Star Business

DHAKA WEDNESDAY APRIL 1, 2009

Stocks

DGEN	▼ 1.21%	2,446.92
CSCX	▼ 1.44%	4,884.84

Asian Markets

MUMBAI	▲ 1.47%	9,708.50
TOKYO	▼ 1.54%	8,109.53
SINGAPORE	▲ 1.60%	1,699.99
SHANGHAI	▲ 0.64%	2,373.21

Currencies

	Buy Tk	Sell Tk
USD	68.50	69.50
EUR	89.19	93.87
GBP	96.37	101.43
JPY	0.69	0.74

SOURCE: STANDARD CHARTERED BANK

Commodities

Gold ▼ $918.13 (per ounce)

Oil ▼ $48.88 (per barrel)

SOURCE: AFP

(Midday Trade)

More News

Bailout package very soon

The commerce minister expects the announcement of government bailout package shortly for the sectors affected by the ongoing global recession. "We will announce such package within the next few days as the taskforce on recession is working rapidly," Faruk Khan told a BGMEA delegation at his office yesterday. Abdus Salam Murshedy, the association president, led the team.

B-3

International

Big slide in global trade looms

With global trade sliding, analysts say some of the world's most powerful leaders may need to offer more than ritual support for open markets when they meet this week if they are to steady a teetering economy and avoid a damaging retreat to protectionism.

Australia approves Chinese stake in Fortescue Metals

Australia Tuesday conditionally approved Hunan Valin Iron and Steel Group's billion-dollar investment in Fortescue Metals Group, as debate rages over China's moves into the country's resources. Treasurer Wayne Swan has rejected a takeover bid by China's Minmetals and the government is still considering whether to allow Chinalco's 19.5 billion dollar stake in Rio Tinto.

B-4

Contact Us

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

ADB cuts growth outlook

GDP forecast trimmed down to 5.6pc, lowest for Bangladesh in five years

STAR BUSINESS REPORT

The Asian Development Bank (ADB) yesterday projected the lowest GDP growth for Bangladesh in five years for the current fiscal year due mainly to impacts of the global economic slowdown.

ADB predicted this year's growth at 5.6 percent, down by 0.6 percentage points of the previous year's achievement and around one percentage point lower than the central bank's projection of 6.5 percent for the current financial year.

The Manila-based international lender predicted that the slowdown is not likely to wane in the next fiscal year, rather it may be more critical for Bangladesh.

"We expect economic activity to slow further to 5.2 percent in 2009-10," Paul J Heytens, country director of ADB, told a press conference while launching the ADB Outlook (ADO) 2009 in Dhaka.

The ADB released its annual flagship outlook report yesterday simultaneously for the Asia and Pacific economies, excluding Japan.

Bangladesh's growth rates are still quite robust in comparison with many countries in the region.

"But much of the country's growth will depend on how deep and prolonged the global recession ultimately turns out to be," the ADB country chief said.

Paul also warned: "Any slowing of growth is a cause of concern for Bangladesh where the poverty level is still very high."

"Bangladesh needs higher growth to pull people out of poverty," he added.

Bangladesh achieved over 6 percent growth since 2003-04 except 5.96 percent in 2004-05 for damage to crops for floods.

The ADO 2009 report blamed this year's sliding economic growth on the slowdown in exports and remittances and lower domestic demand.

"Continued slowdown in global economy is likely to trim the growth at 5.2 percent next fiscal year," said M Zahid Hossain, head of country programming of ADB, Bangladesh.

Hossain presented a paper on the ADO 2009 report at the briefing.

The report advised the government to invest more to address infrastructure constraints, especially power generation and gas exploration.

Accelerating implementation of the annual development programme and supporting small and medium enterprises have become essential to absorb the likely soaring unemployment shocks in the wake of decelerating external demand, said the report.

"As FDI (foreign direct investment) in gas and power is unlikely to materialise soon because of the global financial turmoil, the government needs to mobilise its own resources and tap external assistance," added the report.

Industrial growth will slow to 6.6 percent this fiscal year from 7.6 percent last year mainly on declining export demand.

