

### Summing up FY12: Policy botch perpetuates economic woes

Enduring several quandaries especially at the domestic front in the setting of a global meltdown, Bangladesh economy experienced a down swing in the outgoing fiscal year. The provisional estimate of Bangladesh Bureau of Statistics (BBS) shows, Bangladesh achieved 6.3% economic growth, 0.7 percentage point lower than the 7% budget target of FY12. Except revenue collection and remittance inflow, all other major macroeconomic indicators went downhill. Basically fiscal mismanagement by the government and its lack of budget implementation capability pushed these indicators down. Throughout the year the country underwent through political turmoil and periodic strikes, widespread electricity shortages and double digit inflation. Uncomfortable level of government debt, Tk184.52b as of May 21, 2012 against the original target of Tk189.6b over the entire financial year, magnified the liquidity crisis. Interest rates skyrocketed. Tight monetary policy throughout the year failed to restrain high inflationary pressure that was driven mostly by non food inflation. Twelve month average inflation up to May 2012 of the current fiscal year stood at 10.76%, according to BBS estimate. All these along with the letdown in infrastructural framework have been obstructing investments (both in local and foreign level) and employment generation. Industrial term loan disbursement, import of capital machineries and industrialization were hampered due to high volume of government bank borrowing. Ratio of private investment of the Gross Domestic Product (GDP) declined in FY12 to 19.1% from 19.5% in the preceding year. In the first ten months of the fiscal year, net Foreign Direct Investment (FDI) was negative at Tk51m, shows the Bangladesh bank data. Foreign aid inflow nose-dived due to low aid utilization rate. Decline in FDI and foreign aid inflow had put pressure on the external balance sheet. Rental power plants stimulated higher fuel demand inflating import payments while underperforming garment products failed to boost export growth owing to global economic downturn. As majority of the macro-economic components associated with the balance of payments were in decline Taka against foreign currencies remained in a wobbly state. According to the official data, implementation status of Annual Development Program (ADP) remained dismally low, only 55% of the revised ADP was implemented in the first 10 months of the fiscal year, forcing the share of local financing up. Crisis in the capital market sent shock waves across the economy and society overall. Dishearteningly, the proposed budget for the next fiscal year although correctly diagnosed all these downside threats did not accommodate noteworthy effective measures in the fiscal planning to address those. Recently a global economic report by the World Bank has forecasted the GDP growth rate of Bangladesh at 6.4% in FY13, 0.08 points short of the projection in the fiscal budget.

### Merchant bankers taxing issue triggers confusion

The national budget for FY12 has prescribed a provision to reduce the income tax for merchant banks by 5 percentage points to 37.5%. This provision created confusion as merchant bankers already used to belong to the 37.5% tax slab until this fiscal year as the Securities and Exchange Commission (SEC) used to provide them licenses. Very recently National Board of Revenue (NBR) has put these institutions in the 42.5% tax bracket by specifying them as NBFIs. Later Bangladesh Bank granted NBFi status to the merchant bankers. But due to the ambiguity of this year's taxing issue the significance of the budget provision is still unclear.

### Agriculture's share in GDP sliding over time

The agriculture sector could not live up to the expectations as the sector's share to the Gross Domestic Product (GDP) plummeted by 0.72% to 19.29% in FY12, as per Bangladesh Economic Survey. The agriculture sector's contribution to GDP shrunk at a higher rate than the overall decline in the GDP growth. During the 80's the stake of agriculture to GDP growth used to be at 30% level that scaled down to 20% in the new millennium. Meanwhile, the total rice production is expected to fall short of the yearly target by 0.87m tonnes, as among the three major crops only *Boro* is likely to reach the target. Dunned by continuous price hike of agricultural inputs, inadequate budgetary allocation and unfair pricing of the outputs the sector's growth declined to 2.53% in the current fiscal year from 5.13% in FY11. Moreover, lower farm credit disbursement due to liquidity crisis affected the sectors' prospect as well. For the Jul-Apr period of FY12, total farm credit disbursement was Tk102b as against the annual target of Tk138b. However the lower budgetary allocation and subsidies for the next fiscal year might put target of ensuring food security and attaining self-sufficiency in food by 2013 at stake.

