

## BB warns govt of hefty borrowing

### Create fiscal space to tackle any recession shock, suggests central bank

STAR BUSINESS REPORT

Bangladesh Bank (BB) yesterday warned the government of excess bank borrowing and suggested three measures to help reduce "fiscal pressure" as the borrowing exceeded BB's target in the first half of the current fiscal year.

The central bank recommended an increase in duties on imports of luxury goods and cuts in the government's unnecessary costs in the next six months.

The BB also suggested that the government make an action plan to respond to any downturn in economic activities or external shocks stemming from the global recession.

"The government would have to be alert so that consistency is maintained between income and expenditure," BB chief econo-

mist MK Muzeri said, while releasing the Bangladesh Bank Quarterly Report for October to December 2008.

In the first half, the report said, the fiscal sector suffered significant pressure caused by rapidly rising costs of subsidies and other current expenditures.

In view of the large demands for public funds that are already accommodated in the FY09 budget, it would be prudent to trim low-priority expenditure and improve revenue collections to help protect a fiscal position and the government's ability to finance priority projects, the report suggested.

The BB recommended rationalisation of tariffs or duties on imports of nonessential and luxury goods and similar goods produced locally as a means of increasing the fiscal base as well as to support priority domestic production.

The central bank also suggested that the government intensify tax-collection efforts as earnings from customs duty are likely to slow down in the coming months due to falling value of imports resulting from commodity price decline on the international market.

The report said growth in tax revenue fell short of target while expenditure showed high growth forcing the government's bank borrowing to exceed BB's monetary target.

In the first half, the total deficit financing was Tk 13,300 crore, of which Tk 9,000 crore was accommodated from domestic sources that included bank financing of Tk 7,000 crore, while Tk 4,290 crore came from foreign sources.

The report said ADP (annual development programme) implementation rate was 24 percent in the first half of FY09,

showing priority given to implementation of projects especially in social and physical infrastructure sectors like electricity, gas and agriculture.

"The possibility of export slowdown of RMG products is low due to Bangladesh's export concentration in the low-price and basic product segment of the apparel market in the advanced countries," the report said.

However, the weakening possibility is higher for exports of several other items such as shrimp, leather and leather goods, electronics, ceramic tableware and vegetables.

"Although export shares of these items are low, it is important to monitor the export performance of the vulnerable items and take appropriate measures so that strong export growth is sustained," the report suggested.

The best way of providing assis-

tance to the RMG sector would be to enhance the efficiency of customs, ports and infrastructure. For increasing productivity, this is the time to install and strengthen safety net programmes for garment workers through public-private partnership.

The growth of credit to private sector was strong showing a year-on-year growth of 24.3 percent in November 2008.

"The monetary and credit growth requires careful monitoring in order to avoid the buildup of any excess demand pressure in the economy," the report said.

Although the major share of private credit went to productive sectors, the share of agriculture was low (less than 7 percent of total bank advances). This calls for adoption of more employment intensive activities and to ensure greater involvement of private sector banks in lending activities.

### HIGHLIGHTS

● The government's bank borrowing exceeds Bangladesh Bank's target in the first half of the current fiscal year

● BB recommends an increase in duties on imports of luxury goods

● It asks the government to cut unnecessary costs in next six months

● The government is advised to prepare an action plan to create fiscal space

### Stocks

DGEN	▼ 0.15%	2,649.49
CSCX	▼ 0.40%	5,282.19

### Asian Markets

MUMBAI	▼ 0.23%	9,236.28
TOKYO	▲ 1.79%	8,251.24
SINGAPORE	▲ 0.04%	1,766.72
SHANGHAI	Closed	

### Currencies

	Buy Tk	Sell Tk
USD	68.35	69.35
EUR	87.81	92.43
GBP	94.96	99.84
JPY	0.75	0.80

SOURCE: STANDARD CHARTERED

### Commodities

Gold	▼	\$879.24	(per ounce)
Oil	▲	\$42.07	(per barrel)

SOURCE: AFP

(Midday Trade)

### More News

#### Rental power the best short term solution: Aggreko

Leading international rental power provider Aggreko believes that Bangladesh would have to rely on the rental power system as the best short-term solution for the next few years until it could bring some large power projects online.

