Challenge DSE MD appointment in court

Chairman says hiring was proper

STAR BUSINESS REPORT

Due process has been maintained in appointing the managing director of the Dhaka Stock Exchange (DSE), said its Chairman Prof Abul Hashem yesterday, suggesting those believing it to be otherwise file a lawsuit.

The Bangladesh Securities and Exchange Commission denied reappointing the former MD, KAM Majedur Rahman, and this was the third appointment attempt, for which the regulator approved of Kazi Sanaul Hoq with a majority vote, he said.

Hashem was addressing the recently elected DSE Brokers Association (DBA) top brass who were paying a courtesy call on the DSE board members at the bourse's Motijheel office.

Most of the DBA leaders raised questions over the transparency of the appointment process. They also alleged that Hoq was not the most efficient person out of all who had applied for the post.

The DSE board comprises 13 members: one MD, seven independent directors and five shareholder-directors.

Normally, a nomination committee of the DSE makes a shortlist and sends the candidates' curricula vitae to the board members for evaluation, said a director, requesting anonymity.

The selected candidates are then called for a panel interview with the board and the best individual is chosen, he said.

It was also alleged that even the shortlist had been manipulated, one attendee said.

"Why are low-performing companies still being listed despite a majority of the DSE board being comprised independent directors?" one frustrated stockbroker said.

"We believe the board works for the sake of investors, not for anyone else," said another leader. One stockbroker alleged that the appointment process worsened investors' confidence. Sharif Anwar Hossain, the DBA president, led the delegation when Richard D' Rozario, senior vice-president, and Mohammad Ali, vice president, were present.

Global airlines on high alert as virus outbreak spreads

REUTERS

People wearing musks are seen at an airport in China.

REUTERS

Airlines and passengers are on guard against a new flu-like virus that originated in Wuhan, China.

Here's an explainer on the airline industry's response to the outbreak so far and its potential financial exposure compared to SARS in 2003, which killed nearly 800 people:

The biggest concern is a sharp drop in travel demand if the virus becomes a pandemic.

During the height of the SARS outbreak in April 2003, passenger demand in Asia plunged 45 percent, according to the International Air Transport Association (IATA).

Cathay cut nearly 40 percent of its flights and reported a financial loss, as did Singapore Airlines Ltd, Japan Airlines Co Ltd and ANA Holdings Inc.

The industry is now more reliant on Chinese travelers.

For example, in Australia, Chinese travelers account for more than 15 percent of international arrivals, up from just 4 percent in 2003, according to Moody's ratings service.

Those travelers, who arrive mostly via mainland carriers, often take domestic flights once they arrive in Australia, pointing to the potential for knock on effects for the likes of local airline Qantas Airways Ltd if there is a fall in travel demand.

Since 2003, the number of annual air passengers has more than doubled, with China growing to become the world's largest outbound travel market.

In 2003, 6.8 million passengers from China traveled on international flights, and that number has grown by close to 10 times to 63.7 million in 2018, according to data from the country's aviation authority.

Global airline industry revenues more than doubled to $838 billion in 2019 from just $322 billion in 2003, according to IATA data.

"Whether only one secondary market, an entire country or the wider region is impacted is obviously unpredictable and outside of the industry's control," said Brendan Sobie, an independent aviation analyst in Singapore.

Many airlines, including Korean Air Lines, Singapore Airlines' budget carrier Scoot, Taiwan's China Airlines Ltd and Japan's ANA, announced they were cancelling flights in and out of Wuhan after authorities announced a lockdown.

South Korean budget carrier T'way Air earlier this week postponed the scheduled launch of a new route to the city.

Flight tracking website FlightRadar24 showed that as of 0600 GMT on Thursday, 184 Wuhan flights, or 60 percent of the departures listed for the day, had been canceled.

Wuhan's Tianhe airport serves around 2 percent of China's total air traffic and mainly serves domestic routes. Broker Jefferies estimated 88.8 percent of overall flights are domestic, with China Southern Airlines Co Ltd holding the largest market share at 30 percent.

Hanatour Service Inc, South Korea's largest travel agency, said that cancellations of trips to China increased about 20 percent this week compared to same period last year. The figure includes postponements and switches to other destinations, a company official said.

Rajeev Kale, country head for Thomas Cook India's holidays division, said some customers were raising concerns about traveling to China. "Most of our customers are adopting a wait and watch approach to see further developments," he said.

Oracle firmly puts down roots in Bangladesh

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"With an ecosystem of a 50-plus strong partner community in Bangladesh, we continue to support the digital transformation for our customers in the region. With our established network and vast breadth of world-class technology, we are geared to help build Bangladesh's digital agenda," said Rubaba Dowla, managing director for Oracle Bangladesh.

Finance Minister AHM Mustafa Kamal appreciated the US tech giant's move, pointing out that the Bangladesh economy had surged 8.15 per cent last fiscal year, the highest in the Asia Pacific region.

The company helped organisations "transform, harness the growth we are seeing and serve their customers in new, innovative ways", a statement quotes him as saying.