Sliding consumer spending will push down the services sector growth at 6 percent from 6.7 percent in 2007-08.

If normal weather prevails, agriculture output is to rise by 4 percent this year, the report said.

Inflation is expected to be at an average of 7 percent this fiscal year, a significant decline from 9 percent projected earlier, because of the falling global commodity and fuel prices, the report said. Inflation is likely to stay at 6.5 percent in 2009-10.

Despite a drop in export and remittance earnings Bangladesh's external current account is expected to show a small surplus in this fiscal year, the report said.

But a poor revenue collection is a concern for Bangladesh, which needs additional funding to continue priority public spending.

Domestic productivity and competitiveness should get boost to help the country retain export market share and diversify destinations as well, it said.

In a bid to stoke domestic demand, the government has already formed a high-powered taskforce to devise how it can help the businesses absorb the recession shocks.

Replying to a query, the ADB country chief said the Bank would sit next month to discuss how it could lend more to Bangladesh to face the global challenges.

"The ADB may arrange additional funding or relocation from existing projects or the both," said Paul J Heytens.

HIGHLIGHTS

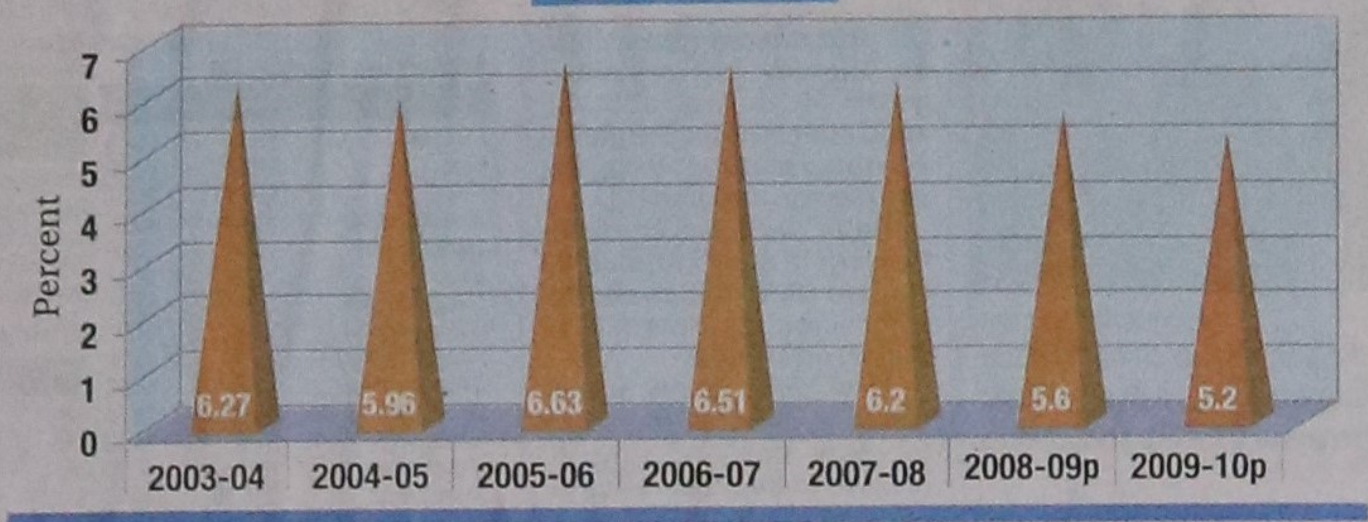
RISKS

- Decline in exports and remittance earnings
- Revenue collections may decline significantly, which may squeeze essential public spending
- ADP implementation may be delayed
- Reversal of economic reforms may weaken business confidence

CHALLENGES

- Bangladesh requires substantial investment to enhance growth, create jobs and cut poverty
- Private investment should be made in infrastructure
- Domestic demand should be increased
- Enhancement of capacities to implement reforms

GDP GROWTH



Asia to face a rough 2009

ADB warns

AFP, *Hong Kong*

Growth in Asia's developing nations will almost halve this year, the Asian Development Bank said, while data from Japan showed unemployment in the region's leading economy was at a three-year high.