#### RRC suggests changes in foreign exchange rules

The Regulatory Reforms Commission (RRC) yesterday suggested the government amend the Foreign Exchange Regulation Act and relax some rules of the labour law.

B-3

### International

#### Protectionism under scanner



The global economy is set for a year of recession and then low growth until 2012, economists at the World Economic Forum in Davos have said.

#### Japan's technology titans hit by fresh trouble

Japan's technology giants on Thursday revealed fresh wounds from the global economic crisis, prompting 4,500 job cuts at Toshiba and a profit warning from once-invincible Nintendo. Computer chip maker NEC Electronics said it would axe 1,200 workers after sliding into the red, while office equipment maker Konica Minolta said it was also losing money.

B-4

### Contact Us

If you have views on Star Business or news about business in Bangladesh, please email us at [business@thedailystar.net](mailto:business@thedailystar.net)

## Watch out for recession risk

### Economist urges formation of parliamentary committee

STAR BUSINESS REPORT

Economist Prof Rehman Sobhan yesterday called for formation of a "special parliamentary committee" to update lawmakers on the global financial crisis and its probable impact on Bangladesh.

"The committee will act as a link between lawmakers and the proposed taskforce to monitor the probable impact of the crisis," said Sobhan at Unnayan Shamunnay's discussion on the economy at the National Press Club in Dhaka.

Different countries have rolled out stimulus packages to save their economies from the negative impacts of the global meltdown.

"Unless we know the real situation for sure, we can't give a stimulus package," said Sobhan, also the chairman of the Centre for Policy Dialogue, a local think-tank.

The taskforce should be assigned to brief the government on the movement of economies, national and international, he said.

Unnayan Shamunnay organised the discussion in collaboration with Manusher Jonno Foundation, a nongovernmental development organisation.

Shamunnay also dis-



Economist Prof Rehman Sobhan, middle, speaks at Unnayan Shamunnay's discussion on the economy at the National Press Club in Dhaka yesterday.

closed its flagship publication "Bangladesh Economic Outlook: September 2008-January 2009" at the programme.

Dr Atiur Rahman chaired the function where Shaheen Anam, executive director of Manusher Jonno Foundation, and Dr Selim Raihan, associate professor of economics at Dhaka University, also spoke.

In his speech, Atiur Rahman asked the government to form a taskforce immediately to deal with

the probable impact of the global financial crisis on the economy.

Prof Sobhan came down hard on past governments in Bangladesh for their negligence in implementing recommendations by different taskforce committees.

The new government is also setting up a committee, Sobhan said, adding: "But it must involve professionals and experts."

"Many competent professionals are in the coun-

try. They also want to work. The government should make use of them," the economist said.

Taskforce members have to know the global economic trend and when and how it could affect Bangladesh, he said.

"If the financial crisis affects remittances and exports, revenues and economic growth will also suffer."

In her speech, Shaheen Anam asked the government to take the taskforce

issue seriously to ride out any fallout from the financial crisis.

Responding to Atiur Rahman's suggestion for a free-trade agreement (FTA) with India instead of a regional treaty Sobhan said: "The new government should open up a discussion for it."

Bangladesh's biggest opportunity may come from the transport sector if an FTA is signed between the countries.

Besides formation of a taskforce, Atiur Rahman said the government should review export, import, fiscal, farm and food policies to make a proper strategic plan.

He also suggested the government divert funds from the annual development programme to more productive sectors to create jobs.

In its report on macro-economic outlook, Shamunnay said business confidence has increased significantly with the takeover of power by an elected government. Exports and LC opening for sectors such as raw materials, capital machinery and intermediate goods have also risen.

But the report says inflation is still high, especially in rural areas. The current food basket for calculating inflation is outdated, it says.

## Beximco Pharma down in London trade

SARWAR A CHOWDHURY

Prices of global depository receipts (GDRs) issued by Beximco Pharmaceuticals fell by around 47 percent at the Alternative Investment Market of London Stock Exchange (LSE) since September 1 last year, amid global financial turmoil.

