The Daily Star BUSINESS
DHAKA, SUNDAY, JANUARY 3, 1999

5-month revenue earnings fall short of target by 11pc

Poor revenue collection from import taxes and duties overshadowed the overall revenue earnings, which lags behind the target by Tk 599.01 crore or 11 per cent in the first five months of the current fiscal year, reports UNB.

A sum of Tk 5322.86 crore was collected in July-November period against the revenue income target fixed in the national budget at Tk 5921.87 crore, with all the arms showing a poor performance, according to a Finance Ministry source.

The total collection during the July-November period, however, increased by Tk 133.5 crore or 2.57 per cent over the corresponding period of the last fiscal.

In November, the revenue collection stood at Tk 1127.33 crore which was Tk 51.22 crore or 4.35 per cent less than the fixed target, but Tk 136.70 crore or 13.80 per cent higher than that of the figure of November 1997.

A negative growth was shown at almost all sources of revenue incomes, including import-export tax, VAT, customs and excise, supplementary duties and income taxes.

Although flood was a major reason behind the shortfall, fall in export and import prices in international market and withdrawal of import duties from many items also caused the shortfall, revenue officials said.

Revenue collection from import-export taxes and duties has fallen short of the target by Tk 339.52 crore in July-November period of the current fiscal, but marked a 2.03 per cent rise over the first five months of last fiscal.

The target of revenue collection from import level taxes was fixed at Tk 3595.73 crore during the first five months of this financial year.

Fall in the import of taxed goods and rise in the non-taxed imports, coupled with withdrawal of taxes from many items to meet post-flood emergency, caused the shortfall, according to revenue officials.

Revenue income from taxes on import and export ran short of target by Tk 339.52 crore, but rose by Tk 64.86 crore from the figure of the same period of the last fiscal.

Low income from cigarette and tobacco products, the main source of domestic taxes, caused a shortfall of Tk 153.22 crore or 10.26 per cent from the target.

Collection from income tax went below the target by 11.47 per cent or Tk 83.56 crore due to the century's worst flooding last year. But the figure was Tk 75.91 crore or 13.35 per cent higher than that of the previous year.

Income from other taxes fell short of target by Tk 22.71 crore.

Revenue income from import tax at all sources was fixed at Tk 2001.56 crore in July-November period, but the collection was Tk 1802.70 crore or 90 per cent of the target. It was, however, Tk 9.60 crore less compared to the corresponding period of last year.

A total of Tk 1160.95 crore came from VAT at import level, falling behind the target by Tk 133.24 crore and Tk 5.59 crore less than the last year's performance during the July-November period.

Collection from supplementary duties on import also fell short of the target by Tk 7.42 crore. It was Tk 80 crore less than the collection during July-November period of the last fiscal.

Al-Arafah Islami Bank earns Tk 53cr in '98

Al-Arafah Islami Bank Limited has earned about Tk 53 crore in the year 1998.

A press release issued on Friday said the bank's deposit rose to Tk 460 crore while its total investment for the year was about Tk 250 crore.

The total number of branches of the bank stood at 30 at the end of the year 1998.

In fact, Al-Arafah Islami Bank Limited has made a significant achievement in the year in terms of branch expansion, investment, deposit mobilisation, foreign exchange and profit maximisation.

In the year 1999, the Bank expects to open more branches and declare dividends for the year 1998 to the share holders.

DHL pilots ratify new 5-yr labour agreement

The Air Line Pilots Association and DHL Airways, Inc. recently announced that DHL pilots have ratified a new five-year labour agreement paving the way for an industry-leading relationship between pilots and management, says a press release.

In ballots counted last night, 93 per cent of the pilots voted in favour of the new contract, which provides for major improvements in job security, scheduling, compensation, and retirement.

The 18-month talks were carried out using interest-based bargaining, a progressive negotiating approach that differs from traditional bargaining in that the parties do not exchange proposals or present demands. Both sides identify key problems and concerns, and then work together to devise mutually acceptable solutions.

DHL Worldwide Express is the world's largest and most experienced international air express network, linking more than 635,000 destinations in more than 220 countries. With operations in more than 220 countries, DHL has an estimated 40% market share of international express traffic, more than FedEx, UPS and Airborne combined.