Days before G20 leaders meet to discuss a way out of the worst global downturn in 70 years, Fortis financial holding group revealed 37 billion dollars in losses, further underscoring the depth of the crisis.

The Asian Development Bank (ADB) said Asia's developing economies would expand by just 3.4 percent in 2009, down from the 6.3 percent seen last year and 9.5 percent in 2007.

The slowdown will mean more than 60 million people in the region will remain mired in poverty, the bank said in its annual Asian Development Outlook.

"The short-term outlook for the region is bleak as the full impact of the severe recession in industrialised economies is transmitted to emerging markets," said ADB acting chief economist Jong-Wha Lee.

However, it predicted an expansion of 6.0 percent in 2010.

The report said China, the major driver of the region's growth in the past decade, would expand by 7.0 percent this year, much below Beijing's target of 8.0 percent seen as the minimum required to prevent mass unemployment.

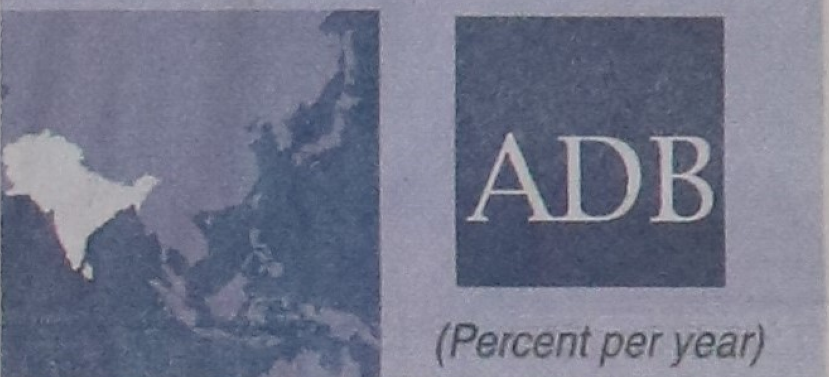
The report looks at the prospects for 44 jurisdictions stretching from the former Soviet states of Central Asia to some of the tiny Pacific islands. It excludes developed countries such as Japan, Australia and New Zealand.

Several of the region's most export-dependent economies, including Hong Kong, Taiwan, South Korea, Malaysia, Singapore and Thailand, will contract in 2009, the report said.

In Japan, the world's second largest economy, officials released figures showing unemployment hit 4.4 percent in February, matching a high last seen in January 2006.

ADB South Asia outlook

GDP growth forecasts



(Percent per year)

Countries	2009	2010
Afghanistan	9.0	7.5
Bangladesh	5.6	5.2
Bhutan	5.5	6.5
India	5.0	6.5
Maldives	1.0	1.5
Nepal	3.0	3.5
Pakistan	2.8	4.0
Sri Lanka	4.5	6.0

Source: ADB 310309 AFP

Huawei sets up $3m telecom lab at Buet

STAR BUSINESS REPORT

Chinese telecom equipment vendor Huawei has set up a wireless communication laboratory at a cost of $3 million at Bangladesh University of Engineering and Technology (Buet) to help local telecom talents carry out training and research.

Buet Vice Chancellor AMM Safiullah yesterday inaugurated the laboratory established at the Department of Electrical and Electronic Engineering (EEE) at the university.

The Buet authorities felt the urge to set up such a laboratory for its students last year and sought financial assistance from telecom industry stakeholders. Later, only Huawei Technologies (Bangladesh) Ltd came forward and signed a deal with the Department of EEE in June last year.

As part of its corporate social responsibility (CSR), Huawei supplied required equipment and trained some faculty members to run the laboratory.

Local graduates who earlier used to go to Malaysia and China to have practical experience about wireless telephony will be benefited from the facility.

"The tendency of going abroad for taking training will be minimised," said the Buet vice chancellor at the inauguration.

"Buet is one of the leading engineering universities in South Asia. So it's the responsibility of the university to provide students with global standard facilities," he said.

"The laboratory will serve the pressing needs for training and development of our local talents and will contribute greatly towards the development of telecom sector in the country," said Safiullah.

