Star Business

DHAKA MONDAY AUGUST 16, 2004 E-mail: dsbusins@gononet.com

Yarn production sees robust growth on demand rise

Local spinning mills produce 382 million kg in 2003

STAR BUSINESS REPORT

Spinning industry, a vital component of backward linkage to readymade garment (RMG) sector, has been witnessing a robust growth over the past few years on increased domestic demand ahead of the expiry of apparel export quotas.

With the post-MFA (multi-fibre arrangement) era set to stage in from January 2005, the spinning sector recorded a whopping production growth of more than 22 percent last year. Local spinning mills produced 382 million kg of yarn in 2003 against 297 million kg in 2002, according to a Board of Investment (BoI) survey.

The BoI conducted the survey during March-June this year, which revealed that till June last 138 spinning mills were in regular production and nine on trial production. Besides, six mills were ready for production and five under implementation.

According to the survey, cotton yarn constitutes 81 percent of the total production. The mills also produce polyester, synthetic, acrylic, filament, woolen and blended yarn and the increase in production is gradually reducing dependency on imported yarn.

According to Statistics Department of Bangladesh Bank, local knitwear manufacturers imported $270 million worth of yarn in 2003, which was $395 million in 1997. In 2002 and 2001, the import figures were $283 million and $322 million.

The BoI survey found that local entrepreneurs set up 96 percent of the mills and the rest were established in joint venture. Total investment in these spinning mills amounted to Tk 8,554 crore.

The mills employ 92,172 people, including 85 foreign experts and technicians, the survey added.

A total of 198 mills listed with BoI came under the extensive survey, of which BoI could not trace 10 units, 17 mills were found closed and 13 others were yet to implement their projects.

About 81.6 percent of the mills are located in Dhaka division and 11.4 percent in Chittagong division. The rest are in Khulna, Rajshahi, Sylhet and Barisal divisions.

The survey report said success of a robust textile sector largely depends on an improved and reliable spinning subsector. "If spinning sub-sector produces substandard/inferior yarn, its adverse effect persists right across the entire value chain."

"Availability of raw materials, transportation, port facilities and tariff rationalisation are the key challenges to the spinners," the survey said.

The government has been supporting the spinning mill owners providing lower tariff for machinery, spares and raw materials, cash incentives, reduced tax rate and low-cost funding, the BoI report mentioned.

Body formed to supervise post-flood lending

UNB, *Dhaka*

The government has formed an 11-member committee to supervise post-flood lending programme, under which farmers will be provided with preferential credits for fresh farming to recoup crop losses from flooding.

Headed by Bangladesh Bank Deputy Governor Nazrul Huda, the committee has been assigned to monitor the lending operations by Bangladesh Rural Development Board (BRDB), Samabaya Bank, Krishi Bank, Rajshahi Krishi Unnayan Bank and nationalised commercial banks, an official announcement said yesterday.

The committee will be responsible for designing special credit programmes for flood-hit areas as per government directives.

It would also advise the banks and BRDB to fix institution-wise loan disbursement targets and their implementation for 2004-05 fiscal year.

The watchdog body will have to submit monthly performance report on loan disbursement to the government by the 15th of every month while convene 'at least one meeting a month' to review the situation.

Finance Division joint secretary (banking), BRDB director general, managing directors of NCBs and specialised banks and general manager of Samabaya Bank are the members of the committee while Bangladesh Bank general manager (Agriculture Credit and Special Programmes Department) has been made member-secretary.

Int'l air passenger traffic sees 3.25pc growth in 2003

Biman improves performance

M ABDUR RAHIM

International air passenger traffic to and from Bangladesh witnessed a moderate growth of 3.25 percent in 2003, down from 3.48 percent in 2002, due to pullout of some foreign airlines amid a difficult situation in aviation business.

Biman Bangladesh Airlines however improved its performance last year in terms of international passenger carrying.

The total number of incoming and outgoing passengers of international flights last year was 23,34,111 as against 22,58,315 in 2002, according latest figure released by the Civil Aviation Authority of Bangladesh (Caab).

