Star Business

Dhaka Sunday March 9, 2008

Stocks

DGEN 1.15%
2,991.37

CSCX 1.20%
4,894.81

(Thursday closings)

Asian Markets

MUMBAI 3.42%
15,975.52

TOKYO 3.27%
12,782.80

SINGAPORE 1.77%
2,866.28

SHANGHAI 1.39%
4,300.52

(Friday closings)

Commodities

Gold	Oil
$992.50 (per ounce)	$106.54 (per barrel)

SOURCE: AFP

More News

Strong knitwear exports to exceed govt targets

Knitwear exports in the 2007-08 fiscal year are likely to exceed the government's target due to a strong performance in the US market and the increasing flexibility given by the use of local yarn.

Reform measures slow down economy: DCCI

The reform initiatives by the present caretaker government have slowed down Bangladesh economy, as the Dhaka chamber chief observed.

B-3

International

World central bankers voice concern over food inflation

Central bankers from the world's industrialised and developing regions voiced concern Friday over surging food and energy prices, their latest big challenge as globalisation unsettles the balance of supply and demand.

REUTERS

AFP

An elderly woman smears a client's shoes outside a restaurant in Jakarta on February 7, 2008. Indonesia's inflation rate increased in February, with high food prices driving the consumer price index (CPI) up 7.4 percent over the same period last year, an official said.

B-4

Bangla Biz Lexicon

Woven-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.

Contact Us

If you have views on Star Business or news about business in Bangladesh, please email us at business@thedailystar.net

Mercedes-Benz bus to be assembled in Bangladesh

Sohel Parvez

One of the country's leading automobile distributors, Rancon Motors, is to assemble Mercedes-Benz buses in Bangladesh for the first time, in an attempt to tap the growing demand for luxury buses among the long distance coach companies.

"The market for luxurious buses is growing. We hope it's an opportunity to tap the potential," said Romo R Chowdhury, managing director of Rancon Motors, promoting the Mercedes-Benz brand in Bangladesh.

"We are hopeful to hit the market by June 2009," he said.

The company, according to its managing director, will be able to cut the price of Mercedes-Benz buses by about Tk 40 lakh to nearly Tk 1.10 crore after the establishment of the assembling plant.

Currently one Mercedes-Benz bus costs around Tk 1.50 crore as it enters Bangladesh in completely built form.

"It will be affordable to many bus companies due to assembling facilities here," the Rancon MD said.

Rancon Motors, a concern of Rangs Group, took the initiative after it signed commercial vehicles supplying contracts with some local long distance bus operators such as Saudia and S Alam.

"We are facing demands from some other operators because the buses are fuel-efficient," he said.

Luxurious commercial passenger vehicles made their ways on Bangladesh roads during the late nineties to cope with the changes in the tastes of consumers who are travelling by buses at a growing rate due to faster road communication compared to railway's.

The market for luxurious bus, according to operators, is about 60-80 units a year, and is growing between 15 and 20 percent annually as leading long distance bus companies are shifting their focus to this segment.

At present, operators such as Green Line and Sohag Paribahan are offering services with Scania and Volvo buses on different routes, while Saudia and S Alam have brought Mercedes-Benz buses by forming joint venture.

Operators said none of these brands is assembled here, rather being imported from India and Malaysia.

Local Navana Group, IFAD Autos and Nitol Group assemble Hino, Ashok Leyland and Tata brand buses.

The required investment for establishing a bus assembling plant is lower compared to that for setting up an automobile assembling unit, Romo said.

"We now depend on Malaysian companies to assemble and build the bodies of the Mercedes-Benz buses. The local assembling plant will help us offer lower prices due to cheap labour here," he added.

Rancon Motors, which currently imports auto parts from Brazil, has already got go-ahead from Mercedes-Benz owner Daimler AG to assemble the bus.

"We have already got the Daimler permission to assemble the bus," Romo said. "Now we are in talks with a Malaysian bus-body building company to sign a technology transfer agreement."

"Hopefully we will be able to ink the deal within the next two months," he added.

