

International Business News

India's service sector to grow 9.5pc this year

ANN/ THE STATESMAN

India's service sector is likely to witness a growth of over 9.5 per cent in the current year, driven by huge investments, despite a slowdown in economic growth, the Confederation of Indian Industry (CII) has said.

India's service sector accounts for over 50 per cent of the country's GDP.

Expansion in the sector would continue during the current year with more money being pumped in, resulting in creation of more job opportunities, a majority of the CEOs from services sector felt in a snap poll conducted by the CII.

"Both investment and employment are expected to increase in the services sector despite pressure on profitability during the current year," CII director general, Chandrajit Banerjee said.

Iran oil, gas revenues top \$80b in 2007-8

AFP, Tehran

Iran's income from oil and gas exports topped 81 billion dollars in the year to March, a 31 percent jump on the previous year thanks to soaring prices, a central bank report released on Monday said.

The report posted on the bank's website said 2007-8 revenues totalled 81.7 billion dollars compared with 62 billion dollars in the previous year.

It said that Iran -- the Opec oil cartel's second-biggest producer -- pumped 4.05 million barrels per day of crude during the year.

Temasek takes strategic stake in Hong Kong exporter

AFP, Singapore

State-linked Singapore investment firm Temasek Holdings said Monday it had bought a stake in Hong Kong-based exporter Li & Fung Ltd. in a deal worth 3.9 billion Hong Kong dollars (500 million US).

Li & Fung issued a statement from Hong Kong on Sunday saying Temasek had made the investment through a wholly-owned subsidiary. A Temasek spokesperson confirmed the deal.

Under the deal, Temasek subscribed to 168 million new shares at 23.09 Hong Kong dollars each, the average closing price for the last five trading days to September 5, the Hong Kong consumer goods exporter said in its statement.

Temasek's share subscription represents 4.62 percent of Li & Fung's enlarged share capital, the statement said.

"We are very pleased to have Temasek as one of our strategic shareholders in view of its long-term approach to this investment," said Li & Fung Ltd. group managing director William Fung.



A Pakistani stockbroker rests during a trading session at the Karachi Stock Exchange (KSE) in Karachi yesterday. The benchmark KSE-100-Index closed at 9296.23, down 45.96 points at the end of the day.

Taiwan posts trade deficit

AFP, Taipei

Taiwan said Monday it posted a trade deficit in August on high crude oil prices and increased steel product imports.

The August trade deficit was 29.9 billion US dollars, compared with a deficit of 412.0 million dollars the previous month, the finance ministry said.

Last month, the island's exports rose 18.4 percent from a year earlier to 25.25 billion dollars on strong demand from China, the US and Europe, the ministry said.

Exports to China and Hong Kong totaled 10.04 billion dollars, up 13.9 percent from a year earlier, while exports to the US rose 11.7 percent to 2.96 billion dollars.

The ministry said exports of electronics products grew 9.3 percent from a year earlier to 6.37 billion dollars, while base metal product exports rose 21.3 percent to 2.72 billion dollars.

In August, imports gained 39.9 percent year-on-year to 25.28 billion dollars with crude oil imports up 154.1 percent from a year earlier at 4.86 billion dollars, the ministry said.

In the first eight months of this year, Taiwan's exports rose 16.8 percent from a year ago to 182.64 billion dollars, while imports grew 23.2 percent to 175.07 billion dollars.

INTERVIEW

DSE poised for an uplift

The prime bourse president takes time off to share his thoughts with The Daily Star

SARWAR A CHOWDHURY

A hush of nervous anticipation hangs in the air as Grameenphone, the country's leading mobile phone operator, is about to float shares on the stock exchange by the end of this year.

The Grameenphone IPO is expected to be the largest in the history of Bangladesh's capital market.

But a question that lurks on the back of an investor's mind is whether the automated trading system of the premier bourse will be capable of dealing with the huge tsunami of shares that are about to crowd the market.

An optimistic Dhaka Stock Exchange President Abdul Haque says: "Yes. We are working on upgrading the trading system."

The upgrading process will significantly expand the capacity of trade volume that can take place, prior to the float of shares by the high rollers, such as Grameenphone.

The expansion is to be completed in two phases within the next six months, at an estimated cost of Tk 8.5 crore. The DSE will then be able to deal with 2,50,000 trades a day, up from 1,00,000 trades now. On an average day, DSE witnesses 50,000 to 60,000 a day.

As part of the uplifting programme, the DSE has already bought two processors to add to the existing two.

"In the first phase, the capacity of trade volume will be raised to 1,50,000 a day and will be completed in three months," Haque said in an exclusive interview with The Daily Star.



Dhaka Stock Exchange President Abdul Haque

It would be wrong to think that the upgradation of the bourse was in response to the announcement of the float of shares by the big companies alone. This move was much needed, following several DSE's server system failures in the past few months, to the sufferings of investors.

A recollection of the events that took place on August 21, when trading had remained suspended for one hour due to technical glitches, will highlight the issue. Also, the worst came on March 2, when trading had remained suspended for more than four hours due to a technical fault in automated transactions.