### Quick rentals quickly double SoE losses

Losses incurred by the State-owned Enterprises (SoEs) are expected to be nearly doubled in FY12 mainly due to the huge losses of Bangladesh Petroleum Corporation (BPC) and Bangladesh Power Development Board (BPDB). The net total loss of the SoEs might reach Tk168.81b which is 94.76% higher than the previous year's loss of Tk86.67b. Cumulative estimated operating revenue of the profit making SoEs of Tk83.86b might totally be overshadowed by the gigantic Tk252.66b estimated loss incurred by the remaining SoEs. Bangladesh Economic Review-2012 reviled these statistics. The losses of BPC and BPDB are feared to be doubled to Tk160.8b and Tk84.31b respectively. Both the enterprises were victim to government's "arrhythmic" stand of installing fuel-swiggling rental and quick rental power plants to improve the power condition of the country. BPC imported more fuel than before to run the power plants at the international market price while sold it at a subsidized rate to the local market. On the other hand, BPDB purchased electricity from the quick rental power plants at higher prices and sold it at comparatively lower prices. Despite making adjustments in fuel and electricity prices for a number of times during the year the offshoot of increased cost of operation was not compensated fully. However, irregularities and wastage in BPC and "system losses" of BPDB were also responsible for the losses. In line with the loan condition of International Monetary Fund (IMF) on containment of fuel subsidies, the government has planned to adjust the charges with international prices by December 2012. Nonetheless, profit of Bangladesh Telecommunication Regulatory Commission (BTRC) would increase by 93% to Tk58.49b in the current fiscal year. Petrobangla, Dhaka Water Supply & Sewerage Authority (WASA), Rajdhani Unnayan Kartripakkha (RAJUK) and Bangladesh Water Development Board are also expected to earn significant profits in 2011-12. Although Bangladesh Chemical Industries Corporation (BCIC) might be able to manage to cut 63% of its losses in the current fiscal year but still it would be one of the big loss-making SoE, just like Bangladesh Sugar and Food Industries Corporation.

The week's data runs 07 Jun to 14 Jun 2012

## Stock Market Movement



## Global Markets

	This Week	Last Week	+/- %	PE
S&P 500	1342.84	1325.66	1.30%	14.1
FTSE 100	5478.81	5435.08	0.80%	9.9
Nikkei 225	8569.32	8459.26	1.30%	13.3
SENSEX	16949.83	16718.87	1.38%	16.2
KSE 100	13665.80	13558.70	0.79%	9.6

## DSE Indicators

	This Week	Last Week	+/- %
DSE General Index	4620.71	4769.39	-3.12
Total Turnover, Tk	7,574,258,558	14,077,934,197	-46.2
Market Capital, Tk	1,908,483,499,019	1,959,020,970,702	-2.58
No of Issue Gain	31	117	
No of Issue Loss	235	141	
No of Unchanged Issues	9	17	

## Top Gainers

Company	Weighted avg. Closing Price (Tk)			Turnover (Tk)
	Last Week	This Week	Change %	
Delta Spinners	25.90	29.90	15.44	50,423,000
ICB AMCL 2nd M.F.	7.50	8.10	8.00	1,477,000
CVO Petrochemical	243.80	261.30	7.18	112,184,000
3rd ICB M.F.	133.40	142.00	6.45	205,000
Monno Staffers	179.40	189.00	5.35	9,000
NLI First MF	8.10	8.50	4.94	17,000
Eastern Lubricants	310.60	325.50	4.80	314,000
EXIM Bank	18.10	18.90	4.42	179,787,000
Reckitt Benckiser	738.10	768.40	4.11	1,818,000
National Tea	640.10	665.40	3.95	12,128,000

## Top Losers

Company	Weighted avg. Closing Price (Tk)			Turnover (Tk)
	Last Week	This Week	Change %	
Padma Oil Co.	514.20	328.70	-36.08	140,462,000
Sandhani Life	196.00	126.20	-35.61	41,750,000
Meghna Life	180.00	156.80	-12.89	85,426,000
Anwar Galvanizing	23.60	21.50	-8.90	2,565,000
Imam Buton	12.80	11.70	-8.59	79,000
ILFSL	30.50	28.10	-7.87	23,293,000
Bd.Thai Aluminium	38.30	35.30	-7.83	17,033,000
Apex Adelchi	266.90	246.30	-7.72	2,677,000
Power Grid	65.00	60.00	-7.69	10,908,000
GSP Finance	45.60	42.20	-7.46	48,101,000