"We are honoured to partner with Buet," said Wonder Wang, deputy chief representative of Huawei Bangladesh. "This initiative is certainly a milestone to create technical expert in Bangladesh," Wang added.

Around 120 electrical and electronic engineers pass from EEE department each year.

Liu Sanzhen, cultural councillor of Chinese embassy to Bangladesh, Asif Zaman, director (HR and Administration) for Huawei, and Dr Aminul Hoque, head of EEE department, among others, were present at the programme.

Recession may squeeze ad spending

SAYEDA AKTER

Advertisement spending in the local market may decline 8 percent by the end of the current fiscal year, as the global meltdown is putting strains on the country's economy, analysts say.

The meltdown is expected to reduce the annual revenue of the local advertising industry from Tk 1,200 crore to Tk 1,000 crore. The financial crisis may downsize other internal expenditures, including new recruitment, according to the analysts.

According to a research carried out by Ryans Archive, a media monitoring company, the advertising spending on TV commercials alone declined from Tk 135 crore in December to Tk 54.3 crore in February.

Advertising spending by major brands in Bangladesh declined by 7 percent in the last three months.

Currently, there are around 3,500 billboards around the capital and its outskirts, with around 1,000 having no ads.

However, mobile telecom operators are still the top spenders in terms of advertisement, with Grameenphone being the largest, according to Ryans Archive.

The research revealed the advertisement spending of different multinational companies (MNCs) including the fast-moving consumer good (FMCG) companies operating in Bangladesh have already reduced their advertising spending in the face of the global financial crisis.

Industry experts say many MNCs would cut their advertising costs mainly due to the global financial meltdown and it would decline further in coming months. Advertisements in several media forms, including billboards, have already reduced significantly.

Aly Zaker, advertising expert and CEO of Asiatic JWT, says the advertisement spending of FMCGs declined and is expected to gradually drop further. His agency handles Unilever, the largest MNC of FMCG in the country.

"The first and foremost focus of an advertisement is to reach out to consumers. When the livelihood of the target groups have been affected by the recession, spending on advertisements must also decline," he says.

The local advertising agencies mainly target the middle- and lower-middle income groups.

"In times of crisis, the purchasing power of consumers would decline, so they would cut back their spending on non essential items, like shampoos or brightness creams," Aly Zaker says.

"If the recession takes its toll, the target groups will have lower disposable income to spend on goods like shampoos," he says. "When an RMG worker loses her job, she will not use even sachets of shampoo."

Aly Zaker says most companies have cut back their advertising expenditure by observing these factors. The spending of FMCG producers would decline further for this reason.

Zulfikar Ahmed, CEO of Unitrend Ltd, another agency that is affiliated with McCann Erickson, earlier predicted that the impact of the global financial crisis would affect local advertising spending by early 2009.

"As the primary yearly budget of the MNCs has been curtailed globally, expenditure by the local agencies would decline ultimately," he says.

Apart from cutting back on advertisements, the advertising agencies have also decreased internal spending, which has stopped fresh recruitment in the industry.

Sanjiv Mehta, chairman of Unilever North Africa and Middle East, sees every crisis as an opportunity and advises companies not to cut advertisement spending in the face of global financial crisis.

"Companies should not cut their spending on marketing and advertisement during the recession. You should keep on spending money on advertising because now the clutter is less and you will get better value from your space," he had earlier said in an exclusive interview with The Daily Star.

"During recession, most companies promptly cut down spending on marketing and advertising, and expensive brands can go down," he said.

Aly Zaker suggested that the media, including print and television, lower the cost of advertising.

"Satellite TV channels need to reduce the airtime cost per second, which now stands at Tk 3,000 per second on average," he said.

