Star
BUSINESS

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Heavy downpour forces business to a standstill

DSE suspends trading, banks see low transactions, shop-owners keep shutters down

STAR BUSINESS REPORT

Business and economic activities virtually came to a standstill in Dhaka yesterday as most of the business centres including Motijheel commercial hub were inundated by incessant rains in the last two days.

The overnight downpour forced trade suspension at Dhaka Stock Exchange (DSE). The non-stop rain also dampened banking activities especially in Motijheel where rainwater entered many ground-floor bank branches.

An official of Prime Bank said most of the clients could not come to Motijheel due to knee-deep water that swamped the entire commercial area.

Sources said the staff turnout in private banks was good in contrast with the public banks where attendance was very thin and transactions were low.

The swampy weather also disrupted production in garment factories as many workers could not come to the factories wading through the inundated roads from their houses mostly located in city's low-lying areas.

The torrential rains affected transactions in the wholesale and retail markets in Dhaka. Shops on Nababpur Road, the country's largest machinery market, witnessed dull sales with rainwater submerging the road.

Meteorological Department measured a record 315mm rainfall in Dhaka city in 48 hours until yesterday noon.

Sales in shopping malls and activities in other business houses were unusually low as people preferred staying home unless there were emergencies.

President of Bangladesh Dokan Malik Samity, an association of shop owners, Amir Hossain Khan said sales in shops was almost nil as people find it difficult to go for shopping amid continuous rain and collapse in city transport system.

"Most of the shopkeepers kept shutters down. I saw no customers in Stadium Market and Elephant Road when I went there in the morning," he said.

"If the rain spell continues it will put our business in peril as we are yet to recover from impact of the recent flood and series of hartal."

The rains came as blow to DSE which was witnessing a bullish run with general index hovering over 1500-point mark for the last one month.

Besides suspending trading, DSE also cancelled a visit by Norwegian Ambassador Aud Lise Norheim yesterday as rainwater engulfed the stock exchange building.

The inclement weather also affected aviation business as many flights especially in domestic routes were delayed by one hour to two hours. "Biman's flights to Bangkok and Kolkata took off on schedule but some domestic flights to Rajshahi, Sylhet and Chittagong were delayed," said a Biman high official.

Talking to The Daily Star, Vice-president of the Federation of Bangladesh Chambers of Commerce and Industry Abul Kashem Haider said the incessant rains disrupted business and manufacturing activities all over the country.

"The magnitude of the rain is so high that it becomes disruptive similar to flood and a political strike. The drainage system needs to be upgraded to get rid of waterlogging problem caused by heavy rainfall," said Haider, also chairman of Youth Group.

The city's transport system also faltered as most of the commuter bus operators suspended operations while others took it as an opportunity to charge high fares.

"We will go home and take a holiday after this trip as there will be limited passengers later in the day due to rains," said Ismail Hossain, who drives Rider commuter minibus on Motijheel-Gazipur route.

Trading in Chittagong Stock Exchange took place but turnover in terms of both volume and value declined. Some 379,722 shares and debentures worth Tk 1.96 crore changed hands yesterday against 485,361 shares valued at Tk 2.73 crore on the previous day.

CSE All Share Price Index however gained 26.27 points to close at 2838.91 points yesterday from 2812.64 points on Sunday. CSE-30 Index also rose by 2.66 points reaching 2729.97 points from Sunday's 2727.31 points.

PHOTO: STAR
Female workers of a garment factory wade through knee-deep water for having their meal during lunch break in Tejgaon area of Dhaka yesterday. Production in most of the garment factories were disrupted due to thin turnout of workers amidst incessant rains in last two days.

Supply dearth of woven fabrics poses threat to RMG export

SARWAR A CHOWDHURY

As official statistics show a massive supply shortfall of locally produced woven fabrics, a determinant to qualify for GSP (generalised system of preferences) facilities in the EU market, apparel manufacturers fear of losing market in the post-MFA (multi-fibre arrangement) regime.

According to Export Promotion Bureau (EPB) data, in 2003-2004 the local fabric manufacturers were able to supply only 18.66 percent of the required fabrics for woven garment export to the European Union (EU) market. The supply was only 10.70 percent of the requirements for export to the combined EU-US market.

