

WB sees fall in export, remittance

Stocks

DGEN ▼ 2.22%
2,559.87

CSCX ▼ 2.17%
5,181.81

Asian Markets

MUMBAI ▲ 3.81%
9,026.72

TOKYO ▼ 1.33%
8,213.33

SINGAPORE ▲ 3.50%
1,711.13

SHANGHAI ▲ 0.49%
1,897.88

Currencies

	Buy Tk	Sell Tk
USD	68.35	69.35
EUR	87.30	91.65
GBP	103.13	108.16
JPY	0.71	0.75

SOURCE: STANDARD CHARTERED BANK

Commodities

Gold ▼
\$816.23
(per ounce)

Oil ▼
\$51.69
(per barrel)

SOURCE: AFP

(Midday London Trade)

More News

Living off wire mesh



Demand for thin wire net has gone up in the domestic market, driven by the changes in lifestyle and vibrancy in the construction sector. Nowadays, most of the windows are covered with such nets in order to protect house-inmates from unwanted bites of mosquitoes and flies.

B-4

NBR reinstates telecom software duty to 3pc

The National Board of Revenue (NBR) has reverted the duties on telecom software to the past rate of 3 percent from a high rate of 44 percent imposed in July last.

B-3

International

Japan's Norinchukin Bank plans huge capital hike

Norinchukin Bank, the de facto central bank for Japan's farm and fishery cooperatives, plans a huge 10.5-billion-dollar capital hike to shore up its finances, a report said Wednesday.

Singapore economic woes worsen as output tumbles

Economic woes in recession-hit Singapore worsened Wednesday as government data showed manufacturing output shrank an annual 12.6 percent in October.

B-4

Contact Us

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

STAR BUSINESS REPORT

The World Bank said yesterday Bangladesh's export growth might fall by 4.3 percentage points and remittance by 20 percentage points this fiscal year over the last year due to global economic meltdown.

The WB Dhaka office at a press briefing on 'Global financial crisis and its likely impact on Bangladesh' also depicted a probable scenario of the impact of global economic depression on the country's export growth, remittance, balance of payments, budget and GDP.

WB economist Vinaya Swaroop made a keynote presentation at the press briefing, while WB Country Director Xian Zhu was also present.

On the basis of assumption they made different probable scenarios but added that actual situation will be clear by post-Christmas season. Forty percent of the total consumption is done centring the Christmas. As a result whether Bangladesh would get next export order including for apparels depends on that time.

The remittance is likely to fall due to global economic recession, the WB said.

The multi-donor agency projected two possible scenarios for export, import and remittance. In the first scenario the export is projected at \$16 billion with a 13.1 percent growth while in the worse case it is \$15.7 billion with an 11.6 percent growth.

In the last fiscal year the export was worth \$14.1 billion with a 15.9 percent growth. This time the projection was \$16.4 billion with a growth of 16.3 percent.

According to the WB projection, in the first scenario import

in current fiscal year would be \$22.2 billion with a 14.1 percent growth, while in the worst scenario it would be \$22.7 billion with 9.8 percent growth. Last year the import was worth \$19.5 billion that posted a 25.6 percent growth. This year's import target is \$23.2 billion with a 19.2 percent growth.

In the current fiscal the WB projected remittance at \$9.2 billion with a 16.8 percent growth. In worse case the figure is 8.9 billion dollars with 12.4 percent growth. Last year the remittance inflow was \$7.9 billion with a 32.4 percent growth.

In the current fiscal year additional eight lakh people were projected to go abroad. But in the worst case scenario the figure may come down to two to three lakh.

