills cost Tk 2.06 crore as interest on outstanding loans to Krishi Bank between 2002 and 2010, a situation which could have been averted had it sold the stored sugar and molasses for the purpose of servicing the loan.

Karnaphuli Paper Mills in Rangamati incurred a loss of Tk 44.75 lakh in 2007-09 after it bought pulp at higher prices from the same supplier -- who had earlier offered lower prices.



**Syeda Mazeda Meher Niger, chairman of Computer Source Ltd, inaugurates the first brand shop of the company at Dhanmondi in Dhaka recently. AHM Mahfuzul Arif, managing director, was also present.**

## Govt focuses on development of SMEs: analysts

STAR BUSINESS REPORT

The government and banks of the country are now emphasising the development of small and medium enterprises (SMEs) as they are the next financial base of Bangladesh, said Agrani Bank Chairman Khondoker Bazul Hoque yesterday.

He said Dr Mahathir Mohamad of Malaysia put emphasise on the IT sector in 90's, which in turn gave a facelift to the country's economy.

It is the time for Bangladesh's young generation to deal with the same sector professionally to give a boost to the economy, he said. "It is a matter of vision and idea, and the current government has picked it rightly."

Hoque spoke at a roundtable on "Online business prospects for SME entrepreneurs" at the venue of "e-commerce week" organised by Bangladesh Bank and Bangladesh Association of Software and Information Services (BASIS) in the capital.

Agrani Bank wants to involve more people in the SME sector, although the bank has a bad experience in SME financing in the jute sector, he said.

SME entrepreneurs in the IT sector should be true investors with proper idea and professionalism, he suggested. The government decided yesterday to give bank loans to SMEs on 9 percent interest, said Sabur Khan, president of Dhaka Chamber of Commerce and Industry.

The BASIS should work with the central bank to help actual entrepreneurs in the IT get benefit of the loan, Khan said. IT sector has a bright future, as more people are getting habituated with internet,

## Southeast Bank's new MD

STAR BUSINESS DESK

Shahid Hossain has recently been appointed as the managing director of Southeast Bank Ltd, the bank said in a statement yesterday.

Hossain joined Southeast as senior vice president in 2003 and became additional managing director in 2012. He started his banking career with National Bank Ltd in 1983.



## Three closed jute mills reopen soon

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Reopening the closed jute mills is an electoral pledge of the present government.

Earlier, Prime Minister Sheikh Hasina reopened People's Jute Mills (renamed Khalishpur Jute Mills) on March 5, 2011, while Quami Jute Mills (renamed National Jute Mills) on April 9 of the same year.

The state-run Jute Mills Corporation produced 1.76 lakh tonnes of jute products in fiscal 2011-12, up from the previous year's 1.66 lakh tonnes, according to BJMC data.

It also exported jute products worth Tk 1,058.14 crore in fiscal 2011-12, up from the Tk 943.42 crore

## Six listed companies lowered to junk

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Four other companies were also lifted to B from Z category, while one firm went to the B region from N.

Seven listed firms were downgraded to B category from A. The categorisation is important, especially for trade settlement. The settlement of A and B category stocks are completed within three days after transaction.

It means, if an investor buys a stock today, he can sell it after three days. Similarly, if an investor sells a stock today, he will get the sales proceeds after three days. On the other hand, the settlement of Z category shares takes nine working days.

The categorisation also helps to know how much dividend a company is paying, said a DSE official.

"It helps the investors take decision on which company they will invest in," the official said.



**Abu Ahmed Chowdhury, chairman of Samorita Hospital Ltd, attends its 27th annual general meeting at LGED Auditorium in Dhaka yesterday. The company announced 18 percent stock dividend for its shareholders. Md Mockbul Hossain, vice chairman, and ABM Haroon, managing director, were also present.**



**Mohammed Nazmul Hassan, managing director of Leatherex Group, attends the launch of the company's outlet at Gulshan-1 in Dhaka recently. Taslima Hassan, chief executive officer of Leatherex Fashion and Footwear, was also present.**



**Shila Chowdhury, executive director of Green Furniture Ltd, inaugurates its pavilion at the Dhaka International Trade Fair being held at Sher-e-Bangla Nagar in Dhaka recently. Kawsar H Chowdhury, managing director of Green Group, was also present.**