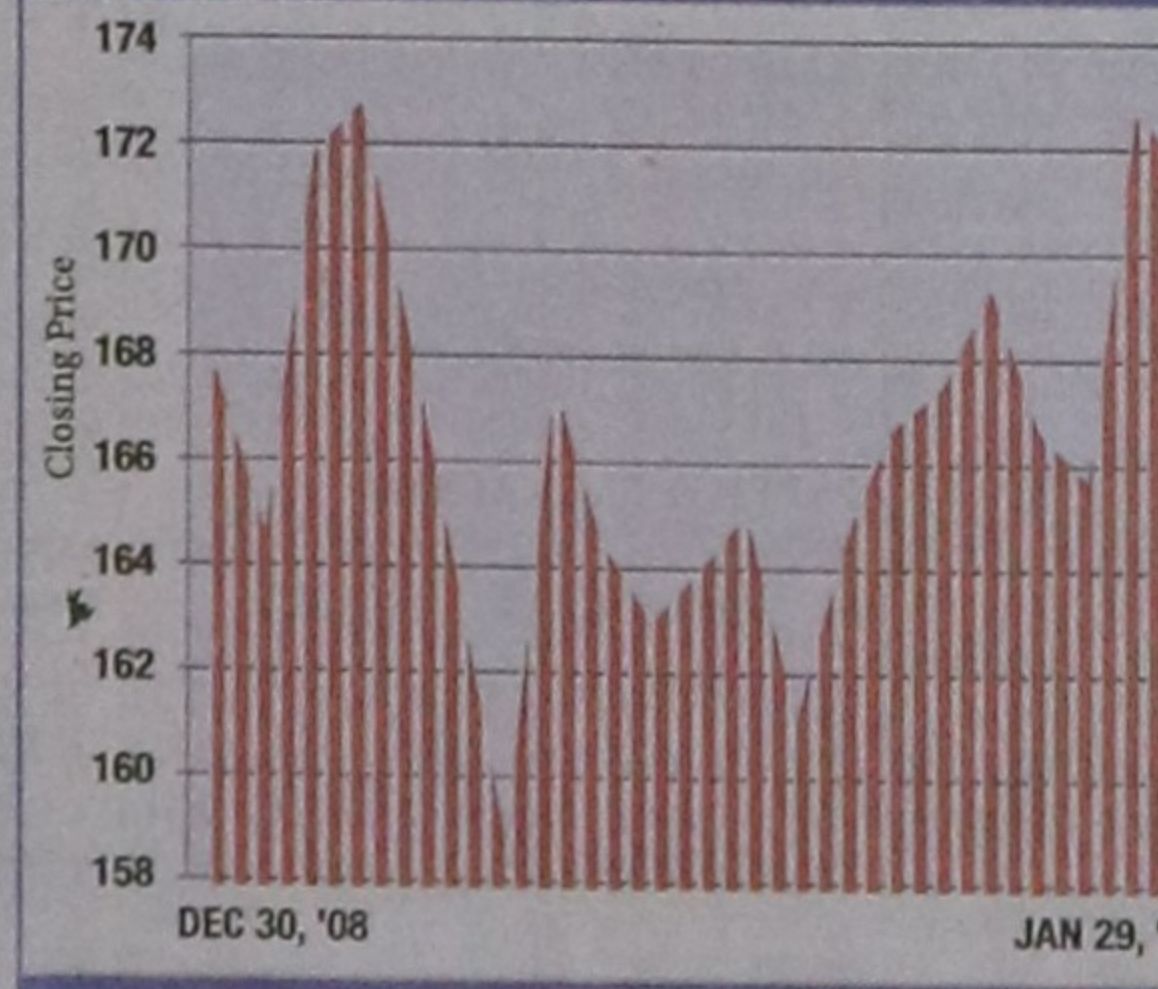
"The world market is facing recession and the London stock market is not immune from the financial downturn," said Salman F Rahman, vice-chairman of Beximco Group.

