Star BUSINESS
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Knitwear emerges as No 1 export item

Vibrant yarn and dyeing industry behind success

REFAYET ULLAH MIRDHA

For the first time ever exports of knitwear look set to overtake woven products this year as the country's largest export item, with the industry benefiting from large-scale investment in the sector over the past decade.

While twelve years ago knitwear exports were worth less than a quarter of woven products, in the first four months of this fiscal year they exceeded woven goods, bringing in US$ 1.6 billion.

Behind the leap is the creation of a vibrant yarn and dyeing industry that provides 'backward linkage' as well as the introduction of innovative fashion and design.

These developments are especially attractive for international buyers as domestic production of yarn increases flexibility and greatly reduces lead times.

Sources in the research cell of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) said backward linkage industries can supply up to 90 percent of the raw materials used in knitwear. This figures drops to around 25 percent in the case of woven goods, where most of the cloth has to be imported, a process that can take weeks.

"The most important advantage of knitwear is the backward integration, it really does cut lead time," said one major buyer.

"This is also very helpful when it comes to placing repeat or expanded orders. With the woven producers this takes a much longer time," he added.

In knitwear Bangladesh is now competing with countries such as Turkey, rather than China, and in doing so is able to exploit its advantage of lower labour costs.

In 2006-07 fiscal year woven worth $4.54 billion and knit worth $4.39 billion was exported registering a growth of 14.05 percent and 19.30 percent respectively. However in 12 of the past 13 years knitwear has been growing faster than woven and this year is finally expected to take first place among export items.

In the fiscal year 2006-07 Ready Made Garment exports in total made up 76 per cent of the country's total exports.

Talking to The Daily Star recently former president of BGMEA Annisul Huq said the declining trend in woven export in 2007 has been a consequence of political turmoil and labour unrest 12 months ago.

Moreover, many buyers shifted from Bangladesh in 2007 to other countries like Vietnam and Cambodia due to the uncertain market situation, he said.

"The traditional fashions and designs are also responsible for declining in the export of Bangladeshi products. Buyers want something new," Huq said.

"But I am hopeful that in 2008 Bangladesh will do better in ready-made garment (RMG) export in the world market as everything looks good until now," he added.

Director of the BKMEA, MA Baset said the demand of knit items especially in the European market has been increasing. So, the export of the locally made knit has also been increasing, he said.

"Moreover, the investment in knit sector in Bangladesh over the last few years also increased tremendously following huge demand in world market," Baset said.