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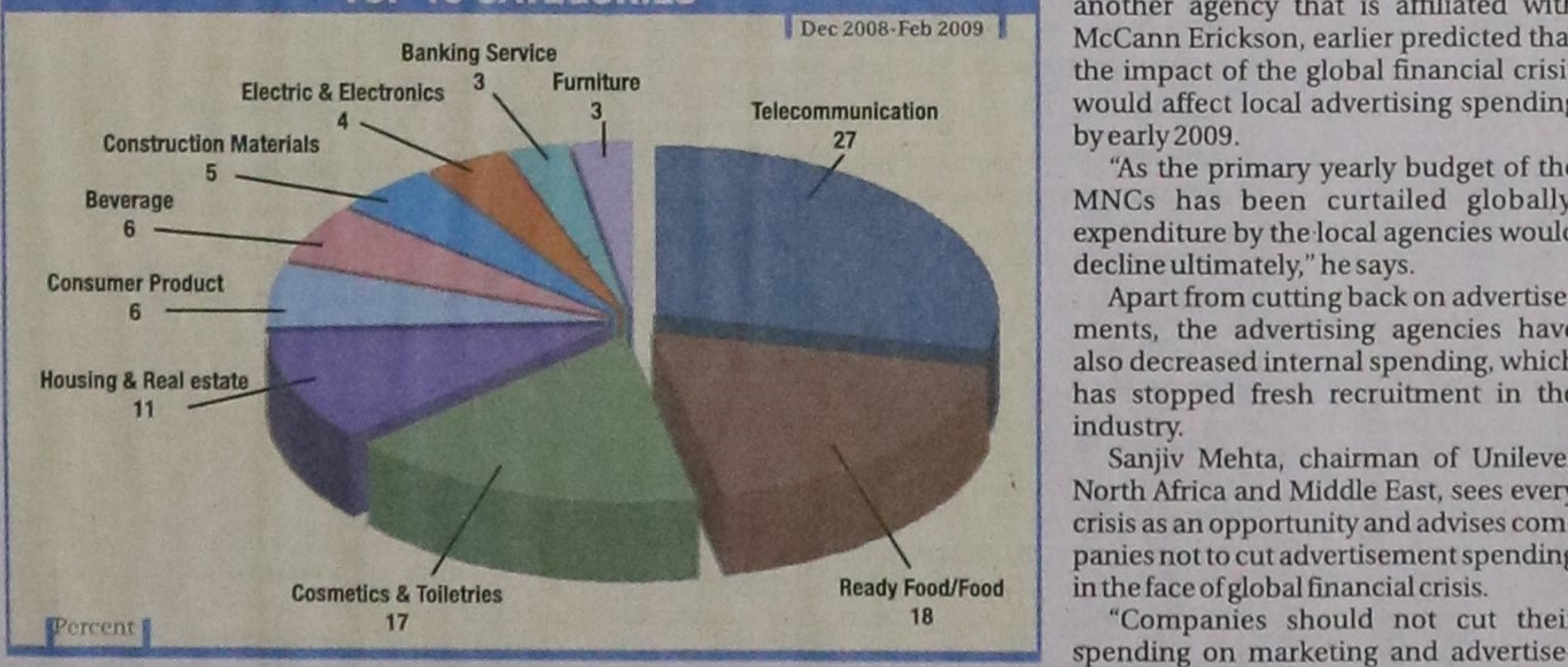
TOP 10 CATEGORIES



Banking on foreign money risky: Yunus

OUR CORRESPONDENT, *New Delhi*

Nobel laureate Muhammad Yunus yesterday said the global financial meltdown has exposed the dangers of relying on foreign money.

"Financial crisis makes it more clear that dependence on foreign money is not a great idea at all. It gets you exposed to other things. So, my recommendation is to rely on the local money," Yunus, Grameen Bank founder, said at a microfinance conference organised by community finance institution Sa-Dhan.

He said Grameen Bank has not taken external help since 1995 and all the money comes from its own system.

"Unless we can solve the money problem, microcredit will not go anywhere. In order to solve the money problem, the best solution is to create yourself into a bank, taking deposits and lending money," Yunus said.

The bank lends over $100 million a month and all the money comes from its own deposits.

Yunus said a separate banking law is required for the success of microcredit anywhere in the world. "We should be making it very clear to the legislature that we need a separate law."

India had tabled Micro Finance Institution Bill in the Parliament, which is currently being examined by Standing Committee.

"Without the legislation, we will be stumbling again and again," he said.