DHL Worldwide Express is composed of DHL Airways, Inc. which serves all locations in the US and its territories; and DHL International Ltd. and its agents and affiliated companies, which serve all locations outside the US.

New DCCI president says

Economy passing through a sluggish phase

The newly-elected Dhaka Chamber of Commerce and Industry (DCCI) President M H Rahman has said that the country's economy is going through a sluggish period "for some genuine reasons," reports UNB.

In an exclusive interview with UNB yesterday, he, however, praised the government steps to prevent any currency crisis which shook almost the entire Southeast Asia.

The DCCI president mainly blamed the recent floods for current sluggish situation, saying that the longest-ever flooding has created a negative impact on the country's mainly agro-based economy.

"The situation would have been worse if the government had not taken some timely and effective steps during and after the floods."

Spelling out the other reasons responsible for overall negative trend of the economy, M H Rahman, who took over the DCCI presidency said: "insignificant flow of Foreign Direct Investment (FDI) in the country is very much responsible for such a situation."

"The local investment in the productive sector is also negligible."

Urging the government to enhance bank financing to the industrial sector, he said: "Insufficient long-term financing along with high rate of interest slowed down the growth of the industrial sector."

The availability of bank loans for new enterprises is almost nil, he said, urging the government to 'liberalise the credit rules for rapid industrialisation in the country."

The DCCI president said the present shortfall in revenue income would have an indirect negative impact on the country's economy.

He also blamed for the situation such common reasons as failure to implement decisions or slow implementation of the reform package.

Responding to a question, M H Rahman blasted the culture of hartal (general strike) that he termed as most destructive for the economy.

"It is unfortunate and awful that hartal is being used as the most extreme political action to realise any demand," he said. "We the businessmen don't support hartal. We can't because it is against our profession, I mean business."

He urged all political parties irrespective of differences in ideals and aims to sit together and find out some other political actions to realise their demands.

"Hartal not only affects the economy, it also affects one's everyday life in which the parties have no right to interfere."

Suggesting reforms in behaviour of the political parties and their leaders, the new DCCI president said: "Any alternate actions to replace hartal will be a reform in the political behaviour of the political parties."

"If the parties sit together and minimize their differences across the table ... it will be a reform," he said. "We'll welcome such efforts and actions by the politicians. If the business community has any responsibility to perform in this regard, we are ready to do it."

M H Rahman informed that he would soon sit with his colleagues to find out ways for the country's better economic growth and also to "meet the challenges of the 21st century."

Replaying to a question, the chamber leader said he was not only suggesting the nationalised banks to be liberal in providing long-term loans, "I suggest all the banks, including public and private, both local and foreign, to come up equally for long-term investment."

He said : "I also suggest that the banks should reduce the rate of interest while providing long-term loans."

Regarding the default culture of the economy, the DCCI president felt that it has been exposed much more than it actually needed.

NCC Bank posts sharp growth in business

National Credit and Commerce Bank Limited achieved remarkable progress in 1998, the bank said in a press statement.

The bank procured total deposits of Tk 6964.93 million as against Tk 5381.70 million in 1997, showing an increase of 30 per cent.