Sources said due to high jet fuel cost, poor passenger volume, high ground handling charge, poor infrastructure facilities and bureaucratic delay to get permission discouraged some foreign airlines to operate in Bangladesh.

In 2003, a total of 12,66,817 passengers flew from Bangladesh and 10,67,294 passengers arrived by international flights operated by Biman and foreign airlines.

Caab sources said the passenger growth was 3.48 percent in 2002, contributed largely by 16 foreign airlines operating in Bangladesh. But their (foreign airlines) growth declined to 2.85 percent in 2003 as Silkair, Phuket Air and Indian Airlines stopped operation from Chittagong and Omar Airlines and Uzbekistan Airways from Dhaka.

However, Phuket Air and Uzbekistan Airways resumed their operation in early 2004.

Bangladesh Biman improved its passenger growth performance in 2003 thanks to the start of international operation from Chittagong and Sylhet. The national flag carrier registered 3.83 percent growth in 2003, up from 2.45 percent in 2002.

Biman has flights to Kolkata, Saudi Arabia and United Arab Emirates from Chittagong while it operates flight to London from Sylhet.

Caab officials attributed the growth slide to winding up of operation by some foreign airlines last year but they hoped that the situation would improve this year as few of the foreign airlines have resumed operation.

Apart from Phuket Air and Uzbekistan Airways, Pakistan International Airlines resumed its operation earlier this year after a two-year suspension. Yemenia, an airline of Yemen, is expected to launch operation soon.

Biman fared well in air passenger traffic in comparison with foreign airlines. It hosted 41.02 percent of the total international passengers in 2003, up from 40.77 percent in 2002 while foreign airlines held 58.98 percent market last year from 59.23 percent in 2002.

Biman handled 41.21 percent of total international passengers in 2001, 38.59 percent in 2000 and 38.79 percent in 1999 while foreign airlines carried 58.79 percent, 61.41 percent and 61.21 percent respectively.

According to Caab, Saudi Arabian Airlines carried 3,44,318 passengers to and from Bangladesh in 2003, Emirates 2,57,886, Thai Airways 1,50,125, Gulf Air 1,42,975, Singapore Airlines 90,671, Qatar Airways 1,07,936, Kuwait Airlines 75,284, Malaysian Airlines 69,988, British Airways 74,198, Indian Airlines 18,402, Iran Air 23,796, Dragon Air 17,779 and Druk Air 3,350.

DSE delists 13 cos from today

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Trading of 13 Dhaka Stock Exchange (DSE) listed companies will come to a halt today as the bourse has decided to delist them for violating the listing regulations.

The axe fell on the companies for failure in holding annual general meetings, paying dividend and clearing annual listing fees.

The decision of delisting was taken at a DSE board meeting last week.

The companies are Bengal Steel, Karim Pipe, AB Biscuit, Dhaka Vegetable, Paragon Leather, Rupon Oil, National Oxygen, STM (ORD), Gem Knitwear, JH Chemical, Mark Bangladesh and Shilpa Eng, Texpic Industries and Meghna Vegetable.

Earlier in December last year, the Securities and Exchange Commission suspended share trading of these companies along with other two companies. All but the two companies resumed trade following withdrawal of the suspension.

StanChart launches 24-hour call centre

Standard Chartered Bank has launched its 24-hour call centre in Bangladesh.

Syed Marghub Murshed, chairman of Bangladesh Telecommunication Regulatory Commission, inaugurated the call centre recently, says a press release.

Osman Morad, chief executive officer, Standard Chartered Bank in Bangladesh, and M Sajidur Rahman, head of Consumer Banking, were, among others, present.

The call centre offers basic services like balance enquiry, transaction details, duplicate statement requests, new and enhanced features of credit card and utility bill payments, cash advance facilities.

EU hits back at Bush's threat to take Airbus to WTO

AFP, *Brussels*

The European Commission hit back on Saturday after US President George W. Bush threatened to take action at the World Trade Organisation against European aircraft maker Airbus Industrie, who he alleged it was receiving "unfair" government subsidies.