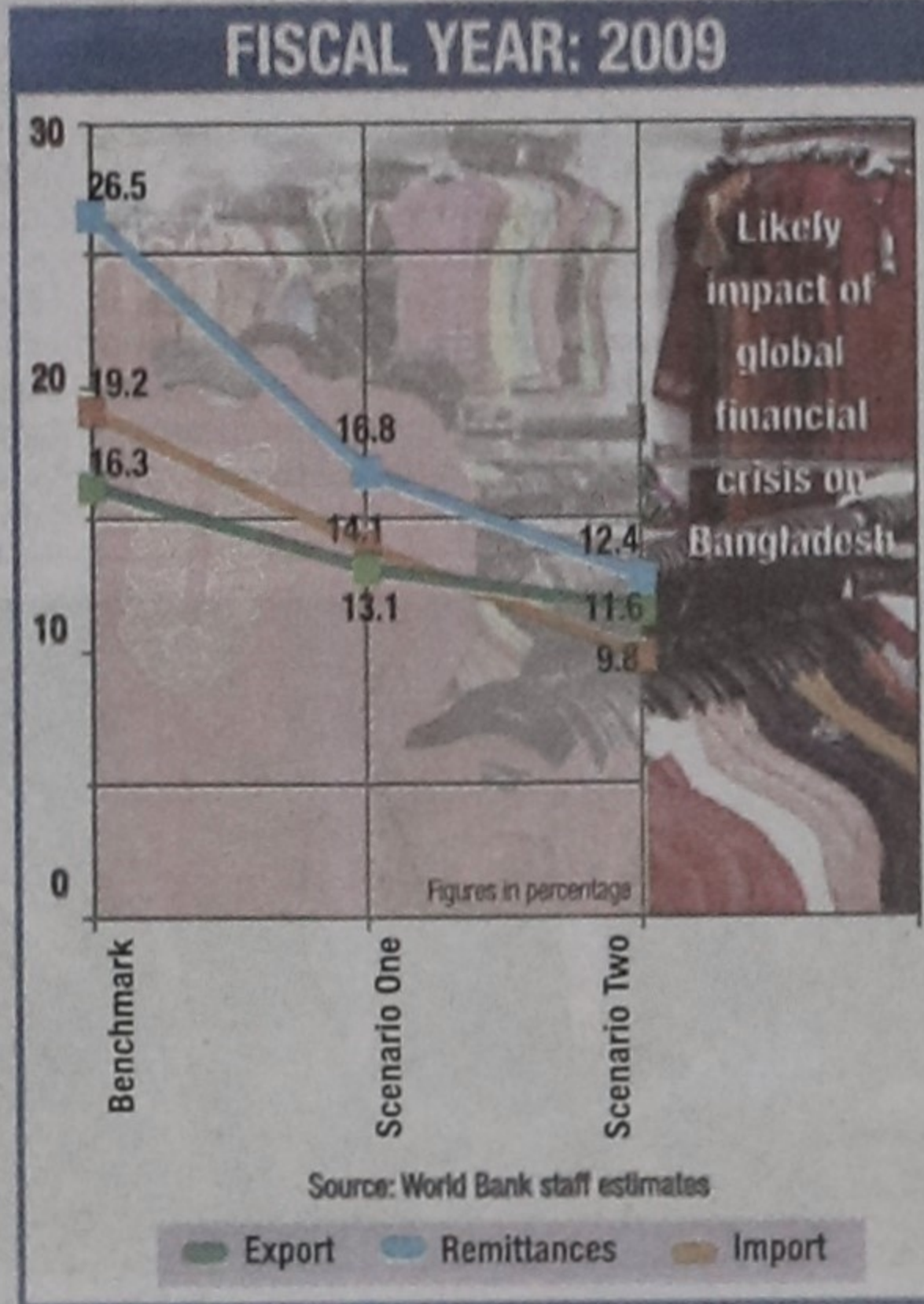
According to worst case scenario, current account balance may fall short of \$303 million this fiscal, which was \$672 million surplus in last fiscal year.

The global crisis may also have an impact on the government's budget in different ways. Although the government budget fixed total revenue target at Tk 693.8 billion, in the worst case scenario it may drop to Tk 684.6 billion.

In the government expenditure, the target for current fiscal year was Tk 999.6 billion. In worst case, it would fall to Tk 963.2 billion.

Vinaya Swaroop said as the world fuel and food prices fell, the drop in expenditure would minimise subsidy. For the same reason the budget deficit may fall to Tk 278.7 billion from Tk 305.8 billion.

Xian Zhu said the recent decline in international commodity prices is likely to provide policymakers with some fiscal space, which may prove handy in accommodating assistance to sectors adversely affected by the crisis.



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CNG equipment sales go slack

SOHEL PARVEZ

Sales of CNG station equipment have dipped over the past few months, as businessmen are slow to invest in new projects largely because of rising investment costs and declining returns, industry insiders said yesterday.

In addition to banks' reluctance to finance new refuelling stations, the unwillingness of gas distribution companies to offer new connections has also fuelled the downturn.

