

Borrowing from banks helps govt cut interest expenditure

Sales of savings certificates coming down in recent years

STAR BUSINESS REPORT

With net sales of savings certificates gradually coming down in recent years, the government borrowing from the banking system has increased helping it (government) reduce the interest expenditure.

The government has to pay as high as 11 percent to borrow from the non-banking system while borrowing from the banking system costs equivalent to the bank rates, which are not more than six to seven percent.

Net sales of the savings instrument dropped by 34 percent during July-August period of the 2005-06 financial year.

Net sales of the same dropped to Tk 356.14 crore in the first two months of

the current fiscal from Tk 536.37 crore of the corresponding period of last financial year.

On the other hand, net government borrowing from the non-banking system also fell by 36 percent in the 2004-05 financial year than the previous year.

The drop was more than 10 percent in the 2003-04 fiscal than the previous financial year and eight percent in the 2002-03 fiscal than a year before.

According to sources, it has now become very difficult to invest black money in the savings instrument, which is one of the main reasons for drop in net sales. Savers are now asked to disclose the sources of the fund and provide with their respective pictures.

In the face of pressures from the

World Bank and the International Monetary Fund, the government discontinued some attractive schemes and cut interest rates on savings instrument several times after coming to power in 2001.

On the other hand, banks are now offering higher interest rates on deposits to attract clients.

According to banking sources, deposits of the private commercial banks grew by 16 percent during January-September period of 2005 and banks have excess liquidity of around Tk 10,000 crore.

The government loans from the banking system have gone up, changing its borrowing pattern, finance ministry sources said.

Total domestic credit rose by two

percent during July-August period of the current financial year. Of the total domestic credit, government borrowing went up by 4.77 percent in the first two months while private sector credit grew by only 1.08 percent in the same period.

"Increasing borrowing from the banking system is good for the government as taking loans from the banks is less expensive than the non-banking system," said a top official of the finance ministry.

The government presently needs to pay as high as 11 percent to borrow from the non-banking system while borrowing from banks costs not more than six to seven percent, he explained.



Traders offload vegetables at Jatra Bari kitchen market as the Karwan Bazar kitchen market was closed for four days until yesterday due to the 13th Saarc Summit. The picture was taken on Saturday.

CSE closes higher

UNB, Chittagong

Trading at Chittagong Stock Exchange (CSE) closed higher yesterday with the gainers dominating the losers.

The CSE All Share Price Index increased by 25.90 points or 0.75 percent to close at 3458.22 points from Thursday's 3443.32 points.

The CSE-30 Index also enhanced by 1.48 points or 0.04 percent to close at 3224.77 points from 3223.29 points on the previous trading day.

A total of 58 issues traded yesterday. Of them, 27 gained, 24 declined and seven remained unchanged.

Some 412,881 shares and debentures worth Tk 5.42 crore changed hands against 910,261 shares valued at Tk 4.40 crore on the previous trading day.

India-US in farm cooperation

ANN/ THE STATESMAN

India signed a joint declaration with the US Department of Agriculture (USDA) on Saturday to energise agricultural research between the two countries ahead of the visit of US President, Mr George W Bush to this country slated for February 2006.

Mr Mangala Rai, director general, Indian Council of Agricultural Research (ICAR) and Mr JB Penn, under secretary for farm and foreign agricultural services, USDA signed the declaration in the presence of the Union agriculture minister, Mr Sharad Pawar.

The declaration was to formalise India-US knowledge initiative on agriculture, which was announced by the Prime Minister, Dr Manmohan Singh and Mr Bush, in July. The declaration will facilitate setting up of a Knowledge Initiative Board with two co-chairs, seven individuals selected by each USDA and by the ministry of agriculture.

The members for the Board mainly consist of government, academia and the private sector for specific projects and funding sources. The Board will develop its observations and findings in a report that will be delivered to both the agriculture ministry and USDA in 2006, after meeting first in the US and later in India.

"The Board will have its first meeting in the US in December followed by a meeting early next year in India in advance of President Bush's expected visit to India in February," Mr Penn told reporters after the signing ceremony.

Economic activities almost come to a halt in 3 days

BDNEWS, Dhaka

Government's tight security measures during the Saarc Summit have virtually halted all the economic activities of the country causing a loss of economy and affecting the earnings of the low-income groups.

"Definitely, this involves a big amount of cost," Khondkar Ibrahim Khaled, managing director of Pubali Bank Ltd, told the news agency yesterday, referring to the security measures and the loss of the economy in both private and public sectors during the summit.