The commission, the executive arm of the 25-nation European Union, pointed out there was a EU-US agreement setting out clear rules on state aid for aircraft manufacturers on both sides of the Atlantic. If Bush was unhappy with the rules, the appropriate channel for seeking changes was through negotiations with the EU, it said.

"The EU would like to point out that there are specific and clear rules on government support to both (US aircraft manufacturer) Boeing and Airbus laid down in the EU-US 1992 aircraft agreement," commission spokeswoman Ewa Hedlund told AFP.

"The agreement contains a revision clause and the European Commission made suggestions to improve the agreement as early as 1997, which were at the time rejected by the US. If the US now feels a need to review the functioning of the agreement, the European Commission is open to discussions."

"Of course, any discussion needs to address both direct support, as granted by European governments to Airbus in the form of loans, and indirect support, as provided by the US government to Boeing," Hedlund said.

She stressed the EU had "as strong an interest in disciplining government support to Boeing as the US administration has in disciplining support to Airbus" and pointed out that talks on that subject were in preparation.

PHOTO: STANDARD CHARTERED

Syed Marghub Murshed, chairman of Bangladesh Telecommunication Regulatory Commission (BTRC), inaugurates a call centre of Standard Chartered Bank in Dhaka recently. Osman Morad, chief executive officer of Standard Chartered Bank in Bangladesh, and M Sajidur Rahman, head of Consumer Banking of the bank, are also seen in the picture.

Compliance issue to be a major concern for RMG exporters after 2004

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With the quota-free textile and clothing regime hardly five months away, export-oriented garment manufacturers fear that 'compliance issue' would emerge as a major problem for them in dealing with buyers after this year.

"Bangladeshi apparel exporters will have to face problem in complying with the international buyers' requirements from 2005," Bangladesh Garment Manufacturers & Exporters Association (BGMEA) President Annisul Huq said while addressing a reception to buying house agents in Dhaka on Saturday.

The BGMEA leader sought help from the buying agents and buyers' liaison offices to make Bangladeshi apparels competitive in the quota-free world market.

"Although the BGMEA has taken initiatives to fulfil the requirements of international buyers, I think your cooperation is necessary to tackle the situation," he told the buying house agents.

Annisul Huq said BGMEA is working with the government on improving infrastructure and port efficiency, and setting up of central bonded warehouse to offer competitive prices to the buyers and reduce the long lead-time in shipment.

The buying agents told the reception that they face problems in dealing with Bangladesh Bank and Customs department. They sought BGMEA's help in solving the problems.

At present a total of 1,000 buying houses, liaison offices and agents are operating in Bangladesh for major importers from the US, EU and other countries. Of them, 500 agents have been registered with the BGMEA as associate members.

BGMEA vice-presidents Alamgir Rahman and Anwarul Alam Chowdhury were also present at the function.

Malaysia mulls ways to help flag carrier absorb rising fuel costs

AFP, *Kuala Lumpur*

Malaysia Airlines will absorb rising fuel costs caused by higher oil prices but the government is considering lowering airport parking fees and other measures to ease its burden, a report said Sunday.

Transport Minister Chan Kong Choy was quoted by Bernama news agency as saying that the flag carrier would not raise a fuel surcharge imposed in June despite record oil prices of 46.58 dollars a barrel last week.

"It will absorb the recent increase," Chan said.

"We will look into ways to help the national carrier, like reducing the parking fees (for its aircraft)" at the Kuala Lumpur International Airport, he said.

Malaysia Airlines in June imposed an extra 50 ringgit (13.20 dollars) fuel surcharge on fares for passengers travelling to Europe, Australia, New Zealand, North and South America, the Middle East and Africa, and 15 ringgit for regional flights.

The carrier hopes to improve its performance this fiscal year after a 37 percent year-on-year surge in net profit to 461.14 million ringgit for the year to March 2004, but this could be thwarted by rising oil prices.

Indian shares, bonds seen lower on inflation concerns

REUTERS, *Bombay*

Indian shares and bonds are seen drifting lower this week as concerns about soaring global crude prices and its impact on domestic growth and inflation mount, keeping investors on the sidelines.