## Sectoral Index & Turnover

Sector	P/E	Sectoral Index			Turnover (Tk.M)		
		This Week	Last Week	Change %	This Week	Last Week	Change %
		Bank	8.21	448.59	462.02	-2.91	1596.70
Cement	22.00	282.55	275.85	2.43	719.15	964.04	-25.40
Ceramic	21.64	657.39	677.19	-2.92	51.71	114.06	-54.67
Engineering	23.47	1,135.95	1,174.54	-3.29	490.36	782.82	-37.36
Food & Al.	24.35	705.29	711.83	-0.92	169.00	147.00	14.97
Fuel & Pow.	35.50	2,507.84	2,465.02	1.74	1262.53	1361.46	-7.27
Insurance	29.73	1,252.81	1,316.74	-4.85	513.73	902.84	-43.10
IT	25.02	197.71	204.78	-3.45	22.86	45.23	-49.46
Jute	20.60	319.90	325.66	-1.77	1.01	2.91	-65.18
Misc.	34.77	751.75	763.47	-1.54	192.95	363.73	-46.95
Mutual Fund	7.03	509.81	522.44	-2.42	112.73	153.91	-26.75
NBFI	20.22	1,390.63	1,428.28	-2.64	596.32	1188.19	-49.81
Paper	26.15	278.01	290.19	-4.20	0.15	0.44	-66.14
Pharma	20.09	606.82	614.04	-1.18	451.12	683.16	-33.96
Service	22.04	913.32	947.47	-3.60	45.67	77.69	-41.22
Tannery	12.07	420.47	433.27	-2.95	7.73	14.82	-47.86
Telecom	14.47	2,046.10	2,064.00	-0.87	831.80	452.14	83.97
Textile	21.18	594.83	610.34	-2.54	306.89	359.45	-14.62
Travel & Leis.	10.29	163.06	166.81	-2.24	68.44	130.86	-47.70

## Technical Talk

Dhaka stocks went back in to red on dilly-dally to resolve the legal battles of minimum shareholding by sponsor-director. In additional, operational problem with the newly-introduced MSA-Plus software also slowed down the market activities. Out of last week's five trading the prime index closed low sessions in four sessions, while on Tuesday the index closed flat. Daily average turnover of the week was at the year's low. GBB power and Bangladesh Submarine Cables made their debut in the bourse on Wednesday and Thursday respectively. GBB power was traded within the range of Tk42.40-Tk47 while its offer price was Tk40; it captured 8.57% of the day's trade. Bangladesh Submarine cables was traded within the range of Tk45-Tk60 against Tk35 offer price, it captured 29% of the day's trade volume. In fact it was the week's turnover leader.

DSE General Index reached at 4620.71 points decreased by 148.68 points or 3.12% from the previous week. Total turnover reached at Tk7574.25m with 46.2% decrease from the last week's Tk14077.93m. On the other hand, market capital decreased by 2.58% and stood at Tk1908.48b (\$23.20b) at the weekend against Tk1956.02b. DSE-20 has moved downward by 99.88 points (2.74%) and closed at 3539.93 points against 3639.81. Last week's weighted average Market PE was 12.32 which was 2.69% lower than previous week's 12.66.

During the week, DSE General Price Index was below both 9 and 18-day moving average line.

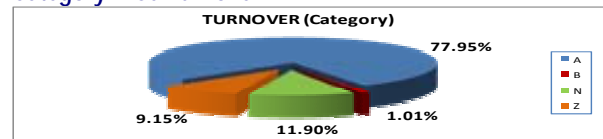
## Top Turnover Companies

Company	Volume	Value (Tk)	% of total
Bangladesh Subm. Cable	10,163,400	544,102,000	7.18
Lafarge Surma Cement	12,160,500	518,239,000	6.84
Social Islamic Bank Ltd.	20,686,000	432,048,000	5.70
Grameenphone Ltd.	1,414,400	287,695,000	3.80
Meghna Petroleum Limited	1,019,900	217,785,000	2.88

## Top 10 Market Capital

Company	Volume	Value (Tk)	% of total
Grameenphone	273,301	Lafarge Surma	49,126
Square Pharma	68,063	NBL	40,601
ICB	67,508	BATBC	35,280
Titas Gas	64,441	Prime Bank	32,284
Islami Bank	53,666	BEXIMCO	31,284

## Category wise Turnover



## Commodity Price

	This Week	Last Week	Change %
Gold (USD/t oz.)	1627.30	1593.90	2.10
Silver (USD/t oz.)	28.73	28.46	0.95
Brent Crude Oil (USD/bbl)	97.61	99.89	-2.28

## Exchange Rate

	This Week		Last Week		Change %	
	TT	BC	TT	BC	TT	BC
USD	82.25	82.30	82.20	82.25	0.06	0.06
EUR	103.24	103.31	103.32	103.38	-0.08	-0.08
GBP	128.24	128.31	127.17	127.25	0.84	0.84
AUD	82.23	82.28	81.44	81.49	0.97	0.97
JPY	1.04	1.04	1.05	1.05	-0.86	-0.86
CAD	80.50	80.54	79.94	79.99	0.69	0.69
SAR	22.04	22.05	22.03	22.04	0.06	0.06

Based on Standard Chartered selling rates to public in Taka. Notes: USD-US Dollar, GBP-Great Britain Pound, AUD-Australian Dollar, JPY- Japanese Yen, CAD-Canadian Dollar, SAR-Saudi Riyal.

## Last Public Offerings

Company	Subscription Period	Sponsor (M.Tk)	IPO (M.Tk)	Private Placement (M.Tk)
Summit Purbachol Power Company Limited	July 15- July 19, 2012	-	1350	-
Envoy Textiles Limite	July 29 - Aug 02, 2012	-	900	-