Such acts of improvement will remove the fears among investors, says Haque, also chairman of Royal Green Securities.

The DSE last underwent an overhaul about three years ago. August 10 of 1998 marks that day that the automated trading system was set up on the premier bourse and the system has since been running based on TANDEM NonStop K204 System (mainframe server), which is fault-tolerant, available, scalable and maintainable.

The system software used is HP proprietary NonStop Kernel and the database is NonStop SQL, which handles

database functionality successfully. The central trading system, being on the stock exchange premises, runs 24 hours a day, 365 days a year. The application software named TESA (The Electronic System Architecture) was developed on 32-bit application architecture for the global securities markets. It has high processing speed, high message integrity and fully automatic recovery.

The automated trading system overhaul was also necessary in line with the DSE's branch network programme.

"We are expanding our branch network throughout the country. Our first target is

to establish DSE branches in all the divisions by next year," he says.

Currently, the DSE is working to set up a branch office in Khulna, while it already has branch offices in Sylhet and Chittagong.

Asked whether it was possible to raise funds from the stock market to construct the country's largest civil engineering project, Padma Multipurpose Bridge, the DSE president says, "Why not? Different multinational donor agencies, including the World Bank and Asian Development Bank, have expressed interest."

"It is a profitable project and our stock market is always ready to finance any profitable project."

However, implementation of the project and investment proposals should be made from a professional point of view, Haque says. "Any unprofessional approach may hamper scope for raising capital from the stock market."

The government recently disclosed plans to raise part of the fund required to construct the Padma Bridge, from the stock market. Apart from external financing, the government will have to collect around Tk 4,000 crore from internal sources.

Haque says both local and foreign entrepreneurs can raise funds from the stock market to set up new industries or expand their businesses in Bangladesh.

Asked why all the manufacturing companies are not listed on the stock market, he said the main reason behind the unwillingness is 'psychological'.

Entrepreneurs feel it is a

hassle to list their companies on the stock exchanges, he points out. "We are continuously trying to encourage them to list their enterprises on the stock exchange," he says.

Differing with the recent market slump, the DSE president says there is no evidence that the market is witnessing a bearish trend, rather a slow pace is seen. "The overpriced securities are being transacted cautiously that casts an impact on other scrips too. Besides, the institutional investors are also not rearranging their portfolios with fresh investment," says Haque, explaining the slow pace in the market.

The DSE president says the problem arises as investors, especially retailers, make investment decisions based on rumours rather than company fundamentals, making their investments risky. "Investors should know the basic fundamentals of the company and then invest in a professional manner," he suggests.

Haque says Bangladesh's capital market is highly prospective, as its depth increases by the day and the transactions in terms of value and volume are increasing. New investors enter the market with fresh investments, everyday.

"Our market management system is transparent, modern and automated. The rate settlement is almost hundred percent. So, our market is totally ready to finance the big industries and infrastructures. The government and both the local and foreign entrepreneurs can raise necessary funds from the market any time."

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COLUMN

MAMUN RASHID

Inward remittance on a roll

Last several years, we have been observing a steady growth in world remittance flows. Since 2004, the yearly average growth of world remittance is around 14 percent. In 2007, the total global remittance inflow was \$337 billion, an increase of 11 percent from 2006. More importantly, the developing countries are increasingly strengthening their share in the global remittance inflow.

The remittance inflow to the developing countries was \$251 billion in 2007 -- 2.16 times higher than 2002. The share of global remittances inflow to the developing countries was 68 percent in 2002, which increased to 75 percent in 2006. In 2007, 74 percent of the world remittance flowed towards the developing countries. Out of the total remittance of \$251 billion, \$61 billion flowed to the developing countries of Latin America and Caribbean region, out of which \$25 billion flowed into Mexico.

The other countries in this region that made notable progress are El Salvador, Honduras and Guatemala. Europe & Central Asia gained 13.9 percent of global remittance, whereas, the Middle-East and North Africa secured 8.6 percent. Other developing nations of the Sub-Saharan African region had an inflow of \$12 billion, which is a 7 percent growth over 2006 and a global share of 3.6 percent.

Now let us look at Asia. East Asia and the Pacific region has the second highest share of remittance inflow of the total inflow to the developing countries, which is \$59 billion and

17.5 percent of the world remittance inflow. On the other hand, inflow to South Asia also increased by \$4 billion in 2007 over the previous year and the region had inflow of \$44 billion, which is 13 percent of world remittance and 17.5 percent of total remittance inflow to developing nations.

In Asia, India and China have the highest inflow of \$27 billion and \$25.7 billion respectively. They are the top two nations in terms of remittance inflow, followed by Mexico (\$25 billion), Philippines (\$17 billion), France (\$1.25 billion), Spain (\$8.9 billion), Belgium (\$7.2 billion), Germany (\$7.1 billion), UK (\$7.0 billion) and Rumania (\$6.8 billion).