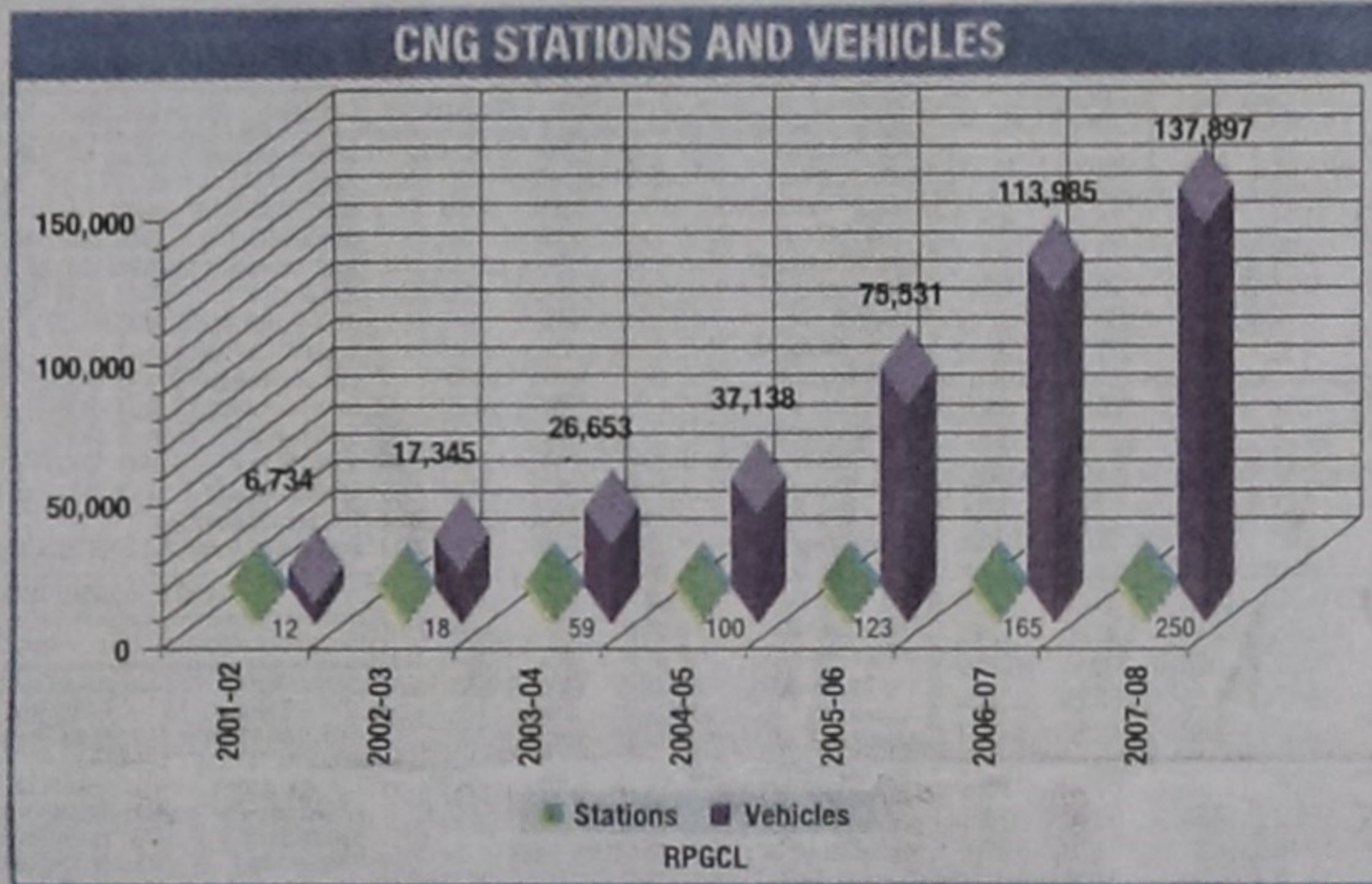
Industry stakeholders find higher density of CNG stations in Comilla, Savar and Gazipur, which discourages investors from setting up new stations, especially in those areas. Competition has led to cuts in the rate of returns on investments.

"Customer responses have remained slack over the last four months. It appears that investor interests in setting up new stations have declined due to a rise in the cost of investment, following an increase in CNG prices early this year," said an official of Navana CNG Ltd.

Navana markets SAFE, the brand name of the Italian-based CNG technology manufacturer, and controls a major part of the market for refuelling stations. The Navana official said the sector has experienced sluggishness since the government raised gas prices from Tk 2.47 per cubic metre to Tk 9.97 per cubic metre, at the dealer level.

It translates into the station owner having to maintain four times higher security deposits with the gas supplier company, the Navana CNG official said.

The sector witnesses the downturn after recording fast growth both in the number of refuelling stations and vehicles in the past. In fiscal 2007-08, the number of refuelling stations stood at 250, up from 165 a year ago.



The total number of CNG-driven vehicles in Bangladesh is 1,46,235.

From June to October, 46 new stations were set up, according to the Rupantarita Praktit Gas Company Ltd (RPGCL). The organisation has awarded over 500 approvals for establishing refuelling stations.