"I would like to congratulate Oracle on this milestone, particularly since they have been close technology partners supporting Bangladesh's development agenda," said State Minister for ICT Zunaid Ahmed Palak, who was also in attendance alongside US Ambassador to Bangladesh Earl R Miller.

Singapore December core inflation picks up to 0.7pc

REUTERS, *Singapore*

Singapore's core inflation rate picked up slightly in December, mainly due to higher services price growth, official data showed on Thursday.

The core consumer price index (CPI) rose to 0.7 percent from last year, versus a 0.6 percent increase in November. This was slightly higher than the 0.6 percent forecast seen in a Reuters poll. The headline consumer price index rose 0.8 percent from a year earlier, slightly higher than estimates, and quickening from November's 0.6 percent increase.

Core inflation is the Monetary Authority of Singapore's preferred price gauge for setting monetary policy. It excludes changes in the price of cars and accommodation, which are influenced more by government policies.

SECRET RECIPE

JM Taslim Kabir, head of marketing at Fair Group, opens an outlet of Malaysian café chain at SKS Tower in Dhaka on January 22. The group's concern Pepperoni is the master franchisee of Secret Recipe in Bangladesh.

Britain and US to clinch trade deal 'this year': Mnuchin

AFP, *Davos*

US Treasury Secretary Steven Mnuchin said Thursday a post-Brexit trade deal between the United States and Britain is a top priority and he expects it will be reached by the end of this year.

The top US economic official made his comments before heading to London to lay out ways London and Washington could reach the quick accord after the UK leaves the EU on January 31.

Mnuchin's UK counterpart, Sajid Javid, will embark on trade talks with both the EU and the US, in the hopes of sparing the British economy from any short or medium-term shocks of Brexit.

Small garment factories feeling the heat

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Ahsan H Mansur, executive director of the Policy Research Institute, echoed the same as Selim.

The bigger units will ride out the storm of shrinking work orders arising out of economic contraction in the importing countries.

"Overall exports will not be affected but the number of small and medium factories will go down further in future," he said, while calling for a special fund from the government and the BGMEA for revival of the small and medium units.

In the face of squeezing profits, the small factory owners are also struggling to pay off their bank loans, the interest rate on which is in double digits.

One such owner is Mozammel Haque, who had to forfeit his four small units employing 1,600 in total in July last year. He had a Tk 300 crore bank loan that he was unable to service and the bank took control of the units and auctioned them off.

Haque blamed the declining prices of garment and the rising production costs for his current woes.

"Still, I continued my business for a few years hoping for better prices from buyers in the near future. But that never happened. Now I am out of business," an emotional Haque told The Daily Star over phone.

The cost of production of apparel during 2014-2018 has increased 30 per cent, said BGMEA President Rubana Huq.

In a market economy, an increase in production cost without reciprocity in efficiency or value added would either result in less demand or offering cheaper price, she said. Over the past 4 years, the value addition of the industry has gone down by 1.61 per cent though the apparel export has increased from $28.10 billion to $34.13.

This means that the growth is happening in physical terms only, but the value added per piece of garment produced has rather declined over years, she said.

"Unplanned expansion is like an epidemic that is silently killing our industry. While we are trying to find our way out from the price-trap situation, we need to look at ourselves and stop unplanned expansion and overcapacity."

Overcapacity is perhaps the weakest point behind Bangladesh's garment manufacturers' poor bargaining ability, Huq said. A narrow list of export destinations and little product diversification are the other problems afflicting the country's garment exports.

"EU and North America has been major markets, where almost 85 per cent of our exports are concentrated. Product diversification is also not happening at desired pace. Factories are overwhelmingly dependent on a few product category like t-shirt, trouser, sweater and cotton shirt."

Besides, about 75 per cent of Bangladesh's garment products are made of cotton whereas the world market is heading toward man-made apparel, she added.

"Of course these small- to medium-sized garment industries need to survive," said KI Hossain, president of the Bangladesh Garment Buying House Association.

If the businesses are closed, unemployment will increase at a huge rate.

"This will create a great deal of social unrest," he said, adding that the banks and financial institutions that have invested in the sector will also have to face uncertainty.

Social stigma puts women entrepreneurs off

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The Department of Agriculture Extension (DAE) has distributed 2.05 crore agriculture cards, which are specially designed debit cards meant to help farmers pay for their farming needs. However, only 6.6 per cent were given to women.

Moreover, these women only got the cards because they were the family-head or there were no remaining men in the family, informed Md Mizanur Rahman Khan, deputy director for monitoring at the DAE.

Discrimination is also evident with a number of the farmer's accounts. Of the 95.81 lakh active accounts, 5.5 per cent are women, according to the DAE.

There have been some success stories though as NGOs are currently striving to create women-friendly markets at the rural level by linking together female producers and setting up separate collection points for women at local markets with the help of regional government bodies.

Currently, the women in Sundarganj area of Gaibandha rear cows to sell them to wholesalers. Last year, they sold 52 cows through the Daraz app at higher prices.

"This year they will sell nearly 1,500 cows online," said Md Shawkat Akber Fakir, project coordinator of the Making Market Work for Women project of ActionAid Bangladesh.