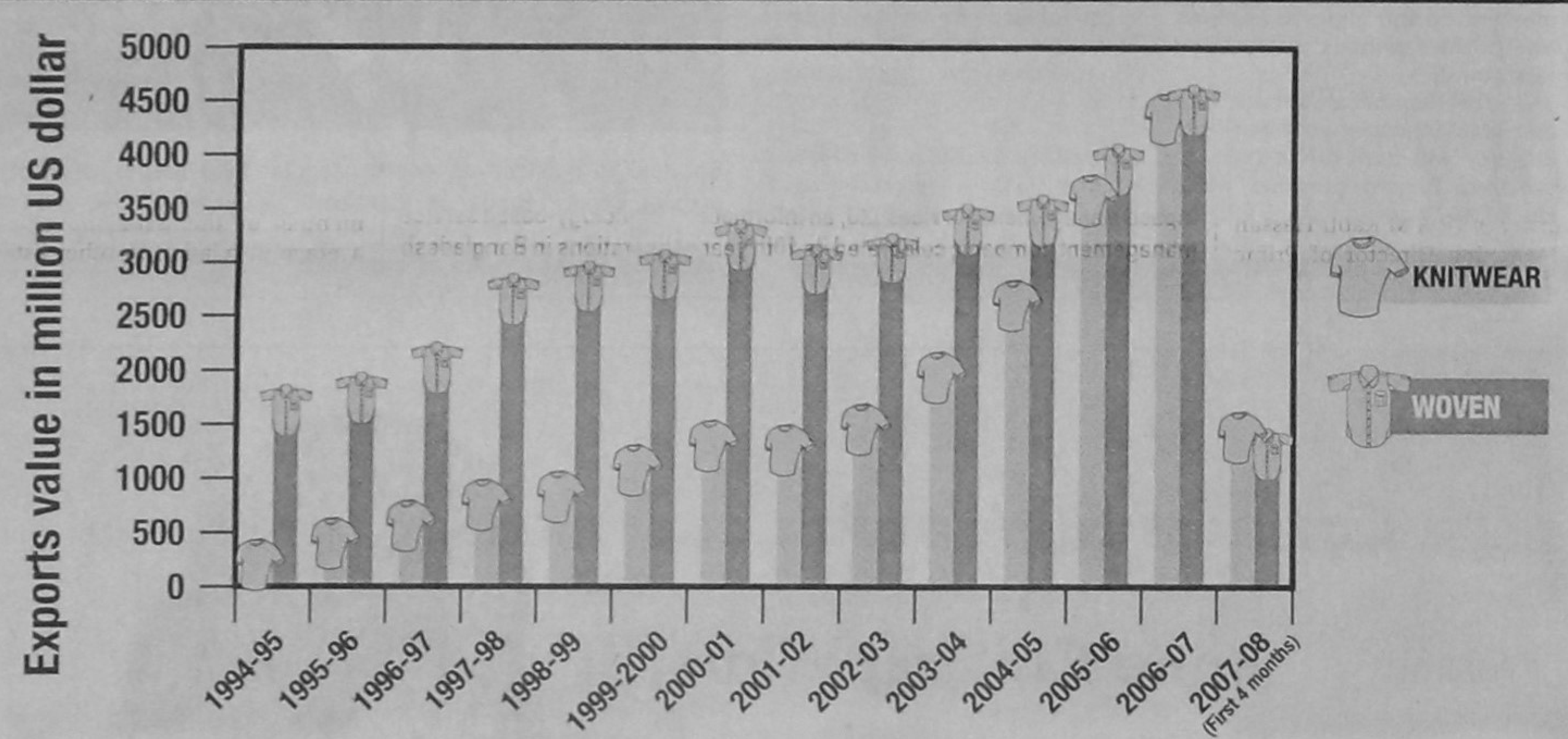
Woven

Woven wear is a clothing range made of fabric formed by weaving. In Bangladesh, woven fabric is used mainly to produce more formal clothing like dress shirts and pants. It has less elasticity and thickness than knitwear's.

Knitwear

Knitwear is a clothing made of knitted fabrics. In Bangladesh, knitwear is mainly made from cotton yarn. It has a vast range of products including t-shirts, sweatshirts, trousers and tops. Knitwear has more elasticity and thickness.

WOVEN-KNITWEAR EXPORTS TREND SINCE FY 1994-95



China fears tight supply may hit grain stability

ANN/ CHINA DAILY

Tight supplies in key categories and rising global prices are making it difficult to stabilise China's domestic grain market, the governing authority said yesterday.

Nie Zhenbang, head of the State Grain Administration (SGA), said the country's food supply is secure and grain reserves are abundant following four successful harvests.

"But it is still a challenge to keep the market balanced over the long term," Nie said at a conference in Beijing.

He said supplies of some key grain categories, including corn and soybeans, have tightened and that there are even shortages in some major grain markets.

China consumed 517 million tonnes of grain last year, amid a shortage of about 16 million tonnes of certain grains, including corn and soybeans, SGA figures show.

The country produced only 9.62 million tonnes of cooking oil last year, about 42 per cent of the regular annual demand of 23 million tones.

"As consumption grows and shortages spread, grain imports have been increasing. There is huge pressure to secure the supply of cooking oil and keep prices stable," Nie said.

In addition, with China becoming more integrated into the global economy, changes in the world market are increasingly affecting the domestic one, Nie said.

The United Nations' Food and Agriculture Organization (FAO) has estimated that the global grain market will continue to face supply pressures, and that grain prices will remain high due to surging energy prices and increasing demand for corn and soybeans to make bio-fuel.

The global food reserve dropped to its lowest level in 30 years last year, FAO figures show.

Driven by the high global prices, China's wheat exports increased by 200 per cent year-on-year in the first 11 months of last year. Corn exports grew by 85 per cent during the period, while those of soybeans expanded by 24 per cent, according to customs figures.

PHOTO: STAR

Kamal Uddin Ahmed (L), executive chairman of Board of Investment, speaks at a view exchange meeting with the leaders of Metropolitan Chamber of Commerce and Industry (MCCI) in Dhaka yesterday. (From left) Latifur Rahman, MCCI president, CK Hyder, secretary general of the chamber, Samson H Chowdhury and Laila Rahman Kabir, former MCCI presidents, are also seen.

MCCI wants reforms in BoI

STAR BUSINESS REPORT

The metropolitan chamber has advocated reforms in the country's state-run investment promotion agency in order to remove bottlenecks to investment.

In a view exchange meeting with the Board of Investment (BoI) yesterday, leaders of Metropolitan Chamber of Commerce and Industry (MCCI) said regulatory, policy and administrative reforms will help make the BoI more investment-friendly for local and foreign entrepreneurs.

