

Trade bodies express mixed reactions to proposed budget

STAR BUSINESS REPORT

A number of trade bodies have expressed mixed reactions to the proposed budget for 2004-05 fiscal year which was placed in parliament on Thursday.

Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) said the budget has some measures to boost backward linkage industries, but lacks any direction for survival of ready made garment (RMG) sector in the post-MFA era.

BKMEA President Fazlul Hoque praised the allocation of Tk 20 crore for rehabilitation of RMG workers who may lose jobs after quota phaseout but he regretted that the budget did not outline any supportive measures for RMG entrepreneurs.

"We welcome the budgetary measures to reduce supplementary duty on textile machinery,

parts and chemicals and exemption of VAT (Value-added tax) on gas bills for export-oriented industries," Hoque said.

Bangladesh Chamber of Industries (BCI) in a statement said the proposed budget would not be helpful to boost industrialisation and investment in the country.

BCI President AK Azad said the finance minister did not propose reduction of import duty on industrial raw materials.

Moreover, a 25 percent import duty on finished products has been proposed which will reduce competitiveness of local products.

"Domestic industries will not be able to sustain while local market will be flooded by foreign goods due to the proposed import duty structure," Azad said.

He further said the proposed budget did not have any guideline to face the post-MFA era or any specific direction for wooing more

investment in the country.

The BCI president however hoped that the budgetary allocations for education, health and rural development and cash subsidy on export of agro-products could have positive impact on the overall development of the country.

Tour Operators Association of Bangladesh criticised the proposed VAT on theme parks and picnic spots. "Recreation and entertainment will become costlier and the tourism sector will be affected by this," association president Faridul Haque said in a statement.

Bangladesh Jute Spinners Association in its reaction said the budget will discourage the industrial entrepreneurs. The association, however, hailed the proposed reduction of income tax of textile and jute industries to 15 percent.

On the other hand, Bangladesh Textile Mill Owners Association said the proposed budget will be

helpful for boosting industrialisation and investment in the country.

Bangladesh Telecom Babosayee Samity welcomed the budget for the proposed reduction of import duty on mobile phone sets.

Bangladesh Electrical Association (BEA) hailed the proposed budget for reduction of duty on energy saving lamps from 30 percent to 15 percent.

BEA Chairman Mir Nizam Uddin urged the government to reduce the duty on circuit breaker to 7.5 percent from existing 15 percent.

Faridpur Chamber of Commerce and Industry expressed satisfaction over the interest rate reduction of agricultural loan and increase of farm subsidy, proposal to introduce Tax Ombudsman, and withdrawal of duty and tax on poultry machinery.

Corporate houses urged at roundtable



PHOTO: BOC BANGLADESH
Walir Rahman Bhuiyan, managing director of BOC Bangladesh Ltd, and MH Samad, managing director and CEO of Central Depository Bangladesh Limited, exchange documents after signing an agreement on conversion of BOC paper shares into electronic scrips on Thursday in Dhaka.

BUDGET QUIPS

"What is sure sign of inflation?"

"When my wife throws on my face the monthly allowance I give her and threatens to migrate to her parents unless another 10% is added."

"Why don't you make her read CPD's assessment that inflation has tapered off?"

Weekly Currency Roundup

June 05-June 10, 2004

Local FX Market

Demand continued to remain high for USD in the market, which kept the USD/BDT rate very high. Huge import-related payment and profit remittances pushed US dollar to one of its highest level against BDT.

Money Market

Bangladesh Bank issued BDT 1,819.00 million by the Treasury bill auction held on Sunday, compared with BDT 855.00 million in the previous week's bid. The weighted average yields of t-bills of different tenors were almost unchanged.

The call money rate was downward in the beginning of the week. The rate was stable in the middle of the week. The call money rate increased by the end of the week and went up to 5.00-5.50 percent.

International FX Market

In the beginning of the week, the yen surged after a near three-percent gain in Tokyo stocks, while the dollar touched a two-month low against the euro as last week's jobs data still left doubts over the pace of US rate hikes. No major US data is due on Monday. Traders are instead looking to see this week's US producer prices and consumer sentiment due on Friday to see if they bolster the case for faster US rate rises than currently expected. The market was also waiting for rate-setting decision from Bank of Canada, Reserve Bank of New Zealand and Bank of England, all due later in the week. Sterling was steady against the dollar.

