Star Business

DHAKA MONDAY APRIL 20, 2009

Stocks

DGEN	▲ 1.44%	2,587.55
CSCX	▲ 2.21%	5,378.39

Currencies

	Buy Tk	Sell Tk
USD	68.45	69.45
EUR	87.67	92.15
GBP	99.56	104.21
JPY	0.68	0.72

SOURCE: STANDARD CHARTERED BANK

Commodities

Gold ▼ $870.50 (per ounce)

Oil ▲ $50.87 (per barrel)

SOURCE: AFP

(As of Friday)

More News

Credit, deposit must fall in line

The third generation private commercial banks (PCBs) have propelled the deposit rates up in Bangladesh. Some banks have offered high rates to attract deposits and other banks had to follow suit, in their frantic efforts to retain clients.

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International

Britain set for crunch recession budget

Britain will unveil a recession-fighting budget this week, seen as vital for Prime Minister Gordon Brown as he struggles to boost his flagging fortunes ahead of a likely election next year. Finance minister Alistair Darling will deliver the government's 2009/2010 taxation and spending plans before parliament on Wednesday amid a global financial crisis which has dragged the world into a sharp economic downturn.

Gas powers dramatic Qatar growth: Kuwaiti bank

Qatar's economy made massive strides in 2008 as gas production enabled the tiny Gulf state to mitigate the impact of the global meltdown, a Kuwaiti bank said on Sunday. National Bank of Kuwait said gross domestic product in Qatar -- which has the third largest gas reserves on the planet -- is estimated to have grown by 18 percent in real terms last year, "an extremely fast pace by any standard."

Obama to convene cabinet to cut govt spending

US President Barack Obama, faced with mushrooming budget deficits, announced he will convene his first full cabinet meeting Monday and ask his secretaries for specific plans to cut spending.

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

Stimulus falls short of expectations

Garment leaders say they are neglected

REFAYET ULLAH MIRDHA

Business leaders yesterday expressed dissatisfaction over what they said was the neglect of the readymade garment sector in a stimulus package, but lauded the government's "timely" steps for other areas to tackle fallout from global recession.

The mixed reactions came hours after Finance Minister AMA Muhith rolled out a Tk 3,424 crore stimulus package that consists of cash subsidies, loan facilities and social security.

Under the package, the government has marked Tk 1,500 crore for the agriculture sector, Tk 500 crore for farm loan recapitalisation, Tk 600 crore for the power sector, Tk 374 crore for social security (food) and Tk450 crore for the exports sector.

Jute and jute goods, leather and leather goods and frozen foods will be beneficiaries of the stimulus to the exports sector.

Asked to comment on other export-oriented sectors, including garments and textiles, Muhith said different steps such as policy support and bank-loan rescheduling have been declared for those areas.

"I welcome the overall initiative taken by the government in response to the demands of the business community. However, it is not a full-fledged stimulus package," said Annisul Huq, president of Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), the apex trade body.

Huq said the highest export-earning sector should have been given more importance in the stimulus package, as garments exports growth is declining.

"Similarly, the spinning sub-sector has also been hit by the recession. The spinners should also benefit from the announced stimulus package," Huq said.

Talking to The Daily Star, Abdus Salam Murshedy, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), said he was not delighted over the terms of the stimulus package, as the government excluded the garments sector.

"Since the government did not grant any cash subsidy for the garments sector, we demand a full-fledged implementation of the policy support, which was earlier demanded from the government. Proper implementation of those demands will help offset losses from the recession," Murshedy said.

Earlier, the BGMEA urged the government to provide bank loans at a single digit interest rate, relaxation of the Credit Information Bureau rules, termination of the 0.25 percent tax at source, extension of loan rescheduling from the three-and five-year terms to seven and 10 years and withdrawal of VAT on utilities.

"I hope the government will consider the garments sector in the second phase of the stimulus package," Murshedy said.

"I am disappointed by the terms of the stimulus package, as the garment and knitwear sectors have not been taken into account," said Fazlul Hoque, president of Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), in an instant reaction to the financial stimulus.

Abdul Hai Sarker, president of the Bangladesh Textile Mills Association (BTMA), said the announced stimulus package is inadequate, as the textiles sector will not benefit from it.

Spinning, under the primary textile sector (PTS), is the most affected by the recession and yet it has been neglected by the stimulus package, Sarker said.

He said the latest move has betrayed the government's "unfeeling attitude" to the spinning sub-sector, which is vital to the readymade garments sector.

Later in the day, leaders of BGMEA and BKMEA from separate press conferences urged the government to review its decision and include woven and knitwear in the stimulus package.

In response to a query, Murshedy said the government should form a sub-committee, if necessary, to review the decision. "We are disappointed with the government's decision as the whole clothing sector has been ignored."

The BKMEA president said if the country's garment sector sinks due to the recession, it would be difficult for the sector to recuperate. "The government has to bear the burden."