"If the government can ensure fair prices for women farmers and entrepreneurs by creating a direct connection between them and the key market system, it will be great for us," Rashida Begum said.

Additional reporting was done by our correspondents in Pabna, Gaibandha, Gazipur, Rangpur and Mymensingh.

ECB on the spot over economic risks and strategy rethink

AFP, *Frankfurt*

With policy locked in easy-money mode, European Central Bank watchers will look Thursday for hints about its strategic review and an updated assessment of risks facing the eurozone economy.

President Christine Lagarde will "be able to enjoy her honeymoon period without having to worry about immediate policy decisions," said Andrew Kenningham of Capital Economics.

In her first three months in post, the former IMF chief and French finance minister has invested much energy into overcoming divisions prompted by a September decision -- taken under predecessor Mario Draghi -- to ease monetary policy once more.

Helped by turnover in jobs on the ECB's 25-strong governing council, Lagarde has managed to treat some of the wounds sustained before she took over. But onlookers are increasingly impatient to hear from her about a planned "strategic review" of the bank's tools and goals.

The institution's last stock-taking in 2003 took place several years before it intervened massively in inter-bank markets amid the global financial and economic crisis.

"The most important part of the review will be an assessment of the definition of price stability and how to reach it," said economist Carsten Brzeski of ING bank.

For most of its active life, the ECB has aimed for inflation "close to, but below two percent" to fulfil its mandate to keep eurozone prices stable.

But over the past seven years, it has failed to achieve that goal despite unprecedented policy experiments.

One option would be to simply target inflation "around" two percent.

Such "symmetry" in the inflation target could mean the bank would not immediately hit the brakes once inflation approaches two percent, instead potentially allowing it to overshoot a bit.

That "would allow the ECB to actually take it easy" and stick to its present negative interest rates for longer, Brzeski said.

What's more, "such a clarification of the target would be helpful... to limit disagreement in the governing council," added Goldman Sachs chief economist Alain Durre.

On top of the ECB's headline goal, the review could also tackle issues like making decisions more consensual, side effects of policy tools like bond-buying and negative rates, and how to take climate change into consideration.

Lagarde has identified climate action as a new frontier for central banking, while retaining price stability as the ECB's primary mandate.

The ECB chief's judgement of risks facing the euro area will also be closely scrutinised Thursday.

Lagarde suggested in December that dangers have become "less pronounced", a nuance quickly picked up on by financial markets.

Since then, signs of clouds beginning to clear over the global economy have multiplied, including prospects for an orderly British exit from the EU at the end of January.

The International Monetary Fund -- Lagarde's old patch -- this week pointed to a "moderate pick-up in global growth" ahead.

Symphony now meeting smartphone demand from own plant

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The government offered huge tax benefits for mobile assembling in fiscal 2017-18 after which seven plants were set up in Bangladesh, with another two in the pipeline.

Symphony -- which began its journey in 2008, becoming Bangladesh's first mobile phone brand -- has been leading the market for the last five years but has now shifted focus to handsets in the price range of Tk 4,000 to Tk 8,000.

The main demand lies in this segment, Shahid said, while urging the government to assess the market before giving licences for new plants.

"The quality of our phones is better than those made in China," said Md Maksudur Rahman, senior director of business operation at Edison Group.

About 3.10 crore handsets were sold in 2019, of which 80 lakh were Symphony's, said MA Hanif, head of sales.

Budget deficit crosses 5pc for first time in 11 years

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The government had aimed to borrow Tk 43,396 crore from external sources in FY19, but it stood at Tk 26,685 crore in the end. Domestic borrowing was up 5.5 per cent at Tk 99,893 crore.

Finance Minister AHM Mustafa Kamal presented the budget implementation report of the first quarter of FY20 in parliament yesterday. The report also contains the actual figures of budget implementation of FY19.

Similar rates of the budget deficit may continue into the current fiscal year owing to lower revenue collection, as indicators showed.

The budget was already Tk 4,066 crore in deficit in the July-September quarter, whereas it was Tk 8,187 crore in surplus during the same period a year ago.

Similarly, overall revenue collection was down 7.5 per cent year-on-year to Tk 55,493 crore whereas it was growing at 16 per cent in the first quarter of FY19.

Revenue generation by the NBR rose only by 0.8 per cent in the first quarter of FY20 against 13 per cent in FY19. Non-tax revenue fell by 45 per cent against a staggering 52 per cent growth in the first quarter last fiscal year.

According to the budget analysis, bank borrowing stood at Tk 27,950 crore in the first quarter against the full-year target of Tk 47,363 crore. This is a reversal from the trend witnessed in the same period a year ago, when the government did not borrow any money in the same quarter, rather it repaid Tk 362 crore.

The government didn't borrow any money from non-bank sources in the first quarter. Rather, it paid back Tk 23,248 crore. Its full-year borrowing target is Tk 29,999 crore.

Between July and September, the government's spending rose 15.03 per cent to Tk 59,560 crore. Revenue expenditure was up 9.08 per cent to Tk 46,083 crore and development expenditure climbed 41.41 per cent to Tk 13,476 crore.

The budget size for the current fiscal year is Tk 523,191 crore.