They also urged the BoI to set a timeframe for responding to pending investment proposals.

They lamented that the investment board takes six months to register a firm intending to invest, when it should be a matter of just a few days.

The chamber leaders also pointed to the fact that no meeting of the BoI's advisory board, which has representation from different trade bodies, was held in the last four years.

"The investment climate is yet to be improved to an optimum level. Such improvement is urgent to have an effective institutional set-up which will save investors from unnecessary regulatory hassles, and provide investment services of global standard," MCCI President Latifur Rahman told the meeting.

Pointing to the unnecessary hassles investors now face, he said, "An investor is required to knock at the doors of 12 to 13 offices for necessary approvals or clearances."

The MCCI chief also pointed out that the BoI still remains as merely an investment registering authority and has failed to provide 'one-stop' service, the main purpose it was supposed to serve.

There are some problems that are man-made and created by poor quality political leadership, which has made confrontation a part of political culture and encouraged corruption, he said.

He added that these problems had also been behind an annual loss of around Tk 5000 crore by the state-owned enterprises (SOEs) and delays in getting redress through the judiciary.

Latifur Rahman asked for these issues to be resolved to ensure a better investment performance in the future.

Suggesting adoption of concrete measures by the BoI for transition to knowledge-based investments, he said unless immediate moves are taken for promotion of investments in information technology, it will be difficult to achieve 8 percent growth rate of the GDP, which are the bare minimum for moving into the level of middle income country by the year 2021.

"In the context of deteriorating man-land ratio, inadequate increase in agricultural productivity, it is essential to increase investments in manufacturing and service sectors. Unless the share of the industry in the GDP increases to around 40 percent by the year 2021, and the agriculture's contribution comes down to less than 10 percent, Bangladesh will continue to remain economically vulnerable," he said.

MCCI Secretary General CK Hyder said when a reform process is underway across the country, why not reforms in the BoI.

Unless radical changes are being made in the BoI, it will remain static as it is, he said.

Hyder said the practice of appointing executive chairman of BoI by the politicial parties should cease. In the past it was seen that the politically appointed executive chairmen's immediate priority was to please the political government, he said.

BoI Executive Chairman Kamal Uddin Ahmed assured the MCCI leaders of taking immediate steps to revitalise the BoI.

Former MCCI presidents Samson H Chowdhury and Laila Rahman Kabir, Maj Gen (retd) Amjad Khan Chowdhury of Pran Group, and Nihad Kabir, a lawyer, also spoke.

India calls for lower interest rates

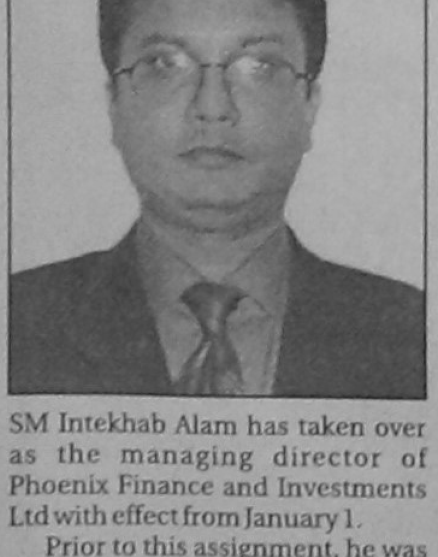
AFP, *New Delhi*

India's finance minister has called on banks to lower interest rates to keep Asia's third-largest economy expanding strongly amid fears aggressive monetary tightening could slow growth.

P. Chidambaram urged state-run banks to reduce lending rates by half a percentage point to spur consumption and investment as signs emerge of a slowdown in consumer spending.

"I would like... that banks cut lending and deposit rates by 50 basis points so it stimulates investment and consumption," he told reporters late Friday after meeting heads of state-run banks.

Phoenix Finance gets new MD



SM Intekhab Alam has taken over as the managing director of Phoenix Finance and Investments Ltd with effect from January 1.

Prior to this assignment, he was the senior vice president of Southeast Bank Ltd, says a press release.

Intekhab, who started his banking career with Pubali Bank in 1990, also worked in Dhaka Bank, ANZ Grindlays Bank, BRAC Bank and Premier Bank.

Foreign investment on DSE surges in 2007

SARWAR A CHOWDHURY

The country's premier bourse received Tk 8.9 billion in net foreign or portfolio investment during 2007, a jump of around 830 percent on the previous year as European and US fund mangers looking for high returns 'discovered' the Dhaka Stock Exchange.