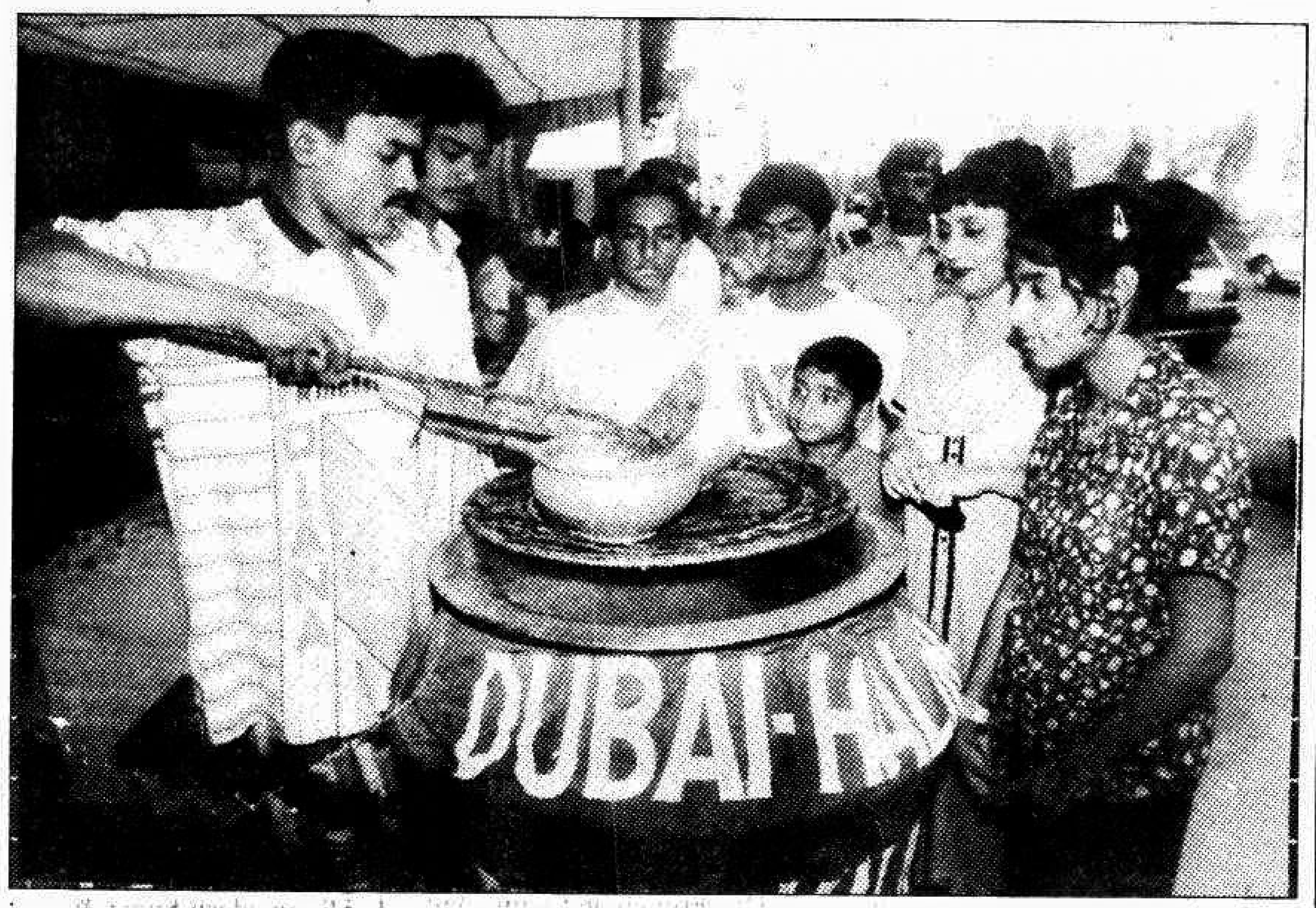
Loans and advances amounting Tk 4578.22 million were disbursed during the year as against Tk 3537.40 million of previous year, witnessing a rise of 29 per cent.

The increase in deposits and advances reflected substantially the growth of profit of the bank over the corresponding year.

The profit in 1997 was Tk 130.10 million while the bank earned a pre-tax profit of Tk 210.87 million in 1998, showing a growth of 62 per cent.

The import trade of the bank posted a growth of 63.93 per cent over the preceding year. It handled an import business of Tk 7704.50 million and doubled its portfolio of financing in export business.

The foreign remittance business of the bank also showed a sharp rise during the period. The total foreign exchange business of the bank stood at Tk 9474.50 million in 1998, marking a rise of 70.46 per cent.



BRISK RAMADAN BUSINESS: With the beginning of Ramadan, small and big city eateries have set up make-shift *iftar* corners for selling various traditional items and doing roaring business. This picture shows people at one of such shops for buying *halim*, a favourite of many.
—Star Photo by AKM Mohsin

Vietnamese investment approvals down 8 pc

HANOI, Jan 2: Vietnam posted an 8.0 per cent drop in foreign investment approvals to 4.05 billion dollars in 1998, the Ministry of Planning and Investment said today, reports AFP.

The 1998 figure included a flurry of last minute approvals including a controversial 1.3 billion dollars joint venture oil refinery, a 280 million dollars methanol project and a 143 million dollars bus transport deal.

