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BUSINESS

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# Stocks in freefall

## Suffer from a lack of confidence

STAR BUSINESS REPORT

What is wrong with the stockmarket when the economy is on a strong footing on many measures, be it GDP growth, export, import, remittance and political stability?

Also, businesses have renewed their confidence in the economy after the December 30 national polls.

The stockmarket's so-called fear about banks' being able to bring down their loan-deposit ratio to 83.5 percent from 85 percent has also been addressed, with the central bank extending the deadline by another six months to September 30.

Earlier, state-owned Investment Corporation of Bangladesh has also been allowed to raise Tk 2,000 crore through bonds in a relaxed rule: banks that will invest in the bond will be exempt from the single borrower



SOURCE: DSE

exposure limit.

Then, why is the market short on confidence? Both the index and turnover have been on a free fall for about a month. Turnover, which crossed the Tk 1,000 crore-mark on January 30, went down to less than Tk 477 crore yesterday.

The DSEX, the benchmark index of the Dhaka Stock Exchange, plummeted 51 points, or 0.90 percent, to close at 5,604 points yesterday, with 8.82 crore shares and mutual fund

units changing hands.

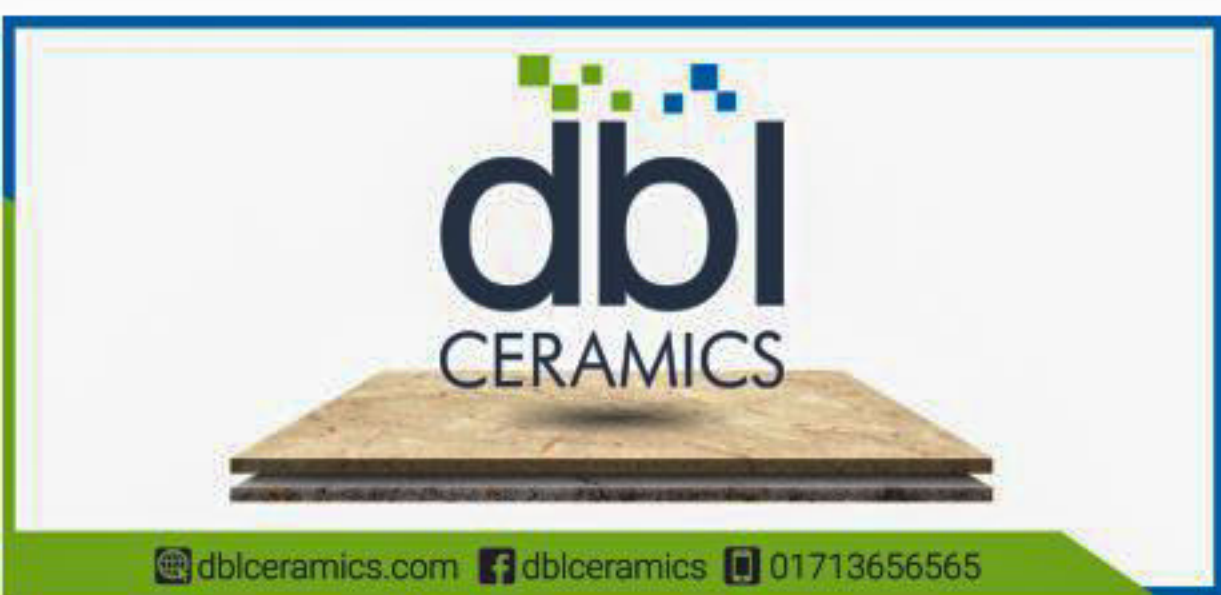
Had the prime movers of the market like Grameenphone, British American Tobacco and Brac Bank gone in the red, the market would have sank more.

Market analysts have identified two reasons for the bear run: lower participation and fear of the interest rate rising for liquidity pressure.

"Most of the institutional investors are on the sidelines," said the head of portfolio management of a merchant bank, requesting anonymity.