Each GDR of Beximco Pharmaceuticals closed at 13.5 pounds on January 28, while it closed at 25.5 pounds on September 1 last, according to the LSE website.

However, the company, one of the leading drug manufacturers in Bangladesh, is among some globally renowned companies that are facing such a price-drop, as a result of the ongoing financial meltdown.

Meanwhile, Beximco Pharma now performs very well on Bangladesh

### TRADE IN LAST 1 MONTH ON DSE



stock markets, as the LSE reflections is not tangible here.

Similarly the reflection of Bangladesh market is not also tangible on the London market because of the absence of any direct link between the two markets, said Rahman.

Besides, he pointed out, the trading of GDR on the local bourses is not allowed.

On the Dhaka Stock Exchange yesterday, each Beximco Pharma share was traded between Tk 170.60

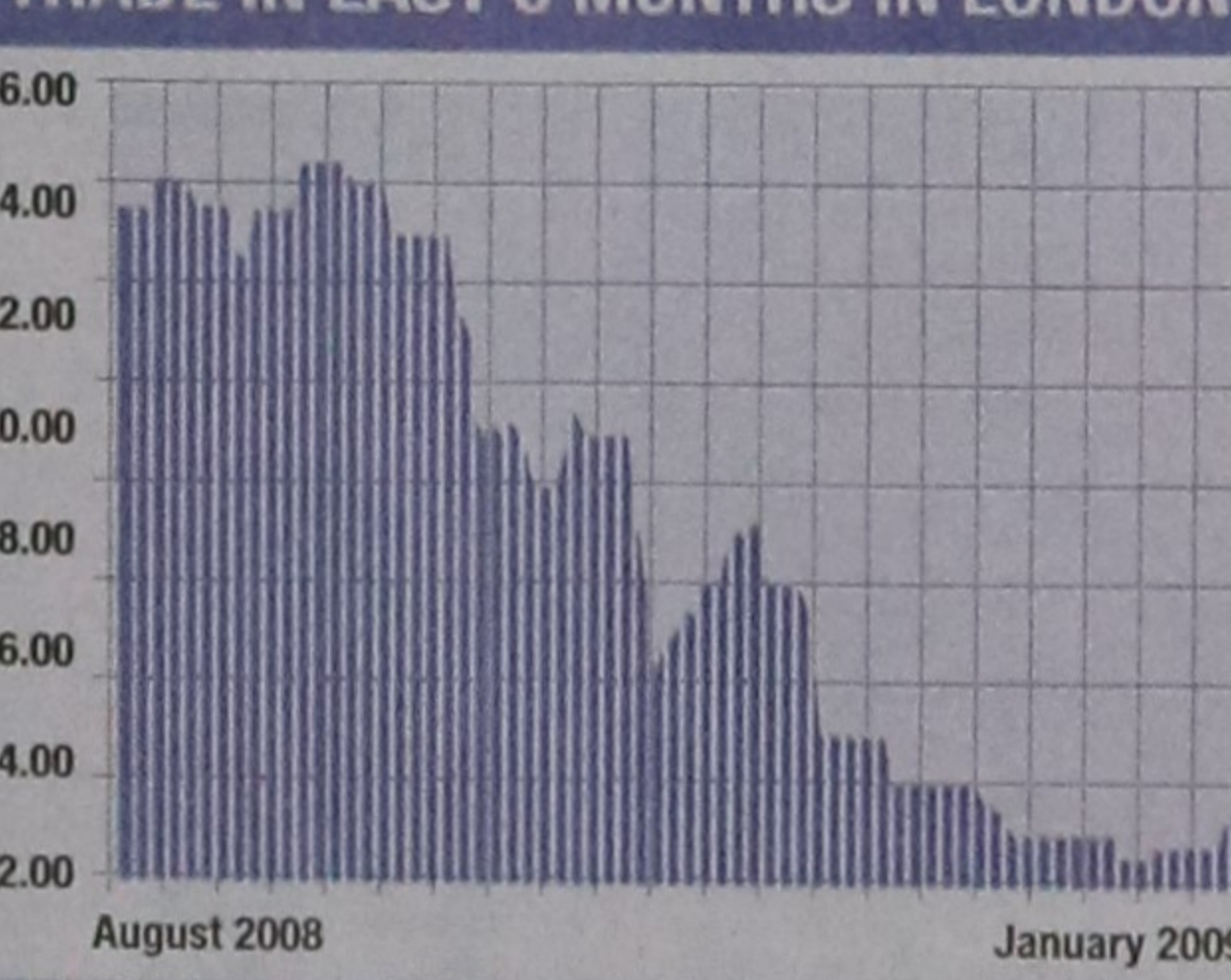
and 177.60 before closing at Tk 171.70.

