

star BUSINESS

Fuel price cut could have been more: FBCCI

SUKANTA HALDER

The government could have reduced fuel prices by more than Tk 5 per litre, said Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) President Md Jashim Uddin yesterday.

"The price of fuel in the world market is decreasing. At the same time, the government has reduced import duty and advance tax," he told The Daily Star.

Considering all these aspects, the reduction could have been more, he said.

The government on Monday trimmed fuel prices by Tk 5 per litre in line with a 11.25 percentage point slash in the import duty of diesel by the National Board of Revenue.

From yesterday, diesel and kerosene were being retailed at Tk 109, petrol Tk 125 and octane Tk 130.

The price adjustment of 3.7 per cent to 4.39 per cent comes 23 days after the government went for a record fuel price hike of 42.5 per cent to 42.7 per cent.

Earlier on August 14, the FBCCI wrote a letter to Prime Minister Sheikh Hasina requesting duty and tax cuts and subsequent adjustments of the fuel price.

The FBCCI president said although the price had not decreased at the rate it had increased, some benefit would come out of it.

It will decrease overall business costs, including production and transportation costs, and make irrigation more affordable, he said.

This will positively impact inflation and hopefully the government will reduce fuel prices a little more soon, he added.

"Our problem here is that if the price goes up, it becomes very difficult to reduce it. Reducing prices is a big challenge," he said.

Uddin urged businesspeople to reduce the price of goods and services in tune with the fuel price cut.

On August 6, the price of diesel and kerosene was increased by Tk 34 per litre, petrol by Tk 44 and octane by Tk 46 per litre.

After that, the prices of all types of goods and services increased, leading to widespread criticism of the government.

There were demands to reduce the price of fuel by reducing the duty.

Companies that saw highest increase in share prices

Source: DSE

Company	Category	Hike in share prices
Orion Infusion	A	188%
Sonargaon Textiles	B	154%
Meghna Condensed Milk	Z	143%
Intraco Refueling Station	A	112%
Imam Button	Z	106%
Union Capital	B	99%
Metro Spinning	B	92%
Meghna Pet Industries	Z	78%
HR Textiles	A	77%
Prime Textile	B	67%



Richard D' Rozario, president of the DSE Brokers Association of Bangladesh.

Four fault lines in economy

Says Debapriya at ERF dialogue

STAR BUSINESS REPORT

Low private investment, poor tax collection, inadequate investment in the education and health sectors, and improper distribution of social safety net are four fault lines currently weighing on Bangladesh's economy, said a top economist yesterday.

"If the country can't address them, its development in the last one decade will not be sustainable and it will not be able to move to the next stage," said Debapriya Bhattacharya, a distinguished fellow of the Centre for Policy Dialogue.

He was speaking at a dialogue at the Economic Reporters' Forum (ERF) in Dhaka.

Fault lines are problems that may not be obvious and could cause something to fail.

Bhattacharya described the last decade as the most promising one for Bangladesh.

In the decade, per capita income and export rose, agricultural production advanced, and the country became a lower-middle income nation, achieved the Millennium

Development Goals, and qualified to become a developing nation from a least-developed country.

"At present, our main problem is not the balance of payments; rather, the main problem is the weakness in the financial sector and not mobilising adequate revenues," said the macroeconomist.

"That is why it [the government] is not being able to provide adequate subsidies in the

(GDP) for several years. "This is the biggest fault line," Bhattacharya said.

As a result, the GDP is growing riding on the government's investment, whose share rose to 7 to 8 per cent of GDP from 5 to 6 per cent.

"When an airplane runs on

to Bangladesh stands at about \$2 billion, or 1 per cent of GDP, which is not enough to maintain the current growth momentum of the economy.

The second fault line is the lower tax income. In fact, Bangladesh has one of the lowest tax-to-GDP ratios in the world although its GDP growth averages 7 per cent in the last decade.

"Higher GDP means higher income. If income is higher, then why isn't tax rising at the same pace?" Bhattacharya asked.

"The question is whether the GDP data is not correct or the NBR can't raise taxes properly."

Most importantly, the direct income tax is much lower, creating disparity since the low-income groups also pay taxes in the form of value-added taxes.

Due to the lower tax revenue, the implementation of the budget has remained low despite unveiling higher income and expenditure plans year after year.

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energy sector and food assistance to the poor."

The first fault line for the economy is low private investment.

The private investment has remained stagnant at 23 to 24 per cent of gross domestic product

one engine, it can't fly for a long time. If another engine remains inactive, it seeks a runway to make a landing," Bhattacharya elaborated while speaking about the impact of low private investment.