Kazi Belayet Hossain, president of Bangladesh Frozen Foods Exporters Association (BFFEA), said increasing the cash incentive from 10 percent to 12.50 percent is too inadequate to offset the losses, as the exports of frozen foods declined by 11 percent in the July to February period due to the recession.

"At present, we are facing a liquidity crisis in the exports of frozen food. We need cash to stay on," Hossain said.

"Cash subsidies would be given against export performances, but the problem is that we are now unable to export the item as demand for the luxury food item has declined significantly in the western countries," he said.

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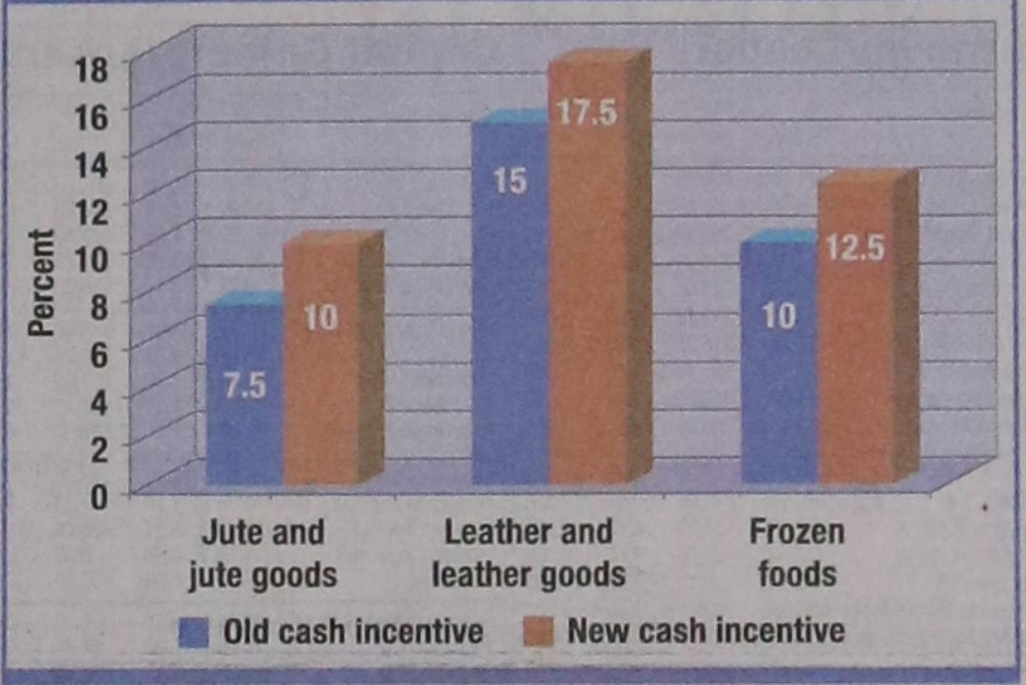
STAR

Finance Minister AMA Muhith announces a stimulus package in Dhaka yesterday to tackle the immediate impact of the global financial crisis.

PERCENTAGE RISE IN CASH INCENTIVES



FISCAL AND POLICY SUPPORT FOR 2008-09

Figures in crores of taka

Areas	Existing	Additional amount	Total
Exports	1,050	450	1,500
Agriculture	4,285	1,500	5,785
Power	600	600	1,200
Farm loan (recapitalisation)	1,000	500	1,500
Social security (Food)	4,195	374	4,569
Total	11,130	3,424	14,554

BB issues lending rate notices

STAR BUSINESS REPORT

With the announcement of the government's stimulus package yesterday, the central bank simultaneously issued two circulars relating to limiting lending rate and loan rescheduling.

The Bangladesh Bank (BB) issued a circular asking the commercial banks to cap the lending rate except credit card and consumer loans at 13 percent to offset the fallout of global financial meltdown.

Another circular asked the banks to ease rescheduling of loans for recession-hit export sectors, such as frozen food, leather and jute goods, without any down payment.

Both the decisions would be implemented immediately and remain valid until the next order, the BB circulars said.

Finance Minister AMA Muhith yesterday unveiled the much-hyped stimulus package amounting to Tk 3,424 crore for the current fiscal year to tackle the immediate impacts of the global recession.

The BB issued both the circulars as part of the government's policy support to keep the economy vibrant amid the global financial crisis.

The circular regarding lending rate ceiling said the commercial banks charge high interest rates for productive industrial sectors, which is an impediment to the country's development.

"Lending rate cut has become urgent considering the present inflationary pressure and global economic situation," said the circular.

So lending rate for agriculture, term loan and working capital for large and medium industries, housing and trading has been capped at maximum 13 percent, it said.

Interest rate for export credit will remain unchanged at 7 percent, the circular said.

The BB also allowed the banks to change interest rate for lending and deposit for more than once in a month. Before the circular banks could change the rate just once in a month.

In the second circular loan rescheduling has been made flexible for export-oriented sectors, such as frozen food, leather and leather goods, jute and jute goods, and textile including spinning and readymade garment.

The banks have been asked to reschedule loans for these sectors without any down payment. Earlier banks took 10 percent of outstanding loans as down payment to reschedule loans.

