

Economy maintains pace despite odds

Says Citigroup report on Bangladesh

STAR BUSINESS REPORT

Despite vulnerability to natural disasters, the MFA (multi-fibre agreement) phase-out and a difficult political climate, the Bangladesh economy continues to maintain a momentum, said a report of US banking giant Citigroup.

The slow but steady progress is a result of prudent macroeconomic management, liberalisation of the investment regime, rising remittances and export-oriented growth, added the report titled 'Economic and Market Analysis: Bangladesh'. Terming 2006 a crucial year for Bangladesh as the government's tenure comes to an end in October 2006, the report, which was published Monday, said: "There is already controversy over the appointment of a caretaker government that needs to be appointed in October 2006 to supervise the next general election, which must be held within 90 days after the caretaker government comes into power. Hartals, or strikes, could be a major issue constraining growth."

Other challenges include increasing access to infrastructure services and infrastructure improvement to reduce poverty

levels. "While infrastructure coverage in Bangladesh has improved considerably from levels in the early 1990s, we believe increasing access to infrastructure services and improving their quality is important to reduce poverty levels," said the report prepared by Rohini Malkani and Anushka Shah from Mumbai.

The report said for a country once described as the 'poorest of the poor', Bangladesh has been drawn into a wave of consumerism led by rising incomes, particularly due to an uptrend in textile exports to the US and EU, coupled with increasing urbanisation. "While the key growth sectors are automobiles, consumer durables, leisure and lifestyle, real estate, telecommunications and medicare, much of this is concentrated in the cities of Dhaka and Chittagong. More importantly, the uptrend in consumerism is also an indication of a widening gap between the rich and the poor," it continued.

Praising the last few years' GDP growth, the report said Bangladesh has established a credible record of sustained growth since FY2000, when growth exceeded 6 percent, and has since remained at over 5 percent with headline growth likely

to come in over 6 percent in FY2006. "Expansion in GDP over the year was also driven by strong trends in worker remittances, and overall buoyancy in industry and services. With progress in infrastructure, coupled with continued foreign direct investment and supportive government policy, we remain positive on growth in Bangladesh."

According to the report, while Bangladesh has made improvements on the external front resulting in a current account surplus for three consecutive years, the widening trade deficit due to higher oil and non-oil imports resulted in the current account going back into the red.

"There is pressure on inflation that is being fuelled by higher food prices following the floods and a partial pass-through of higher global oil prices," it said.

However, the report said, the contractionary policies initiated by Bangladesh Bank should stem inflation. The fiscal deficit has remained in the 4 to 4.5 percent range since FY2001, although election expenditure could result in slippage this year.

Oil prices rise towards \$60

AFP, London

World oil prices rose on Wednesday towards 60.0 dollars per barrel before the latest weekly snapshot of US crude inventories, after shedding more than a dollar the day before on easing supply concerns.

New York's main contract, light sweet crude for delivery in March, climbed ten cents to 59.67 dollars per barrel in electronic trade.

In London, the price of Brent North Sea crude for April delivery added 13.0 cents to 59.65 dollars per barrel.

On Tuesday, crude futures had tumbled largely owing to expectations of strong stockpiles of US energy, as the US Department of Energy prepared to publish its latest data Wednesday.

Analysts' consensus forecast is for a 1.5-million-barrel rise in US gasoline stocks, a 1.3 million-barrel gain in crude oil inventories and a build of 900,000 barrels for distillates, which include heating fuel and diesel.

Vietnam to host Apec summit in November

AFP, Hanoi

Leaders from 21 countries will meet in Hanoi in November for the Asia-Pacific Economic Cooperation (Apec) forum summit, Vietnamese Deputy Prime Minister Vu Khoan said Wednesday.

The November 18-19 summit will be preceded by a senior officials' meeting, a ministerial session and Apec Business Advisory Council dialogue, he announced at a press conference.

US President George W. Bush is expected to pay a parallel bilateral visit.

It is the first time Hanoi will be hosting the annual summit since joining Apec in 1998.

"It is not by accident that Vietnam was chosen to host the summit," Khoan said, adding it had earned "a good image as a country capable of organising such events". Noting that at least 10,000 people were expected to be in Hanoi for the summit, including 1,500 from the United States alone, he ruled out the possibility of protest demonstrations but voiced concern over the need to ensure smooth traffic on Hanoi's currently chaotic streets.

The Apec forum groups Australia, Brunei, Canada, Chile, China, Hong Kong, Indonesia, Japan, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, the Philippines, Russia, Singapore, South Korea, Taiwan, Thailand, the United States and Vietnam.

British jobless claims fall for first time in a year

AFP, London

The number of people claiming jobless benefits in Britain fell in January for the first time for 12 months, official data showed on Wednesday.

The number claiming benefits fell by 2,000 to 904,200 people last month, Britain's Office for National Statistics (ONS) said.

The drop came after 11 monthly rises in a row and after analysts had forecast an increase in January of up to 8,000 claimants.

Britain's unemployment rate meanwhile stood at 2.9 percent in January, unchanged from the December 2005 figure, the ONS said.

Emirates SkyCargo expands services to Africa, Russia

Emirates SkyCargo has recently signed two major agreements, enabling the cargo division to spread its wings to its two key markets—Africa and Russia.

An agreement signed with Astral Aviation Ltd, a cargo operator based in Nairobi, provides Emirates SkyCargo with significant reach within Africa. It will enable the award-winning cargo carrier to transport odd-sized machinery and shipments, for example drilling and mining equipment from Australia to Mwanza, says a press release.