In view of the huge supply shortfall of fabrics, export-oriented readymade garment (RMG) manufacturers have sought special measures from the government including setting up of central bonded warehouses, a long-drawn demand of the RMG exporters and a strong backward linkage industry for the sector.

Bangladesh enjoys GSP facilities in the EU market while the US, a big apparel market for Bangladeshi products, allows export quota for RMG which will expire next year.

"Particularly with the post-MFA era set to stage in from January next, we are in supply fear of woven fabrics," said Bangladesh Garment Manufacturers & Exporters Association (BGMEA) President Annisul Huq.

He said a major portion of RMG export earnings comes from woven garments.

In the last fiscal year, the BGMEA members fetched $3528.07 million from woven garment export and $1527.17 million from knitwear while the BKMEA (Bangladesh Knitwear Manufacturers and Exporters Association) members fetched $10.01 million from woven garment export and $620.85 million from knit export.

Although the EPB statistics show a slight rise in supply of locally produced woven fabrics in the last fiscal year, it is not enough to meet the demand of RMG industry, the BGMEA chief said.

Under the GSP, the woven fabric supply was 16.75 percent in 2001-2002, while it was 16.08 percent in 2002-2003.

The BGMEA leader regretted that the process of setting up central bonded warehouses was halted by the Cabinet Committee on Economic Affairs despite recommendations from the National Coordination Council (NCC).

The NCC on July 4 this year recommended setting up of central bonded warehouses in export processing zones and floating a Tk 3,000 crore special fund for the investors in the textile sector, but the cabinet committee rejected the proposal on August 16.

"We think it is essential to set up such warehouses for keeping imported RMG raw materials to face the stiff competition in the quota-free regime, he said. "The central bonded warehouse will also help expand our export markets."

"We also believe that backward linkage industry for garment sector is very much needed. But it needs huge investment and can not be established in a short period of time," the BGMEA chief said seeking fund allocation for setting up a strong backward linkage industry.

He also said that the government should avail the derogated GSP to keep up and expand share in the EU market. "Benapole land port should be opened for yarn import to help local RMG industry become more competitive," he suggested.

Shell appoints Ranks Petroleum for marketing lubricants

STAR BUSINESS REPORT

Shell, a leading lubricant oil company, yesterday appointed Ranks Petroleum Ltd, a concern of Rangs Group, as its sole distributor for marketing lubricant products in Bangladesh.

An agreement to this effect was signed between the two companies in Dhaka yesterday.

A Rouf Chowdhury, chairman of Rangs Group, and Mirar Shaarany, distributor markets manager of Shell Markets (Middle East) Limited, signed the agreement on behalf of their respective sides.

Talking to The Daily Star, a high official of Rangs Group said Ranks Petroleum will market lubricants and greases of Shell. "The products can be used in different engines of vehicles, factories and railways."

Prior to engaging Ranks Petroleum, Padma Oil Company, a subsidiary of Bangladesh Petroleum Corporation, used to market Shell lubricant products in Bangladesh.

Ranks Petroleum Exec utive Vice-Chairmen Rumee A Hossain and Fazle Selim, Manager (marketing and sales) Musa Ali Khan and Shell Markets (Middle East) Limited Business Development Manager Azmat Jafri were present at the signing ceremony.

PHOTO: STAR
A Rouf Chowdhury, chairman of Rangs Group, and Mirar Shaarany, distributor markets manager of Shell Markets (Middle East) Limited, shake hands after signing an agreement in Dhaka yesterday. Under the deal, Ranks Petroleum Ltd, a concern of Rangs Group, will market lubricants and grease of Shell, a leading lube oil company, in Bangladesh market.

Dhaka int'l food fair from Sept 17

Low-quality packaging, dearth in cargo facilities retard export of food items

STAR BUSINESS REPORT

Lack of quality packaging and sufficient cargo facilities are the main obstacles to export of dried and processed food from Bangladesh, Export Promotion Bureau (EPB) officials said yesterday.

"We have lot of potentials for exporting agro-processed food items but the local entrepreneurs are discouraged as private air cargo operators demand huge charge for shipment of such products," said Mir Shahabuddin Mohammad, vice-chairman of EPB, speaking at a press conference in Dhaka.

He said the government has identified agro-processed food as one of the priority sectors for export during 2003-2006 but local exporters cannot attract international buyers due to lack of standard packaging of these products.