The 30-share Bombay Stock Exchange index ended 0.72 percent lower at 5,102.92 points on Friday, its lowest close in nearly 3 weeks. It lost 1.82 percent on the week while bond yields rose to their highest in nearly one-and-a-half years.

Tata Consultancy Services Ltd. (TCS), India's No. 1 software services exporter, raised $1.17 billion in its public issue earlier this month, and plans to list next week.

TCS priced its issue at 850 rupees ($18.4) a share, near the top end of a previously set 775-900 rupee price band. Grey market trade indicates the stock may open 200 rupees above the offer price.

But software firms may suffer from a depressed Nasdaq on the back of a weak outlook for the global technology sector in a market already grappling with high crude prices and its impact.

Crude oil hit a record high of $45.75 a barrel last week on supply fears. India imports about 70 percent of its crude oil requirements and oil accounted for 30 percent of the country's imports of $22.4 billion in the April-June quarter.

Indian officials are blaming a spike in crude oil and commodity prices for a recent surge in inflation, while promising "measured" steps to contain it.

Government data released on Friday showed India's inflation rose to a new 3-year high of 7.61 percent in the week ended July 31 from 7.51 a week earlier and 4.32 percent in late April.

That sustained rise in inflation sparked concerns about an interest rate hike, which has weakened sentiment in banks, who made big money on bond trading as interest rates fell. A rise in interest rates is bad news for stock markets too, as it ups companies' borrowing costs and cuts consumer spending.

Bonds, which are trading near 18-month-lows, are expected to lose further ground with concerns about inflationary pressures and expectations of a rate hike in the next few months weighing on sentiment.

The 10-year bond yield rose to end Saturday at 6.6244 percent from 6.2682 percent a week earlier and very close to a 1-year closing high of 6.6519 percent hit last Thursday.

The yield on the benchmark bond has risen nearly 160 basis points since late April as traders sold on expectations of a rise in official interest rates from three-decade lows amid a surge in inflation and a global tightening of interest rates.

On Wednesday, Reserve Bank on India Governor YV Reddy told reporters the central bank would respond in a measured manner on an on-going basis, with a view to maintaining price stability over the years, a statement reiterated by his

Qatar Airways holds product presentation for travel agents

Qatar Airways organised a product presentation ceremony for travel agents in Dhaka on Thursday.

Shamshad Ahsan, area manager-Bangladesh of the airline, inaugurated the programme, says a press release.

Over 30 representatives from different travel agencies in Dhaka were present at the programme.

Roche Randolph, director of Oryx Aviation Limited, GSA of Qatar Airways in Bangladesh, and Md Abdul Jalil, manager Business Development, answered queries from the travel agents.

Incoming EC chief nails free market colours to the mast

AFP, *Brussels,*

The ambitious incoming chief of the European Union executive looks intent on steering a rudderless organisation back into the rapids of EU debate by placing economic reform at the heart of his agenda.

Jose Manuel Durao Barroso has made it clear that he will be a hands-on president of the European Commission from November 1, overseeing a 24-strong team packed with political big-hitters and economic liberals.

Perhaps not since the glory days of Jacques Delors, the French commission chief who launched the EU's single market and preparations for the euro, has Brussels been guided by such a political heavyweight.

The Portuguese former prime minister stands in marked contrast to his Italian predecessor, Romano Prodi, widely seen as an ineffectual president whose commission drifted without a strong hand at the tiller.

Barroso has placed public relations centre-stage by appointing one of five vice-presidents, Margot Wallstroem, to take charge of communications strategy in a bid to improve the commission's often dire image among the European public.

If the Swede needs any advice, she can turn to her new colleague in the trade department, Peter Mandelson, the ultimate spin doctor credited with overhauling the British Labour Party's image before Tony Blair swept to power.

But his "first priority", Barroso said last week after announcing the distribution of portfolios for his new team, is economic reform.

Specifically, the commission president-elect wants to reinvigorate the "Lisbon Strategy", an ambition set four years ago by EU leaders to make the bloc the world's most competitive economy by 2010.