He said the expenses for the security measures would be not less than crores of taka. Moreover, the private sector has also incurred losses during the period, he added.

He said it would have been tough to hold the summit unless such measures were taken as most of the neighbouring countries were worried about the security issue.

"From economic point of view, the loss is huge. But this is a national trade-off for the sake of relations with the neighbouring countries," said Ibrahim Khaled.

"We have to incur a loss for one additional day," Mir Nasir Hossain, president of Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), said mentioning that Friday and Saturday were weekly holidays.

But the holding of Saarc summit was necessary for a number of reasons including the execution of the Safta, he

said. The security measures taken by the government will help improve country's image worldwide, he added.

SM Shaquizzaman, president of the Bangladesh Aushod Shilpa Samity, said businessmen got only one day for cross-border trade during the period. "We will forget the loss and sufferings if the Safta is implemented," he said.

However, President of Dhaka Metropolitan Shop Owners Association M Helaluddin held the government responsible for its lack of planning.

"We would not have opened our shops if the government told us to close our shops earlier," he said, adding that there was almost no customer in the city shops in the last two days.

Helaluddin said there are almost 2.5 lakh shops in Dhaka and each owner will face a loss not less than Tk 2000 for each day.

Several people said closure of Karwan Bazar for four days caused the big loss to the economy as many outlying districts are linked with Dhaka through transportation of goods. Essential commodities from far-flung districts of the country come to Dhaka every day by trucks and through other means.

"Incredible! I did not experience such a scene in Motijheel area even during hartal," said Md Rafiqul Islam, manager of Binimoy Filling Station, who was able to sell only 350 litres of petroleum Friday.

"But normally I sell nearly three

thousand litres of petroleum on Friday and nearly seven thousand litres on working days," he said adding that the total sale proceeds in these four days would be equal to the income of one working day.

The security measures have also affected the income of the low-income groups including rickshaw-pullers, roadside tea vendors, street vendors and daily wage labourers.

The day-labourers, who usually stay by the roadsides for selling their labour, have not been permitted to stay during these days because of security tightening. "I have no way to survive except living by borrowing," Bablu, a mason, who had been evicted from Fakirapal, said.

"I have passed four consecutive days without earning a single penny," said Jahirul Islam, a rickshaw vander, who lives by carrying goods.

"The sale is very marginal as there is no movement of pedestrians and most of the trading shops remained closed," Serajul Haque, a roadside tea stall owner, said.

Meanwhile, rickshaw puller Habibur Rahman, who landed his rickshaw after three days on the city road said that he had earned Tk 70 during the first half of the day. But it would have been almost double in normal days, he said.

"It would not be possible for me to buy the essential foodstuffs for my family members today as I have to pay a rent worth Tk 40," he said.



PHOTO: BGMEA

(From left) Fakhru Ahsan, commercial counsellor of Bangladesh Embassy in the USA, Annisul Huq, president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA), SM Fazlul Huq, BGMEA director, Shamsher Mobin Chowdhury, Bangladesh ambassador to the USA, Judy Biggart, US congresswoman, Barkat Ullah Bulu, commerce ministry adviser, and Mahmud Hassan Khan, BGMEA director, pose for photographs in the US recently. Bulu is leading a BGMEA delegation to the US to drum up support for the passage of TRADE (Tariff Relief Assistance for Developing Economies) Bill, seeking duty-free access of LDC products to the US market.

SEC disposes of more complaints last year

SARWAR A CHOWDHURY

The Securities and Exchange Commission (SEC) has disposed of more investors' complaints against listed companies and brokers/dealers in the last fiscal year compared to the previous year.

In fiscal year 2004-05, the SEC disposed 48.57 percent of the total complaints while the figure was 19.78 percent in 2003-04, sources said.

On the other hand, the number of complaints also reduced to 105 in last fiscal from 182 in 2003-04.

Of the total 105 complaints in 2004-05, 67 were against listed companies and 38 were against brokers/dealers while the capital market

watchdog settled 36 and 15 allegations respectively.

Besides, disposal of four allegations is now under process and 34 were sent to the enforcement department for legal actions.

Of the total complaints of 182 in 2003-04, 91 were against listed companies and brokers/dealers while the capital market regulator disposed 23 and 13 allegations respectively.

Besides, 16 allegations were sent to the Dhaka/Chittagong Stock Exchange for settlement of which nine were settled.