The press conference was organised at EPB office to announce the schedule for Dhaka International Food Fair 2004. EPB will organise the three-day fair from September 17 at Dhaka Sheraton Hotel aiming to attract foreign buyers.

A total of 45 agro-processed food companies including three from Pakistan, Bhutan and France will take part in the fair. They will display their products as well as latest food processing machinery and equipment.

Explaining the goal of the fair, EPB officials said the fair is aimed to facilitate interactions among the local entrepreneurs and the foreign exhibitors for establishing business contacts between them.

The EPB vice-chairman said if good packaging and quality are ensured the country can earn huge amount of foreign currency from the sector. Bangladesh Standards and Testing Institution will help the entrepreneurs in achieving product quality, he added.

The EPB officials said Bangladesh fetched $6.31 million in 2003- 2004 from export of dried and processed foods to 40 countries in Asia, America, Africa, Europe and Australia. Exporters get 30 percent cash incentives in exporting these products.

In the current fiscal year, export earning from the sector would rise to $8 million, EPB officials hoped.

The exhibitors will showcase food items such as biscuits, bread, sweetmeat, cake, jam, jelly, pickle, pastry, snacks, fried lentil, nuts, chips, vinegar, ketchup, chanachur, fruit juice, potato sticks, milk products, soft drinks, mineral water and spices.

The exhibition will remain open to visitors from 10am to 8pm until September 19.

EPB directors Towfique Khan Majles, Mostafa Mohiuddin and AKM Nizamul Alam, and Meherun N Islam, managing director of Conference and Exhibition Management Services (Cems), an event management firm, were present at the press conference. Cems will assist EPB in holding the exhibition.

Russia may join WTO next year

AFP, Moscow

Russia has made headway in its bid to become a member of the World Trade Organization and could join the Geneva-based body next year, Deputy Prime Minister Alexander Jukov said here Monday.

"I think that we have a good chance of becoming a full member (of the WTO) in 2005," notably as Russia had "gone rather far" in the admission process, he said in a report carried by Interfax news agency.

He noted that a bilateral agreement had already been reached with the European Union and that discussions leading to similar accords were under way with many other WTO member countries.

Russia needs to complete accession deals with about 20 countries, such as China, Japan, South Korea and the United States.

An agreement with China is expected to be signed by the end of September, before the visit to Moscow of Chinese Prime Minister Wen Jiabao, according to Chinese Trade Minister Bo Xilai.

The principal obstacle so far to Russia's admission to the WTO has been its handling of intellectual property protection and customs formalities.

The United States is pressing Russia to act more vigorously against music and computer piracy.

Central Insurance declares 20pc stock dividend

Central Insurance Company Ltd declared a 20 percent stock dividend (bonus share) for its shareholders for the year 2003.

The announcement came at the 16th annual general meeting (AGM) of the company held in Dhaka on Saturday, said a press release.

The AGM was also informed that in 2003 the company earned a gross premium of Tk 76.70 million and pretax profit of Tk 10.64 million.

Company Chairman Nurun Newaz chaired the AGM, which was also attended among others by Managing Director MA Ali Bhuiyan.

Bank regulators see confirmed world growth despite oil price

AFP, Basel

The world's top central bankers called for oil prices to be lowered Monday but said the high price of crude was not braking an overall recovery in world economic growth.

"The global recovery is confirmed after a slowing down in the second quarter," Jean-Claude Trichet, president of the European Central Bank (ECB) and spokesman of the G10 group of major central banks said after a meeting here.

Trichet said the central bankers agreed that high oil prices were having less of an impact on the global economy than previous oil shocks, but still wanted to see lower prices.

"There was good reason for encouraging all partners to come progressively with a lower price of oil which would be more in line with the fundamentals of the market," he told journalists.

Malaysia to miss target for balanced budget by 2006

AFP, Putrajaya

Prime Minister Abdullah Ahmad Badawi said Monday that Malaysia will not be able to meet its earlier target of balancing the budget by 2006.

"We are not going to be obsessed with balancing the budget. I don't think we will be able to do that," Abdullah, who is also the finance minister, told a news conference.

Abdullah said the deficit would be reduced progressively and gradually to ensure high economic growth.

"We want to reduce the deficit and at the same time achieve high growth," he said, adding that "we do not want the deficit to go above six percent (of gross domestic product)."