Inward remittance helped boost up per capita income of several nations in the world. According to the latest World Bank's income classification, India, Mongolia, Sudan, and Timor-Leste are now considered middle income countries instead of low income countries. Hungary and Slovak Republic are now high income members of the Organisation of Economic Cooperation and Development.

As a result of these upward revisions to incomes, especially for India, the largest remittance recipient among all developing countries, the share of remittance to low income countries is now smaller and the share of middle income countries larger.

As per World Bank's forecast, Bangladesh is expected to be a middle income country by 2016, if the annual GDP growth

Year	GDP	Export	YOY Export Growth	Export to GDP Ratio	Remittances Inflow	YOY Remittance Growth	Remittances to GDP	Remittances to Export
2001-02	47.5	6.0		12.6%	2.5		5.3%	41.8%
2002-03	51.9	6.5	9.4%	12.6%	3.1	24%	6.5%	47.3%
2003-04	56.4	7.6	16.1%	13.5%	3.4	10%	7.2%	44.7%
2004-05	60.3	8.7	13.8%	14.4%	3.8	12%	8.0%	43.9%
2005-06	61.9	10.5	21.6%	17.0%	4.8	26%	10.1%	45.6%
2006-07	67.7	12.1	15.0%	17.9%	6.0	24%	12.6%	49.3%
2007-08 (P)	71.8	14.1	16.5%	19.6%	7.9	32%	16.6%	56.0%

Source: Bangladesh Bank, Export Promotion Bureau and World Bank reports

In USD Billion

rate sustains at 7.5 percent throughout the period. It is a matter of pride for us that Bangladesh is ranked 11th in the world in 2007, having remittance inflow of \$6.4 billion, which is 14.6 percent of the total remittance inflow to South Asia region and 1.9 percent of the world inflow. Pakistan is ranked 12th with a remittance inflow of \$6.1 billion, followed by Indonesia with an inflow of \$6 billion.

Remittance inflow plays a significant role in shaping up a country's economy. Remittance constitutes significant share in country's GDP for Tajikistan (36 percent), Tonga (32 percent), Kirghiz Soviet Socialist Republic (27 percent), Honduras (26 percent) and Guiana (24 percent). Given the narrow export base of the country, Bangladesh is not an exception either. Inward remittance inflow had always been vital to our economy and contributed a great deal to build up the country's foreign exchange reserve. At present only five items (knitwear, woven garments, frozen food, jute goods and leather) constitute around 85 percent of export earnings.

If we look at the table, we can see that annual growth in remittance inflow exceeded annual growth of export receipts substantially in the last three years. Remittance to export ratio has increased significantly from 42 percent in fiscal year (FY) 2001-02 to about 56 percent in FY2007-08. Contribution of remittance to the country's GDP doubled in the last three years, from 8 percent in FY2004-05 to 16.6 percent (provisional) in FY2007-08. This has been used in financing the import of capital goods, raw materials and industrial development. The steady flow of remittance has resolved the foreign exchange constraints, improved the balance of payments, and helped increase the supply of national savings. Remittance also served as a very important source of the country's development budget.

Total remittance outflow of the world in 2007 was \$238 billion, out of which, the share of developing countries was \$52 billion (22 percent of total outflows). High Income OECD countries contributed the lions share of \$159 billion

or 67 percent of total world outflow, whereas the contribution of these countries was \$81 billion or 24 percent of total inflows. The US was the top contributor to the remittance outflow in 2007. The total outflow from USA was \$42.2 billion, followed by the Kingdom of Saudi Arabia (\$15.6 billion), Switzerland (\$13.8 billion), Germany (\$12.3 billion), Russia (\$11.4 billion), Spain (\$11.0 billion), Italy (\$8.2 billion), Luxembourg (\$7.5 billion), Malaysia (\$5.6 billion) and United Kingdom (\$4.5 billion). The Gulf Cooperation Council (GCC) countries are currently experiencing an economic boom due to high commodity prices, resulting in an increasing demand for migrant labor. The GCC countries have among the highest number of migrants as a share of population in the world: 78 percent in Qatar, 71 percent in the U.A.E, 62 percent in Kuwait, 41 percent in Bahrain, 26 percent in Saudi Arabia and 24 percent in Oman.

Bangladesh, like all other developing nations, is now fighting against the economic shock of global food crisis and

oil price hike. A steady growth of remittance is helping us to a large extent to mitigate the impact of high food and oil prices. In FY 2007-08, Bangladesh earned \$2.0 billion from Saudi Arabia, followed by USA (\$1.2 billion), UAE (\$1.0 billion), UK (\$0.82 billion) and from Kuwait (\$0.77 billion).

Even in July-August, the first two months of FY2008-09, \$1.5 billion of remittance flowed into Bangladesh. Hence, to accelerate the growth of our economy, the government should facilitate the wage earners to send more inward remittance by upgrading their skill sets, issuing investor friendly savings and investment instruments including attractive exchange rates, favorable policies and ensuring protection and facilitation of the wage earners abroad, including expanded market access for our unskilled, semi skilled and skilled manpower through building up effective relationship with the 'top echelon' in the destination countries.

The writer is a banker and an economic analyst.