With another deal signed with Moscow-based AirBridge Cargo, Emirates SkyCargo can effectively serve the huge demand for pharmaceutical products from the Indian subcontinent and carry large shipments to Russia.



Shops remain shuttered on Mirpur Road at Dhanmondi in Dhaka during the dawn-to-dusk nationwide shutdown yesterday. The Awami League (AL)-led 14-party opposition alliance enforced the hartal demanding uninterrupted power supply and reduction in fertiliser and fuel prices.

Pak, Bangla apex trade bodies sign MoU

Bid to promote economic co-operation

UNB, Dhaka

Two apex trade bodies of Bangladesh and Pakistan have entered into a deal agreeing to hold joint business council meetings regularly every year in either country for increasing bilateral interaction.

The Federation of Bangladesh Chambers of Commerce and Industry and the Federation of Pakistan Chambers of Commerce and Industry signed a Memorandum of Understanding (MoU) to this effect on Tuesday in

Islamabad, on the sidelines of Prime Minister Khaleda Zia's Pakistan tour.

FBCCI President Mir Nasir Hossain and FPCCI President Chaudhry Muhammad Saeed signed the MoU on behalf of their respective chambers. Prime Minister Khaleda Zia was present at the signing ceremony.

In the accord, the two apex bodies agreed to exchange professional expertise and advice relating to services rendered to their respective members.

"The parties will also exchange information about products and industrial processes that may be available, industrial training, sources of financing offers and requests for joint ventures and licensing and identification of their possible partners," FBCCI said on Wednesday.

The federations will also support activities such as seminars, workshops, conferences participated by specialists of Pakistan and Bangladesh to promote co-operation in these areas.

China central bank rules out another revaluation

AFP, Beijing

China's central bank has ruled out a second revaluation of its currency but is considering broader reform of its interest rates, state press reported Wednesday.

Attributing the recent faster rise in the yuan's value to market forces, the Beijing Business Today reported central bank vice-governor Wu Xiaoling as saying China would not make another one-off adjustment to the yuan's rate.

"China will not make another one-off adjustment to the renminbi," the paper said, paraphrasing Wu.

China revalued the yuan by 2.1 percent against the US dollar last July, ending its 11-year-old peg to the greenback in favor of a link to a basket of major currencies.

Since the value of the currency has risen to around 8.04 yuan to the dollar, with the currency strengthening at a faster rate in recent weeks.

But China is facing rising US-led pressure to allow more flexibility in the yuan exchange rate to help contain the Asian nation's ballooning trade surplus.

China's interest rates also remain well below those of the United States, increasing the opportunity cost of a bet on the yuan's appreciation given the potential to earn higher yields elsewhere.

In a separate report, the official China Securities Journal cited Wu as saying the central bank plans over the long-term to simplify the structure of deposit rates.

Indian exports jump 21pc in January

PTI, New Delhi

India's exports rose by a strong 21.46 percent in January 2006 to USD 8.45 billion but trade deficit has widened to USD 3.82 billion so far this fiscal despite a slower 10.69 percent growth in imports.

Cumulative exports so far this fiscal have risen by 18.8 percent to USD 74.978 billion against USD 63.076 billion during April-January 2004-05, according to the latest trade data released by government

on Tuesday.

Trade deficit has shot up to 48 percent to USD 33.82 billion during April-January 2005-06 compared to USD 22.82 billion in the corresponding period last fiscal.

During January, exports increased by 21.46 percent to USD 8.457 billion compared to USD 6.963 billion in the same month a year ago.

Imports during the month under review grew by 10.69 percent at USD 11.367 billion as against USD

10.269 billion in the same month last fiscal.

Cumulative imports so far this fiscal surged 26.67 percent to USD 108.802 billion compared to USD 85.896 billion in April-January 2004-05.

Oil imports during April-January 2005-06 soared 46.91 percent to USD 35.292 billion while non-oil imports grew by a much slower rate of 18.8 percent to USD 61.872 billion during the period.

India has set a target of USD 92 billion of exports for 2005-06.

India, Thailand sign new air services agreement

PTI, New Delhi

India and Thailand have signed a new Air Services Agreement under which rights have been given to each other's airlines to fly from select airports in either of the countries to a third country, besides enhancing the seat capacity.

According to the new agreement, a designated airline of Bangkok will be allowed to fly to Dubai from Chennai at least four times every week with not more than 1220 passengers.

However, there would be no such right for the Thai Airways to fly to a third country from any other airport, an official spokesperson said here Tuesday, adding on reciprocal basis a designated Indian carrier would be allowed to operate up to seven frequencies per week.

The agreement was signed by Civil Aviation Secretary Ajay Prasad while the Thailand was represented by its Vice Minister for Transport Mahidol Chantrangkum at Bangkok, the spokesman added.

The new air services agreement will also provide multiple designation of airlines and the number of seats increased to 8606 till summer of 2006 and was expected to go further to 18,671 by the summer of 2009.

The designated airlines of both the countries would now be entitled to operate unlimited frequency and capacity with any type of airport on their respective specified route schedules.

The destinations in India for the Thai airlines would go up to 18 airports from the existing three.

Indonesia's car sales down 41pc in January

XINHUA, Jakarta

Indonesia's monthly car sales fell sharply by 41.4 percent in January 2006, prompting market leader Toyota to revise down the target, a local newspaper reported yesterday.

Car sales plunged to 26,612 units in January against 45,480 units in the same month last year, reported Bisnis Indonesia, quoting data from the country's largest auto firm PT Astra International.

Toyota, which earlier targeted to book sales of 35,000 units for January, renews the monthly target to 28,000 units.