The portfolio investment increased as the securities market passed a vintage year generating strong enthusiasm among investors, thanks mainly to the relatively steady investment atmosphere throughout 2007.

The banking sector, buoyed by strong profit growth, and the emerging power and pharmaceutical sectors were notable targets for foreign funds.

Market analysts said the stable political environment following the declaration of a state of emergency and formation of a new interim government in the early part of last year were behind the surge in portfolio investment in local securities through merchant banks.

"Good return prospects, stable market growth and uninterrupted trading as a result of political stability throughout the year attracted the foreign investors to local securities," said Yawer Sayeed, MD & CEO of Asset and Investment management Services (AIMS) of Bangladesh, a fund management company.

According to DSE sources, the banking sector followed by power, pharmaceutical and cement sectors received the most foreign investment.

Most of the foreign investors are fund managers from the US. A number of fund managers from Europe are also investing here, market sources said.

During the year 2007, the foreign investors bought shares worth Tk 14.4 billion, while the amount of selling was Tk 5.5 billion, according to a DSE statistics.

In total the benchmark DSE General Index saw a record 396 percent rise in turnover and 139 percent increase in value in 2007.

"Foreign investment is good for the stock market, as such investment is necessary for an emerging stock market like ours," DSE Chief Executive Officer Salahuddin Ahmed Khan said.

Some experts, however, said there should be some sorts of lock-in system so that the foreign investors cannot sell all the shares at a time, as such selling pressure would create negative impacts on the market.

In some emerging markets the rapid movement of 'hot money' has been criticised as having a destabilising effect.

According to DSE statistics, highest net investment was Tk 2.51 billion in July of 2007, while the lowest was Tk 0.51 billion in March of 2007. However, in October and November, the amount of selling by the foreign investors was higher than fresh investment.

United Airways' more flights from next month

Suspension of flights for today, tomorrow

STAR BUSINESS REPORT

Amid increased customer demands, United Airways (BD) is planning to raise the number of its flights on domestic routes early next month by adding another aircraft to its fleet.

"We are adding a new aircraft considering the increased demands from our passengers. We are hopeful to put the new aircraft in operation by February 1," said Md Kamrul Islam, a spokesman of the private airline that started off with a single Dash 8-100 aircraft on July 10 last year.

Meanwhile, all flights of the carrier will remain suspended today and tomorrow for maintenance work.

"We will conduct a maintenance programme during the period. We will resume our regular operations on Tuesday, Islam said.

The carrier, a venture of the Non-resident Bangladeshis, is now operating three flights to Chittagong, two flights to Sylhet, one flight to Jessore daily and three flights to Cox's Bazar a week, according to a press release.

"We will soon announce five flights to Chittagong, three flights to Sylhet, two flights to Jessore, and one to Cox's Bazar, Barisal and Rajshahi," Islam said.

"We have already carried 35,000 passengers operating 1600 flights in the last six months," he said.

The company earlier said it had invested Tk 50 crore in the aviation sector.

With the Tk 100 crore authorised capital, the company has plans to invest Tk 2000 crore over the next five years in the business, according to its Chairman and Managing Director Tasbirul Ahmed Choudhury.

US keeps up foreign investment in face of deficits

AFP, *Washington*

The United States has maintained foreign capital inflows to finance its big balance of payments deficit but any dropoff in investment could end up hurting the economy, a Federal Reserve report showed Thursday.

The report by economists at the New York Fed indicated the United States has been keeping up its share of cross-border capital flows despite a weak dollar and worries about the strength of the US economy.

Yet they echoed concerns by many private economists about a loss of confidence in the dollar that could provide a shock to the world's biggest economy and put further pressure on the US currency.

"In recent years, the US deficit has been large enough to absorb the lion's share of surpluses generated abroad," the report said.

"Indeed, from 1999 through 2006, the cumulative US borrowing of 4.4 trillion dollars amounted to some 85 percent of the net external financing provided by countries with surplus saving.

"Despite this heavy borrowing, however, the United States has been the destination for little more than 30 percent of total gross cross-border investments by other countries, a figure that only slightly exceeds the US share of global GDP and is below the US weight in global financial portfolios."

They said that as a result, the United States has been able to finance its large current account deficits without requiring foreign investors to shift into more dollars.

But the Fed report said it remains unclear whether the trend in global financial markets will continue.

"It might be harder to finance continued large current account deficits on favorable terms if the recent wave of financial globalization were to subside," the report said.

"The United States would then have to attract a larger share of other countries' foreign investments."