Industry people said owners, who established refuelling stations when the sector was still young, got good returns on their investments. However, returns declined with a rise in competition.

The number of refuelling stations in Dhaka, Comilla, Savar, Gazipur, Sylhet and Chittagong had surged in the past. But the number of CNG-driven vehicles had not risen at the same pace.

Recent cuts in petroleum prices have further dampened car owners' enthusiasm over CNG-driven vehicles.

"Business has slowed partly because of limited gas connections. An increase in the density of refuelling stations in some areas has also

affected returns," said Syed Rasul, country manager of Swedish Atlas Copco. It launched its office yesterday to penetrate the market for industrial and CNG compressors.

"The market for dispensers has dropped over the last six months. Earlier we recorded sales of 15 dispensers over a month, but now the figures have halved," Tim Mayson, international sales engineer of New Zealand based Compac Industries, told The Daily Star on the sidelines of the First International CNG Exhibition.

Mayson also said banks are reluctant to finance new projects because some existing station owners are facing difficulty paying loan instalments, due to a fall in income.

"The first consideration of any business should be to generate profits. But many have set up stations without conducting proper feasibility studies," said Shaiful Azam, director of operations for RPGCL.

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EU launches 200b euros stimulus

AFP, Brussels

The European Commission called on Wednesday for a 200 billion euros (259 billion dollars) stimulus package to snap Europe's economy out of recession through spending hikes and tax breaks.

"Coordinated European action can and will make a difference," commission chief Jose Manuel Barroso stressed as he unveiled the wide-ranging package.

"Business as usual is not an option."

Of the total, 170 billion euros will come from national government budgets and about 30 billion euros from the budgets of the EU and the European Investment Bank.

Barroso said the bulk of the measures would be rolled out as soon as the beginning of next year and the rest over the course of 2009 and 2010.

The combined national and EU campaign, worth the equivalent of 1.5 percent of the European Union's Gross Domestic Product (GDP), exceeded the 130 billion euros that Barroso had mooted as a possible target in recent days.

The European Commission will urge member states to formally sign on to the plan at a December 11-12 summit and asked

finance ministers to ensure that it is followed up afterwards.

"I expect this package to receive strong support from European governments," Barroso said.

While Brussels has been drafting pan-European recovery plans, a growing number of individual EU countries have pressed ahead with their own national packages.

Germany, Europe's biggest economy, has voiced skepticism about EU-wide initiatives and German Chancellor Angela Merkel warned on Wednesday against a "race" between European states over the size of their stimulus measures.

"We should not fall into a race of billions (of euros)," Merkel said in a speech to the German parliament.

Earlier this month, Berlin unveiled measures that Merkel says are worth 32 billion euros and should constitute Germany's contribution to the EU measures.

Usually the guardian of budgetary rigour, the European Commission urged the 27 EU governments to step up spending and craft targeted tax breaks in the face of the worst recession in decades.

While it would be up to governments to decide on

the balance between spending and tax initiatives, the commission urged them to focus on measures to help the poor and investments that would benefit Europe in the long term.

It said governments should consider cutting employers' social charges and the commission planned to bring forward spending under an EU social fund that can be used to soften the blow of mass layoffs.