When the interest rate rose in the banking sector the stockmarket faced trouble as investors rushed to banks instead of investing in stocks, he added.

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# Pulp, paper can boost use of jute: economist

STAR BUSINESS REPORT

Production of pulp and paper from jute on a massive scale can boost jute use which will ultimately help revive the country's jute sector, said an economist yesterday.

If such production kicks off, a single product will be capable of consuming a huge amount of jute, said Hossain Zillur Rahman, a former adviser to a caretaker government.

Jute consumption in pulp and paper manufacturing will help create demand of this natural fibre inside the country, bringing a lot of benefits to people involved in this sector ranging from growers to exporters, he said.

"However, we need a jute pulp and paper act, like that on mandatory use of jute bags," Rahman told a seminar on development and diversification of the jute industry, at the Dhaka Chamber of Commerce and Industry (DCCI).

So jute can be the driver of economic growth as had happened historically in the country, firstly helping the creation of a middle class and also initiating industrialisation, he said.

Rahman suggested businesspeople and traders lobby with the government for arranging two kinds of funds for the jute sector's revival, one for technology upgradation and another for innovation.

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# Inequality dampens economic success

## Govt report finds

STAR BUSINESS REPORT

Rising inequality, sluggish private investment and lower revenue collection brought down the gains on economic and social fronts during the Sixth Five-Year Plan implementation period.

Between July 2010 and June 2015, Bangladesh pulled off a 6.3 percent average annual economic growth, the highest since 1974, but the growth fell short of the targets set by the government.

The agriculture sector grew slowly while the manufacturing sector posted higher growth.

Job creation took place mostly in the first three years of the period and only 14 lakh jobs were created in the last two years, according to a paper styled Implementation Review of the 6th Five Year Plan and Its Attainments.

"We fell behind to some extent in job creation in the last two years. Overall, job creation exceeded the target. This is the comfortable news," said Planning Commission Member Prof Shamsul Alam while presenting the paper at a programme.

General Economics Division of the Planning Commission organised the event to unveil the report at Krishibid Institution Bangladesh in Dhaka. Prof Alam said 79 lakh jobs were created during the period.

He said macroeconomic fundamentals had been good during the period. Public investment increased significantly and the use of resources provided in the annual development programme improved steadily and there had been surpluses in balance of payments.

But private investment remained stagnant at 22 percent of the gross domestic product (GDP).

Dubbed the main source of employment, private investment slipped to 22.1 percent of the GDP in the fiscal year of 2014-15 from 22.2 percent in 2010-11, according to the paper.

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# Kamal for simple interest rate instead of compound

STAR BUSINESS REPORT

Finance Minister AHM Mustafa Kamal has come up with several ideas including setting simple interest rate instead of compound interest rate when giving loans with a view to bringing confidence to the banking sector and boosting the business climate.

"Our banks set compound interest rate in giving loans but this is an obsta-

cle for improving business," Kamal told reporters after a meeting with chairpersons and directors of all banks at the capital's National Economic Council auditorium.

The compound interest rate is not used in any country in the world, he said. Simple interest is based on the principal amount of a loan or deposit, while compound interest is based on the principal amount and the interest

that accumulates on it in every period.

The finance minister has a plan to run a special audit in the banking sector, draft an insolvency act and form an asset recovery company.

At the same time, the government has decided to employ directors on the basis of their relevant knowledge. "There are some problems in the banking sector, but these are trivial -- not serious."

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The Kanchpur 2<sup>nd</sup> Bridge, built across the Shitalakhya River, will play a vital role in road transportation, trade and commerce, reducing traffic congestion on the Dhaka-Chattoogram Highway. It was completed 4 months before the deadline and inaugurated by Prime Minister Sheikh Hasina on 16<sup>th</sup> of March. BSRM is proud to be a construction partner of this mega structure that has been built by using high ductile BSRM Ultima Grade 420.

We wholeheartedly congratulate our Honorable Prime Minister Sheikh Hasina for her bold and progressive initiative.

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