The trading of GDRs of the drug maker began on the Alternative Investment Market of London bourse on October 21, 2005.

In the first phase, the company raised around Tk 142 crore from international institutional investors through issuing two crore GDRs.

Beximco Pharmaceuticals in June 2006 announced that it raised 6.5 million pounds through issuance of

### TRADE IN LAST 6 MONTHS IN LONDON



8,175,750 additional GDRs, each representing one ordinary share of Tk 10 at an issue price of 80 pence per GDR from the LSE.

With the listing on Alternative Investment Market of LSE, the local pharmaceutical giant positioned itself as the lone company from Bangladesh to raise fund from overseas stock market.

The profit margin of the pharmaceutical company has been coming down since 2005 due mainly to

rising raw material prices and higher competition both in the local and international markets.

According to DSE website, the company made a net profit of Tk 489.26 million in 2005, while the profit was Tk 470.66 million in 2006 and Tk 353.07 million in 2007.

As per the half yearly financial statement of the company as of June 2008, its net profit was Tk 151.44 million.

sarwar@thedailystar.net

## Digital dream hits Softexpo focus



STAR BUSINESS REPORT

Speakers at a seminar in Dhaka yesterday identified the government's mindset and leadership as major preconditions to materialise the dream of 'Digital Bangladesh'.

Improving the quality of education by introducing e-learning, and training teachers at all educational levels should be ensured to achieve such goal, they said.

The ICT stakeholders also suggested automation of agriculture, healthcare, environment, judicial and business activities of the country so that democratic practices can be more transparent.

Without changing the mindset and taking the full responsibility, nothing can be changed, said Dr Munit Khan of Department of Computer Science and Engineering of Brac University.

He said first of all the government should take the full responsibility of what should be done and set measures on how it will materialise the dream of a digital Bangladesh.

Prime Minister Sheikh Hasina on Wednesday in the parliament reiterated her vow to transform Bangladesh into a digital country by 2021. But the sudden departure of her minister concerned just before starting the seminar on 'Vision and Work Plan For Digital Bangladesh' yesterday however frustrated ICT stakeholders.

Bangladesh Association of Software and Information Services (BASIS) organised the seminar on the sidelines of Softexpo-2009 at Bangladesh-China Friendship Conference Centre. State Minister for Science and ICT Yeafesh Osman came to the seminar venue 15 minutes earlier of the schedule and left promptly finding the venue empty.

Syed Mammun Quader, chief executive officer of Southtech Limited, and Munit Khan jointly presented a keynote paper on the theme of the seminar.

They highlighted 10 objectives of the ICT Policy-2008 and suggested the government should make a committee on the issue.

The ten goals of the ICT policy, which is now under the government's consideration, cover social equity, productivity, integrity, education and research, employment generation, strengthening exports, healthcare, universal access, environment and disaster management, and support to ICT.

Bangladesh's ICT sector is mainly dominated by software and IT-enabled services. Export earnings from software industry in 2008 stood at \$25 million.

The discussants said by introducing web portal in each sector the government can ensure transparency.

Citing an example, Mammun Quader said the irregularities in fertiliser distribution can be minimised by introducing identity cards for farmers and making an online cultivation map to allocate fertiliser in the required areas.

"E-commerce is a must for handling both the domestic and global trades," he said, adding that the government can earn millions of dollar by introducing e-commerce.

"We want to help the government to achieve its goal," said BASIS President Habibullah N Karim. But first of all a complete framework is needed indicating in which way the government will advance, he added.