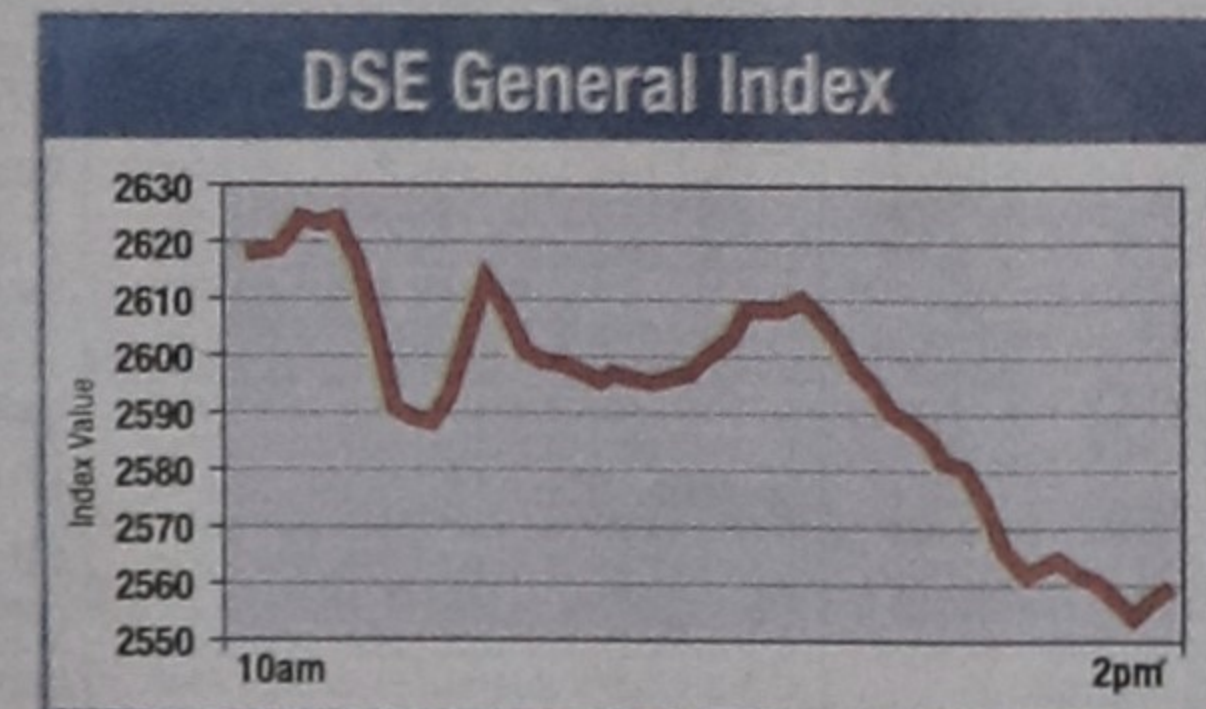
The commission also called for increases in research and development spending, citing the car and construction industries, and particularly for energy-efficient technologies.

Despite its call for increased spending, the commission said that governments would still be expected to respect the EU's fiscal rules, which give considerable leeway in tough economic times but over time call for budget deficits to be kept below 3.0 percent of GDP.

The EU package remains dwarfed by similar measures taken in the United States while the incoming administration of President-elect Barack Obama is reportedly working on plans worth as much as 700 billion dollars.

RELATED STORY ON B4

Stocks down



STAR BUSINESS REPORT

Dhaka stocks slumped for a third day with the benchmark index coming down to 2,559 points -- a 14-month low.

Finance Adviser AB Mirza Azizul Islam said investors had been worried about the upcoming national election and the post-polls political situation.

Speaking to reporters, after a meeting with the Securities and Exchange Commission in Dhaka yesterday, the adviser, however, said: "There is nothing to worry about, as there will always be ups and downs in the market."

The capital market in Bangladesh behaved well against a backdrop of the global financial crisis, which triggered a 50 percent fall in many countries, he said.

The benchmark index of Dhaka Stock Index, DSE General Index, went down 58.2 points, or 2.22 percent, to 2,559.86 points. The DSE All Share Price Index also plunged 48.02 points, or 2.21 percent, to 2,117.19 points.

Most securities traded down on the premier bourse. Of the 239 traded scrips, only 26 advanced, 205 declined and eight remained unchanged.

Chittagong stocks also marked a sharp fall yesterday. The CSE Selective Categories Index went down 114.91 points, or 2.16 percent, to 5,181.81 points. The CSE All Share Price Index fell 165.31 points, or 2.03 percent, to 7,960.65 points.

Book-building set for Feb launch

SARWAR A CHOWDHURY

Book-building, a widely practised price fixing mechanism for IPO, will be introduced in three months in a bid to encourage private-sector entrepreneurs to list their companies on stock exchanges.

Before finalising the book-building method, a set of draft rules will be published in newspapers by the end of next month for public opinion, Securities and Exchange Commission Chairman Faruq Ahmad Siddiqi told The Daily Star yesterday.

"We can issue the gazette notification on book-building in February after scrutinising public opinions," he said.

Book-building is the process by which an underwriter attempts to determine at what price to offer an IPO based on demand from institutional investors.

Finance Adviser AB Mirza Azizul Islam recommended some changes to the draft rules laid out by the SEC. The adviser's recommendations were made in a meeting at the SEC.

In the proposed draft, it is said that the SEC will audit the issuer company's audited accounts by its appointed auditors.

The two audits -- one by the company itself and the other by the SEC -- will not only be time-consuming, but may raise conflicting figures in the reports, the advisers said.

Aziz suggested that the commission form a common panel of auditors so that the issuer company can select an auditor from the panel to make its audited account.

Under the existing IPO (initial public offering) mechanism, a company's TK 100 share is traded at Tk 700-800 apiece on the debut day, Aziz told reporters after the meeting. "It means the issuer company is not getting proper value of shares."

"If the company had received proper value, the company would have earned a good amount of funds for investment," he said.

Here lies the importance of book-building in share pricing, Aziz said.

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