The figures were released in advance of a media briefing by Prime Minister Phan Van Khai who is expected to talk-up Vietnam's economic prospects.

New foreign direct investment in 1997 was 4.4 billion dollars.

1998 projects also include a 997-million-dollars property development in southern Ho Chi Minh City and a 637-million-dollars container port, as well an additional 100 millions to expand Pepsico Inc's bottling plant.

During the year Vietnam revoked investment projects worth more than 1.74 billion dollars, because investors failed to make any headway in implementing them.

Since Vietnam began collecting foreign investment figures in 1988 some 32 billion dollars in approvals have been granted, of which about one third has been realised.

The slowdown in investment is a fall out of the Asian regional and financial crisis as well as continued frustration with Vietnam's difficult business environment, analysts say.

Red tape, an opaque and unedictable legal system and rampant corruption are keeping foreign investors away in droves, but the Planning and Investment Ministry has spend up licensing approvals and shown greater flexibility in the past 12 months.

Fred Burke, a lawyer with international firm Baker Mackenzie said the Pepsi deal, which allowed Pepsi to increase its stake from 30 per cent to 96.6 demonstrated Vietnam has become more accommodating.

Perfect Textile plans new products

Perfect Textile, one of the leaders in the country's saree business, plans to introduce Jamdani, Benarashi and other local items side by side its existing list of products, says a press release issued in city yesterday.

The company has already added silk to the list this year.

Bent on producing exclusively-designed elegant sarees, Perfect Textile was launched as a subsidiary unit of Fabricare Textile three years ago. Its journey started with a tiny show room in the capital's Eastern Plaza market, and over the past three years it has established a chain of twenty-nine showrooms and sales centres — twelve in Dhaka and the rest in different cities and towns across the country — to meet the increasing demand of the customers.

It mainly produces cotton print sarees and sell them at a reasonable prices.

In 1996, the first year of its business, Perfect Textile sold about 100,000 pieces of sarees and in the following year about 250,000 pieces. In 1998 it sold more than 300,000 pieces.

In the past three years, Perfect sarees achieved seven awards in different Eid Fashion Competitions for its design, mystery of colour, and message of art.

High price keeps sugar out of the commons' reach

NATORE, Jan 2: Though sugar is considered as an essential daily necessity, about 75 per cent people of the country cannot afford to buy it due to its abnormal high price, reports UNB.

According to official sources, presently, 1.75 lakh metric tons of sugar on an average are produced yearly in the country's 14 sugar mills while 1.25 lakh mts of sugar are imported.

Three lakh mt of sugar are distributed through BSFIC, in addition to 2.5 lakh mt of sugar that are smuggled from India across the borders.

So, total consumption is five lakh mts against the minimum yearly demand of seven lakh mts.

Lower recovery percentage of sugar from sugarcanes, lower production capacity of existing sugar mills, insufficient sugarcane supply to the mills and imposing of taxes including VAT are the reason behind the price hike, said an official.

The government charges duty of Tk 2.80 per kg sugar in the country while the sugar mills have to pay other taxes and levies for developing roads and educational, religious and charitable institutions in their respective areas.

Besides, the mill authorities have to pay salary and other benefits to about one lakh permanent officials, staff and employees throughout the year whereas mills usually operate only five months from October.

But the government has fixed the price of sugar at the mill's gate at Tk 27.5 per kg even after huge loss by mills.

A senior official of BSFIC said just to give protection and keep alive non-viable sugar mills with low yield, the government imposes very high import duty and taxes on imported sugar.

He said government may import four lakh mts of sugar through BSFIC and TCB and fix open sale price at Tk 22-23 per kg against Tk 28 by reducing import duty and taxes to Tk 7 per kg allowing profit margin of Tk one.

The free market sugar price will come down to Tk 25/26 per kg throughout the country and the government will earn a revenue of Tk about 300 crore, the officials said.

On the other hand, the production cost of the mills could be brought down if a factory can manufacture 30,000 mts of sugar with nine per cent recovery.

Bangladesh Chinikol Sramik-Karmochari Federation's president Abdul Jalil Panna explained the situation and said after the nationalisations of the sugar mills, some corrupt officials and politicians became 'sole authority of the units' and started looting indiscriminately making the sector seriously sick for ever.