Abdullah said the deficit forecast for 2004 was 4.5 percent of gross domestic product (GDP) while for 2005 it was 3.8 percent.

Malaysia on Friday set a new growth target of 7.0 percent for 2004 when Abdullah presented his first national budget since taking power in October last year.

This will be the highest growth in four years, after a stronger-than-expected first half, although the pace is forecast to slow to 6.0 percent for 2005.

Abdullah indicated that the government would reduce the costly fuel subsidy, for which it had had allocated 10.7 billion ringgit (2.8 billion dollars) for 2004.

"That is a lot of money. It is not healthy for us to continue to subsidise," he said.

Abdullah did not rule out a hike in petrol prices later this year but said that any price increase would take "into consideration the welfare of the people."

Suzuki to build second car plant in India

AFP, Tokyo

Suzuki Motor, Japan's top minivehicle maker, said Monday it will build a second factory in India to produce and sell small passenger cars for the local market.

Suzuki, in which US auto giant General Motors has a 20-percent stake, will build the new factory in northwestern Haryana state, with operations scheduled to begin in early 2007, the Japanese company said in a statement.

The factory will have a production capacity of 250,000 units a year, a company spokesman said, adding that its first Indian car-assembly subsidiary, Maruti Udyog Ltd., would be a partner in the new factory.

"The construction of the second plant is necessary to increase output in India... where demand for passenger cars is growing rapidly," Suzuki chairman Osamu Suzuki said at a press conference.

Maruti Udyog, which started operations in 1983, also in Haryana, is controlled 54 percent by Suzuki and the remaining 46 percent by the Indian government and others.

Further details, including investment and additional partners, will be announced in the future, a company spokesman said.

Separately Suzuki said it will invest 10 billion yen (91 million dollars) to set up a separate firm at the new assembly site to produce 1.3-litre diesel engines.

Stop release of damaged vehicles from port sheds

Barvida leaders urge authorities

STAFF CORRESPONDENT, Ctg

Bangladesh Reconditioned Vehicles Importers & Dealers Association (Barvida) has urged the authorities to examine the used vehicles kept in the port sheds to stop release of "damaged" cars imported by a section of dishonest traders.

Addressing a press conference at a local hotel yesterday, Barvida President Abdul Mannan Chowdhury alleged a section of traders are indulged in importing low-cost, damaged vehicles to make windfall profit by deceiving the customers.

"These vehicles have been damaged in accidents abroad and sold here as used ones. As a result, our customers are cheated," he said, adding, "At least 15 damaged vehicles arrive here on board every vessel loaded with imported cars."

The Barvida president said the unscrupulous importers take delivery of those damaged cars from port sheds by "managing" the customs officials. A written complaint has already been filed with the National Board of Revenue (NBR) to take action in this regard, he added.

Mannan also complained of rampant pilferage of valuable parts from the imported vehicles kept at the sheds of Chittagong Port for release. "But due to cumbersome procedure we hardly claim any compensation from port authority."

The Barvida president called for rational assessment of duties on the imported used vehicles on the basis of yellow book price.

"We import used vehicles which are known to people here as 'reconditioned cars' due to misconception. But actually reconditioned vehicles are hardly available. The used vehicles are better than reconditioned ones," he said.

Seoul shares close sharply higher on blue chips

AFP, Seoul

South Korean share prices closed up 1.86 percent Monday as foreign investors continued to snap up shares of Samsung Electronics and other technology blue chips, dealers said.

They added that sentiment was buoyed by Wall Street's rise Friday.

The composite index closed up 15.57 points, or 1.86 percent, at 851.91.

Volume was 389 million shares worth 2.5 trillion won (2.18 billion dollars).

Rises led falls by 436 to 272, with 89 stocks unchanged. Foreign investors were net buyers of shares worth 193.5 billion won and retail investors net sellers of shares worth 329.2 billion won.

"It seems no one called for a stop. The market has gained momentum, keeping this rally running on wheels," Daehan Investment Securities analyst Ha Min-Seong said.

However he cautioned that the rally was being driven by technical factors rather than strong fundamentals.

"The rally cannot be justified by fundamentals. The IT (information technology) industry outlook is still not that bright and the global economy is heading towards a slowdown. We may see a correction when another quarterly earnings season starts," he said.