Rancon Motors, also distributor of Mitsubishi brand autos in Bangladesh, will initially invest Tk 15 crore to start the plant in Savar, Dhaka and expects to assemble around 10 units of buses a month.

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The file photo shows a luxurious German brand Mercedes-Benz bus. Rancon Motors, a leading local automobile distributor, will assemble the brand at a plant in Savar, Dhaka with an initial investment of Tk 15 crore.

Local jobseekers have openings in Europe

Study finds

Jasim Uddin Khan

Bangladesh workers have opportunities in the European job market in the next few years if it does not go by WTO rules, a recent government study finds.

According to the European Commission-funded study on Temporary Movement of Natural Persons (Mode-4), there will be an opportunity of huge employments in the United Kingdom and Poland, as the first one will be the host of the next Olympic games in 2012 and the latter the next World Cup football.

It said both the UK and Poland are facing a dearth of labour and Poland has already signed an agreement with India to hire 10,000 workers.

The Mode-4 study, which was conducted in December, suggested the Bangladesh government initiate bilateral talks with Poland as it might consider recruiting more workers to meet its growing demand for manpower.

Conducted under the Bangladesh Trade Support Project, the study also pointed out the demand for RMG (ready made garments) and other workers by Rumania and Bulgaria.

It said although the Romanian demand for workers is now met by the Chinese workers, that country is searching for other options as the Chinese labour is nowadays getting expensive and many Romanians are migrating to other countries under the European Economic Areas (EEA) for better payment.

These developments can be availed by Bangladesh, the study suggested.

However, the experts involved in the study are not that optimistic of better prospect for Bangladeshi workers in the job markets of developed and developing countries under the Mode-4 clauses in the WTO (World Trade Organization) rules.

They said the 100 offers 70 initial and the rest 30 revised incorporated in the Mode-4 clause will not be friendly to the Bangladeshi job seekers' free movement from one country to another.

The revised offers to the WTO were placed by Australia, Canada, Japan, Korea, New Zealand, European Commission, Malaysia, Norway, Chile, India, Iceland and Singapore.

"Although these countries offered to ensure a free movement of the skilled and semi-skilled workers, these offers did not have any bindings," an expert said.

The experts found that the offers tried to encourage high-skilled workers, specially professionals and experts.

"But the least developed countries like Bangladesh themselves are strongly in need of such professionals and movement of such experts on temporary basis would not yield result," the expert added.

The consultants suggested the government continue negotiation under Mode-4 for materialising the 'special priority' provisions for LDCs as contained in various WTO documents and declarations.

US loses 63,000 jobs as economic woes deepen

AFP, *Washington*

A stumbling US economy lost 63,000 jobs in February, according to a shockingly weak report released Friday as a top White House adviser offered a grim outlook for growth.

The Federal Reserve meanwhile took fresh steps to pump liquidity into the stressed banking system, making up to 200 billion dollars available to fight a credit crunch related to the worst housing slump in decades.

Friday's Labor Department report showed the second straight month of losses in nonfarm payrolls, seen as one of the besUS loses 63,000 jobs as economic woes deepenfacturing and 39,000 in construction.

Overall, the report signaled a sharply weaker-than-expected performance for the US economy, which according to analysts needs to add at least 100,000 jobs per month to keep pace with new labor market entrants.

"The weakness in housing is starting to catch up to the rest of the economy," said Shenfeld.

The US economy expanded at an anemic 0.6 percent pace in the fourth quarter of 2007 and many analysts say they expect the first quarter to show declining activity for the first time since the recession of 2001.

"The question appears no longer to be are we going into a recession but how long and deep it will be," said Joel Naroff of Naroff Economic Advisors.

In a sign of continuing inflation pressures, the report said average hourly earnings rose 0.3 percent in February and 3.7 percent year-over-year.

The Fed has been cutting interest rates aggressively since September in an effort to reignite growth.

Minutes ahead of the Labor Department announcement, the Fed unveiled two initiatives to inject cash into the strapped financial market. It raised the amounts available in its Term Auction Facility program in which banks bid for loans to a combined 100 billion dollars this month.

It also launched a series of term repurchase transactions expected to reach 100 billion dollars to pump more liquidity into the banking system.