Citing an example of North Bengal Sugar Mills in Natore, the official said the production cost can be brought down to Tk 18 per kg against present average rate of Tk 27 by increasing per acre yield to 30,000 mts.

He suggested ensuring supply of 3.5 lakh mts of sugarcanes to each mill and further expansion of crushing capacity to 2,500 mts daily and establishment of new sugar mills in both private and public sectors.

Times Square Business Improvement District President Brendan Sexton (left), New York City Mayor Rudolph Giuliani (second from left), actor and Chairman of New York City 2000 Ron Silver (right rear), and President of Countdown Entertainment Jeffrey A Straus (right), make a toast at a press conference in New York Monday. The Times Square New Year's Eve ball (right) will usher in a brand New Year for the last time on Dec 31, and will be replaced by the time of the millennial celebration with a brand new ball made of crystal by Waterford Crystal.
— UNB/AP photo

FBCCI chief off to Mumbai

President of Federation of Bangladesh Chamber of Commerce and Industry (FBCCI), Abdul Awal Mintoo, left here for Mumbai, India, yesterday, a press release of FBCCI said yesterday, reports BSS.

During his stay in India he is expected to meet the President of SAARC Chamber of Commerce and Industry and other business leaders of India.

The FBCCI president is expected to return to Dhaka on January 5.

During his stay in India, Vice President of FBCCI M A Mumin will act as the president, the release added.

New Pak labour policy soon

ISLAMABAD, Jan 2 : The new National Labor Policy which would lay greater emphasis on manpower training, human resource development and launching of employment schemes would be announced on Jan 7 by the Federal Minister for Labor and Manpower, Sheikh Rashid Ahmed.

Speaking at a joint meeting of Labor Representatives and senior officials of the Ministry of Labor and Manpower here Wednesday, the Minister said that after a lapse of 26 years the new labor policy would be announced next week.

He assured that the views of labor organisations, industrialists and professionals would be sought and incorporated in the new policy.

The Ministry of Labor, he said, would hold a seminar on Jan 7 for this purpose and details of the policy would be announced at the seminar.

--Asia Pulse Internet

1999: Share markets may face a difficult year

Stock markets may have staged an incredible comeback in the last few months of 1998. After a turbulent 12 months, calm has returned to the world's financial system.

But it could prove to be just a temporary respite. Shares may face a difficult year ahead.

There are many reasons for investors to be cautious:

Global recession?

Nearly half the world's economy is already in recession. There are fears that the rest of the world could follow.

Cuts in the cost of borrowing in the US, the UK and Europe have helped avert an immediate disaster. However some analysts believe the recent recovery in share prices is unjustified, given the problems the world economy is still facing.

"(The rise in shares) leaves us at the end of the year looking rather nervous because frankly nothing has changed. Action may have been taken but the same issues are still there," said Justin Urquhart-Stewart, share expert at Barclays Stockbrokers.

Brazil's economy, for example, has been propped up by a loan from the International Monetary Fund. However money is still flowing out of the country at an alarming rate, raising fears that it will have to devalue its currency.

More bad news on the economic front is bound to hit share prices around the world.

Deflation

The world economy could be heading for a sustained period of deflation, where prices fall as consumer demand dries up.

The Centre for Economic and Business Research (CEBR), a leading economic think tank, predicted recently that prices would begin to fall in the UK by 2002.

Deflation would mean lower earnings growth for companies, which in turn would hit share prices.

Stocks are normally valued on potential profits and dividends. Lower earnings growth therefore depresses market valuations.

Falling earnings

Jeremy Batstone, head of research NatWest Stockbrokers goes further. He says that City analysts will have to slash their earnings forecasts next year and that company profits are likely to be flat or even fall.

Economists agree that the UK and the world economy are heading for a marked slowdown next year, even if a full blown recession does not materialise.

Impeachment

So far stock markets have shrugged off President Clinton's leadership problems. However as impeachment proceedings get underway next year Wall Street stocks in particular could be affected.

"The big word is confidence at the moment. Whether it is Operation Desert Fox or the impeachment....it is yet more spears being thrown at the balloon. In itself it won't do anything but it may be a catalyst for something else," said Urquhart-Stewart.

Year 2000 computer bug

There is a final imponderable next year: the potential collapse in computer systems not able to cope with the year 2000.