Announcing the stimulus package, the finance minister said the banks will take necessary measures if any other export-oriented sectors are hit by the onslaught of the global recession. The BB would look into the matter, he added.

Emirates upbeat on Bangladesh

SOHEL PARVEZ

Emirates still enjoys growth in operating flights from Bangladesh, despite a dip in traffic flow being faced by several local and foreign carriers, as recession hurts overseas jobs for migrant workers and, also corporate travels, a senior official of the airline said.

"Bangladesh is one of the prime network for us. It is still on the growth path and our average load factor remains above 80 percent despite the economic meltdown. It's encouraging," said Majid Al Mualla, Emirates' vice president commercial operations for West Asia and Indian Ocean region.

His comment could be a testament to the airline's recent adding of three more flights from Dhaka -- from 14 weekly flights to 17 flights a week since February this year.

"We have added three now flights from Bangladesh and are actively considering to increase frequencies," he told recently a media delegation from Bangladesh in Dubai. Emirates was keen earlier to operate 21 flights a week.

Its Area Manager for Bangladesh Hanif Zakaria and its Media Relations Manager Radhika Markan were present during the press meet.

Mualla however declined to provide any information on Emirates' share in Bangladesh aviation market, or the figure of its annual turnover it achieves by operating from Dhaka.

Bangladesh is not the only destination where the largest Middle Eastern carrier Emirates plans to raise its capacity further. It also considers expansion to other destinations despite the financial gloom and fall in travel, which forces many airlines to slash capacities.

"We had SARS, 9/11, but we overcame that all. We hope to overcome the crisis while keeping our focus on growth," Mualla said, adding that Emirates takes every crisis in a positive manner and always tries to turn them into opportunity.

"If you want any business success, you will have to focus on long term. Recession affects everyone. But it will not continue for long," he said.

The carrier, flying to more than 100 destinations and over 60 countries, wants to open two new routes--- Angola and Durban as part of its expansion plan this year. It opened three new routes in 2008.

Mualla said one of the major challenges to grow is the shortage of aircraft. "We are hopeful to receive more aircraft in coming months and it will allow us to focus on growth," he said.

Operation to more than 100 destinations also gives leverage to Emirates, an entity of Government of Dubai, not only to carry Middle East bound migrant workers from Bangladesh but also to attract business travellers, immigrants and holidaymakers to Dubai and beyond such as Europe.

Majid Al Mualla

The carrier flew with 21.2 million passengers, including the ones it carried from Bangladesh, across its network in the financial year 2007-08, while the number was 17.5 million passengers a year ago, according to the official.

Now traffic from Bangladesh shows a downturn as demands for migrant workers slump. In the January-March period of the year 2009, the outflow of migrants plunged 38 percent to 1,37,433 from 222,898 a year ago.

Mualla however believed that it would not hurt the carrier. "You always find some places in the world where recruitment will continue. If one market closes, other markets open up," he said, referring to the contraction of labour demand in some Middle Eastern countries and opening of new markets for Bangladesh workers in countries, such as Libya.

"I don't see any possibility of a drop in passengers from Bangladesh in future," he said, pointing to Emirates' tapping of Bangladeshi migrant workers movement to Libya,

When his attention was drawn to the recent launch of a budget carrier Flydubai, Mualla said that it would not affect them. The new sister company is expected to takeoff from June.

"It operates in a different segment of the market compared with legacy. It will not affect us. You see our growth last year and we are hopeful to registrar such a growth this year," said the official of Emirates, which has recorded 20 percent annual growth on an average since its inception in 1985.

In the first six months ending September 30, 2008, Emirates' net profit fell from the same months the previous year. But the carrier expects a robust second half of FY 2008-09, which started from the month of April.

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Fresh bid to privatise Rupali Bank

REFAYET ULLAH MIRDHA

The Privatisation Commission (PC) has again initiated a move to privatise the state-owned Rupali Bank to make it more profitable.

Newly appointed PC Chairman Dr Mirza Jalil sent a letter to Finance Minister AMA Muhith on Wednesday requesting him to table the bank's privatisation issue as an agenda in the next economic affairs committee meeting of the cabinet.

The Finance Division on December 9, 2003 recommended that the PC privatise the bank in line with the prescription of the World Bank's Enterprise Growth and Bank Modernisation Project, the letter said.

As per the approval by the government's purchase committee meeting on February 16, 2004, the PC initiated the privatisation process from May 12, 2005 through floating international tender to get a buyer for the bank.

But both the PC and the highest bidder, Saudi Prince Bandar Bin Mohammad Bin Abdul Rahman Al Saud, failed to strike the final deal due to delay in finalising the sales and purchase agreement and the then volatile political situation.

The Saudi prince was the highest bidder to purchase the bank's 93.11 percent government shares at a cost of $458 million.

Jalil said the whole process of handing over the bank's ownership to the buyer was handled wrongly. "This is why they failed to strike the final deal," he added.

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