"This was a good news-bad news story," said Scott Brown, economist at Raymond James Co. "It's good the Fed is coming to the rescue, the bad news is that they have to."

A number of economists say the rate cuts by the Fed and a 168-billion-dollar stimulus package approved by Congress will help stabilize the economy by mid-year.

"We're looking for a first-half recession followed by a recovery in the third quarter," Shenfeld said.

Bangladesh oil company sees nearly $1b loss

AFP, *Dhaka*

Bangladesh's state-owned oil company will post a record net loss of nearly one billion dollars in the current fiscal year due to sky-rocketing global crude oil prices, its chairman said on Saturday.

The Bangladesh Petroleum Corp (BPC), the nation's monopoly oil importer and distributor, sells fuel at prices set by the government that do not reflect the purchase cost.

"With oil prices now above 100 dollars a barrel, losses will be huge in coming days. We expect our total losses this fiscal year (to June) will be around 65 billion taka (950 million dollars)," BPC chairman Anwarul Karim said.

The loss will be almost double that of last year, he said.

BPC is racking up a loss of 35 cents for each litre of diesel it sells, he added. Diesel is the main fuel used for vehicles in the impoverished nation, which has no domestic oil fields.

Global oil prices hit a record high of 106.54 dollars per barrel on Friday. In April, when Bangladesh's military-backed government last raised fuel prices by as much as 21 percent, world crude was trading in the range of 60 to 65 dollars a barrel.

"The government has already promised to give 100 million dollars as a subsidy while we are going to borrow another 500 million dollars from international banks to meet the growing import costs," Karim said.

UK RMG dyeing firm chooses Mymensingh over China

Machinery installed at SQ Stevensons Chroma Ltd. The joint venture will go into commercial production on Wednesday with a capacity to dye 6 million pieces of knitwear per year.

Sarwar A Chowdhury

An UK-based garment dyeing company abandoned its plans to relocate a plant to China, instead building it in Bangladesh, attracted by the lower costs and well developed garment industry.

Stevensons shifted the plant from the UK to Bhaluka in Mymensingh, following an invitation from the SQ Group, a leading sweater manufacturer in Bangladesh.

The new joint venture, SQ Stevensons Chroma Limited, established on a 34,000 square feet area in SQ Group's Supply Chain City in Mymensingh, will go into commercial production on Wednesday with a capacity to dye 6 million pieces of knitwear per year.

Syed Ahsan Habib, now operations director of SQ Stevensons, said SQ learnt in September 2006 that Stevensons was planning to relocate its UK factory to China.

"Knowing this we asked Stevensons to visit SQ Group here saying that there is a huge potential in Bangladesh and they can relocate their plant here instead of China," he said.

Stevensons accepted the invitation and visited Bangladesh. In February 2007 the two companies signed a deal on the move.

"Stevensons were convinced that Bangladesh is going to continue to be a garment producing country with low costs. They also found the investment environment friendly with many mature garment units," Habib said.

"In contrast they found China had higher costs," he added.

Garment dyeing is a process through which a knitwear product is coloured after being manufactured using raw yarn.

"Garment dyeing instead of yarn dyeing gives a better finish, while the garment is also comfortable to wear," said Habib.

The process also allows manufactures to supply products within a very short time, a key factor in gaining orders from fashion conscious European buyers.

The European buyers place orders during March-April for knit products to be showcased during August-September. But choosing colours mainly depends on the customers' choice and the colour trend may change any time. This means buyers want to change the colour of the product during the selling season, Habib said.

"Some renowned garment buyers such as Marks & Spencer, Hennes & Mauritz (H&M), Tesco, GAP, S Oliver and Espree have already shown their interest in visiting our plant," he said.

Stevensons set up its dyeing machinery worth around US$10 million in the new venture, while the SQ provided land, buildings, utility and logistical support worth around $2 million.

"In the first two years an experienced team of Stevensons will provide services for ensuring the technology transfer on garment dyeing," he said, adding, "SQ is the first local company that set up a garment dyeing unit in collaboration with a foreign one."

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