"We don't think it will be a vintage year by any stretch of the imagination and at the end of the year we have ... the year 2000 computer problem which is an issue we have never been in before and nobody can really quantify," said Batstone.

Reasons for hope

However there are reasons to be more optimistic about the prospects for share prices.

Mergers and acquisitions

Slow earnings growth will prompt more companies to join forces to cut costs. Mergers and acquisitions are likely to buoy some stock prices.

Savings

In the UK there is likely to be a rush to buy existing savings instruments such as Personal Equity Plans (PEPs) before they are abolished this spring to be replaced by a new government saving scheme, Individual Savings Accounts, which have so far proved unpopular.

PEPs allow investors to save tax when they buy shares. So a surge in PEP sales will boost share prices.

Share buy-backs

A change in UK tax law is likely to prompt companies to buy back huge amounts of their own shares, which in turn should boost earnings per share.

Tough times ahead

Barring anymore economic disaster, a stock market crash looks unlikely. Indeed experts believe the UK stock market is likely to rise.

That said share prices are unlikely to repeat the explosive growth they have enjoyed in recent years.

Jeremy Batstone said: "We think it is almost impossible to see equities generate the kind of returns that have held sway, not just over the past four or five years but over the past fifteen years."

He is predicting that the FTSE will rise to just 6,000 by the end of next year and that shares will generate a total return, including dividends and capital growth, of 10 per cent.

Justin Urquhart-Stewart is slightly more optimistic, predicting that the FTSE will hit 6,300 by the end of 1999.

Doubts about Wall Street

US shares could fare even worse.

Abby Joseph Cohen, the share guru who works for US investment bank Goldman Sachs and correctly predicted rising stock prices in 1998, believes that Wall Street could face a more testing time in 1999.

However she still believes the Dow Jones Industrial Average will rise to 9,850 as the US economy continues to grow, albeit at a slower pace.

Other analysts are less sanguine.

Recent market gains have been inspired by rocketing Internet stocks. However, Batstone believes that prices paid for Internet stocks have risen to sky-high levels and that the hi-tech bubble is in real danger of bursting.

Global investments

Batstone thinks investors should take an international approach.

"Globally investors should be thinking perhaps of Continental Europe. Certainly the region of 1998 was Continental Europe.

Returns have been substantial.

However even Continental Europe may not be a happy hunting ground for share pickers.

"It (Continental Europe) is probably going to be the motor of growth in the global economy next year. The problem is share prices are already reflecting that," he said.

The advent of the euro, the new European single currency, could also fuel economic growth.

Sector tips

Paul Kavanagh, a director of stockbrokers Killick & Co, believes that, while some sectors will do badly, telecommunications groups, TV and cable operators and IT companies will provide a safe haven for investors cash. Good luck. So hold on tight; it promises to be a rough ride for shares in 1999.

And good luck - you could well need it to make a sizeable return on you investment.

--BBC Internet

Taiwan may modify property market stimulus package

TAIPEI, Jan 2: Taiwan may have to modify its property market stimulus package after criticism of the move, reports said today, reports AFP.

The China Times said Premier Vincent Siew was concerned about reactions against the 150 billion Taiwan dollars (4.6 billion US) package approved by the Cabinet Thursday.

The newspaper quoted a top cabinet official as saying "since the stimulus package is not a law, it could be altered any time soon."

Under the plan to help the sagging property market, home buyers will be given a loan up to 2.5 million Taiwan dollars (77,640 US) at 5.95 per cent interest to be repaid over 20 years.

But the scheme, aimed at reducing the stockpile of some 400,000 idle housing units, has come in for criticism.

Professor Chu Yun-Peng of Academia Sinica said it would take up to six months for any economic impact.

Euro to spark political integration

The president of Germany's Bundesbank, Hans Tietmeyer, has said that the introduction of Europe's new single currency, the euro, should be accompanied by more political unity.

Eleven of the 15 members of the European Union will merge their currencies on 1 January 1999, forming a close Economic and Monetary Union (EMU).

Mr Tietmeyer, one of Europe's most influential central bankers, now says that EMU has to be accompanied by a "high degree of political unity at a European level". Speaking on German radio he warned that "if everyone goes their separate ways, that could lead to conflicts with what will be a supranational monetary policy."

BBC Internet