Foreign direct investment

Low performing stocks surge in bearish market

AHSAN HABIB

Investor Abu Sayeed was eagerly buying stocks of Orion Infusion sitting inside a brokerage house in Dhaka last Thursday. The share of the company had almost tripled in the past three months.

"A big manipulator is buying the stock, so I am also buying it," he candidly explained his actions to The Daily Star.

On whether he knew that the company had repeatedly informed investors of having no undisclosed information that could have led to the abnormal rise of its stock price, he said, "So what?"

Not only Sayeed but many other investors were buying such stocks which already witnessed the doubling of their prices, with the belief that the securities would continue to rise through the backing of manipulators.

Over the past three months, Orion Infusion stocks had almost tripled while four others, including two junk stocks, more than doubled despite repeated warnings from the companies that they had no undisclosed information that could have influenced the rise.

On the contrary, the hike in the prices of raw materials led by the appreciation of the US dollar, pent up demand and supply disruption alongside a rise in fuel prices locally may bring their profits down.

Another contradictory fact was that the stocks have soared at a time when the benchmark index of the bourses remains bearish.

Therefore, stock market analysts are suspecting that manipulation was the reason behind such an "abnormal price" surge.

Stocks of Orion Infusion skyrocketed to Tk 220 from Tk 76 during the last three months till August 25, according to Dhaka Stock Exchange (DSE) data.

The company warned investors twice that it had no undisclosed information that could have raised the stocks abnormally.

This is not the first time that manipulators pushed up the prices of some low capital-based or junk stocks through serial trading and then spread rumours among general investors only to dump them afterwards, said a top official of a merchant bank preferring anonymity.

However, the Bangladesh Securities and Exchange Commission (BSEC) does not catch them at an early stage, he said, adding that a similar abnormal rising trend was seen in some other stocks a few months back.

Later, the regulator found it to be manipulation, he said.

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STOCKS			
DSEX	CASPI		
0.38% 6,432.83	0.36% 18,898.24		
COMMODITIES			
Gold	Oil		
\$1,731.71 (per ounce)	\$94.12 (per barrel)		
ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
2.70% 59,537.07	1.14% 28,195.58	0.53% 3,239.33	-0.42% 3,227.22



Workers resume picking tea leaves after returning to work following an 18-day protest aimed at raising the minimum wage. The picture was taken at Bharaura Tea Estate in Sreemangal, Sylhet yesterday.

PHOTO: MINTU DESHWARA

Tea garden owners claim losses for strike

MD SHAHNAWAZ KHAN CHANDAN

Tea estate owners in Bangladesh yesterday said they suffered losses of up to Tk 20 crore per day during the recent 18-day protest by estate workers as significant amounts of tea were wasted for the work abstention.

And although they have accepted the prime minister's decision on raising the daily minimum wage of tea workers from Tk 120 to Tk 170, they did not state whether the protesting workers would be paid for the strike's duration.

"We get 15 per cent of our annual production in August but as the plants grew too large for a lack of picking amid the protest, their leaves are now useless," said M Shah Alam, chairman of Bangladesh Tea Association (BTA).

"So, we have to wait for quite some time to resume tea production in the gardens," he added.

Nihad Kabir, a member of the BTA, said one kilogramme of processed tea leaves can be made into approximately 400 cups to 500 cups of tea worth about Tk 10,000 in total.

"But we get only Tk 197 per kilogramme of processed leaves and 45 paisa from each cup of tea while the rest of the money goes to blenders, packers and other players in the

supply chain," she said.

Workers' wages have increased 73.91 per cent and the price of other associated products, such as equipment, has gone up by up to 48 per cent while the auction price of tea leaves has risen by only 0.16 per cent.

"In this situation, we will face a lot of challenges in the coming days," Nihad added.

Asked whether tea estate owners will give in to their workers' demand for improved living and working conditions as well as other benefits, BTA Chairman Alam said they already provide a lot of facilities.

"We are the first industry in Bangladesh to introduce paid maternity leave and gender equal wages. We will discuss with union leaders what they still need and what we can afford to provide," he added.

With regard to whether the workers would be paid for the strike period, Alam assured that they would get their wages but could not confirm exactly when.

Alam went on to say that they would face a lot of difficulties in adjusting to the wage hike while recovering from massive losses at the same time.

"So, we asked for bank loans during a meeting with the prime minister, who was very positive about it," he said.

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