The yen surged to a one-month high against the dollar in the middle of the week and rallied versus the euro as Japan's upwardly revised growth data confirmed the view the world's second largest economy is recovering strongly. The dollar was supported against other currencies after the US Federal Reserve Chairman said that the central bank would do what is required to keep inflation in check. The market is now waiting for the US producer price data due on Thursday for clue about how quickly may the rate hike take place. Another important event is the policy meeting of Bank of England from Wednesday where it may decide whether the rate would be raised or not.

The dollar held close to the week's highs against the European currencies on Thursday, buoyed by expectations the Federal Reserve is ready to take a tough line on inflation if necessary, while the yen retained its firm tone. Japanese machinery orders, a key gauge of capital spending, stormed in at 11.8 percent up in April confirming views that the world's second largest economy is recovering slowly. The yen, which hit one-month high on both the dollar and euro on Wednesday, is in a tug of war with the strengthening of dollar after Fed chairman Alan Greenspan said earlier this week the Fed would do what is required to keep inflation in check. Sterling was at a two-month peak against the euro ahead of a possible 25 basis point interest rate rise from the Bank of England from current 4.25 percent. The bank will make its decision known at 1100 GMT and the market is divided whether it will make its fourth hike in eight month.

-- Standard Chartered Bank



PHOTO: CCIFB

(From left to right) Syed Farhad Ahmed, vice-president of France-Bangladesh Chamber of Commerce & Industry (CCIFB), Michel Lummaux, French ambassador to Bangladesh, A Qayum Khan, president of CCIFB, Dominique Simon, trade commissioner of Economic Department, French Embassy in Dhaka, and Rifat Rashid, director of CCIFB, pose for photographs at a luncheon meeting organised by CCIFB on Tuesday in Dhaka.

BOC Bangladesh, CDBL sign deal

BOC Bangladesh Limited has signed an agreement with Central Depository Bangladesh Limited (CDBL) to convert its paper shares into electronic scrips for trade settlement under the central depository system (CDS).

Walir Rahman Bhuiyan, managing director of BOC Bangladesh, and MH Samad, managing director and chief executive officer of CDBL, the service provider of CDS, signed the deal on behalf of their organisations on Thursday in Dhaka, says a press release.

Among others, Finance Director Azizur Rashid, Shareholder Relations Officer AM Nisar of BOC Bangladesh and Rasekh Ali Khan and Samiul Haque of CDBL were present.

Contribute more to poverty reduction

Corporate houses urged at roundtable

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Local and multinational companies should increase their contributions towards achieving the target of halving poverty by the year 2015 under the Millennium Development Goal, speakers at a roundtable suggested yesterday.

They said the ongoing poverty-reduction efforts of government and non-governmental organisations would succeed if the business houses extend more assistance with a view to discharge their social responsibilities.

"Corporate houses so far contributed a little. These are not enough... they should expand their investments to reach the goal fixed by the United Nations," said Enayetullah Khan, editor of the New Age, while moderating the roundtable.

He however hoped that the contributions of business houses must be beyond their profit-mongering attitude. The companies engaged in corporate social responsibility can be rewarded by

tax exemption, he suggested.

AIESEC, a student organisation having a network in more than 800 universities worldwide, in association with Bangladesh Freedom Foundation (BFF), an NGO, organised the discussion at LGED Bhaban in Dhaka.

BFF Executive Director Iftekharuzzaman said Bangladesh is burdened with various problems, especially poverty. "It is difficult for the government and NGOs to overcome the problems," he observed.

The discussion was part of a three-day National Strategic Conference 2004 of AIESEC organised to exchange views on current challenges in society. CityCell and Lever Brothers Bangladesh Limited are sponsors of the event.

A total of 120 students of North South University, Brac University and Independent University are taking part in the discussion, where representatives from corporate arena and NGOs made presentations on their social responsibility activities.

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