If the SEC includes the number of settlements done by the stock exchanges, the rate of settlement will

be 57.14 percent, an SEC official said.

Talking to the Daily Star, Farhad Ahmed, executive director (Supervision and Regulation of Markets Intermediaries Department) of SEC, said the rate of disposal in this year will be higher than that of the last year.

To make the settlement process more easier, he advised the investors to preserve all types of documents after making an allegation as the documents will help the investors afterwards.

The executive director also suggested the investors to make complaints when they find any irregularities against any listed company or broker/dealer.



New chairman of Fidelity Assets & Securities

Abdul Matlub Ahmad, a leading industrialist, has recently been elected chairman of Fidelity Assets & Securities Company Ltd, a non-banking financial institution.

Chairman of Nitel Group, Ahmad founded Nitel-Niloy Group, which includes Nitel Cement Industries Ltd, Niloy Motors Ltd, Nitel Insurance Co Ltd and Niloy Cement Industries Ltd, says a press release.

He is also associated with different sports organisations, associations and chambers of business community.

China, Chile to sign free trade pact: Report

AFP, Busan, South Korea

China and Chile will sign a free trade agreement on the sidelines of the Asia-Pacific Economic Cooperation (APEC) forum underway here, Yonhap news agency said Sunday.

Quoting a Chilean official, the agency said the signing will take place on Friday after Chinese President Hu Jintao and Chilean President Ricardo Lagos meet for bilateral talks.

The APEC forum which opened here Saturday will culminate on November 18 and 19 with a summit of 21 APEC leaders.

Hu will hold a bilateral meeting in Seoul with South Korean President Roh Moo-Hyun on Wednesday before travelling to Busan, site of the meeting. Lagos is also scheduled to meet Roh.

Airbus, Boeing vaunt their new feats

AFP, Paris

Aeronautics giants Boeing and Airbus stepped up their bitter battle for supremacy this week when the US manufacturer pulled off the longest ever non-stop flight on Thursday and its European rival landed the world's largest civilian airliner in Asia on Friday.

The two airborne feats served to showcase the rival producers' latest models as well as highlight their differing visions of the market.

Airbus has developed its A380 superjumbo model to carry large numbers of passengers on routes between regional airport hubs, whereas Boeing's mid-size 747 will take fewer passengers but will be able to carry them directly to their destinations.

Boeing's latest release, the 777-200LR Worldliner flew into the record books on Thursday, journeying non-stop from Hong Kong to London via the Pacific, a distance of 20,100 kilometres (12,462 miles), with 35 passengers on board in 23 hours.

The flight broke Boeing's previous 1989 longest non-stop passenger flight record, when a 747-400 flew direct from London to Sydney, a 17,000-kilometre (10,540-mile) trip.

Pakistan International Airlines will be the first to take delivery of the Worldliner, the fifth 777 model, in early 2006.

The 300-seater airliner's extra fuel tanks make it capable of serving direct routes between cities practically at opposite ends of the earth, according to Boeing.

The US manufacturer believes the future is not in mass carriers such as the A380, but in the growth of long-haul direct flights using mid-size aircraft such as the 777 and its future 250-seater 787 Dreamliner, due to launch in 2008.

But Airbus has not given up this corner of the market and has just launched the A350 mid-sized airliner, for which it aims to secure 200 firm orders by the end of the year.

The European manufacturer has a different vision to Boeing about the potential for high-capacity airliners operating between regional "hubs", and has invested over 10 billion dollars (8.5 billion euros) in its giant A380, which will hold between 555 and 840 passengers -- some 40 percent more than a Boeing 747.

Airbus has already taken 159 orders for its superjumbo A380, which landed for the first time outside Europe this week, making a test flight to Singapore. National carrier Singapore Airlines will be the first to receive the giant of the skies into its fleet.

The A380 is now due to touch down in Australia and Malaysia, continuing its maiden voyage to Asia, where it is being tested for compliance with airport facilities while stirring up interest in the jet from the profitable Asian market.

According to Boeing, the demand for commercial airliners in the Asia-Pacific region will be worth 700 billion dollars over the next 20 years, making up a third of global demand.



PHOTO: STAR

Ahmad H Kabir, country head of Certification International (UK) in Bangladesh, hands over the ISO 9001:2000 certificate to Debasis Dasgupta, head of supply chain of KDS Accessories Division, in Chittagong yesterday. KDS recently achieved the certificate for complying with stringent quality, management system and process approach.