Star Business
DHAKA MONDAY APRIL 27, 2009

Stocks

DGEN	▼ 0.07%	2,594.93
CSCX	▼ 0.39%	5,442.37

Currencies

	Buy Tk	Sell Tk
USD	68.45	69.45
EUR	89.09	93.58
GBP	98.77	103.40
JPY	0.70	0.73

SOURCE: STANDARD CHARTERED BANK

Commodities

Gold ▲ $911.29 (per ounce)

Oil ▲ $51.22 (per barrel)

SOURCE: AFP

(As of Friday)

More News

Seed fair kicks off tomorrow
A three-day fair is set to begin in the capital tomorrow with an aim to popularise hybrid seed cultivation as a means to achieve food security amid growing population and declining arable land. "We need to popularise hybrid seed cultivation to address population growth and gradual reduction in arable land," Anwar Faruque, director general of Seed Wing, told a press conference, in Dhaka yesterday.

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International

IMF relevant again

Not long ago the International Monetary Fund seemed headed for relic status. Now it's once more flying high, rolling out ambitious plans to blanket an economically distressed world in dollars. Even grander designs are on the drawing board. Yet the money might not cover the job and those lofty plans might never get approved.

Japan may make early exit from recession
Japan, one of the biggest victims of the global economic downturn, may also be one of the first countries to exit recession as its stricken export engine sputters back to life, analysts say. But prospects for a full-fledged recovery from the country's worst slump since World War II appear dim given weak consumer spending and the slim chances of a dramatic improvement in overseas demand, they add.

Fortunes of UK super-rich dwindle amid crisis
The economic downturn has wiped billions off the fortunes of some of the richest people in Britain including Lakshmi Mittal and Roman Abramovich, according to a respected survey out Sunday.

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Crisis management fund on cards

Muhith assures FBCCI

STAR BUSINESS REPORT

Finance Minister AMA Muhith

HIGHLIGHTS

- Finance Minister AMA Muhith makes assurance of forming a crisis management fund in the upcoming national budget
- FBCCI submits 28-points demand to the minister
- FBCCI proposes bank loans with 6 percent interest rate from the block allocation
- It seeks the bank interest rate at 11 percent for the industrial sector
- "Bangladesh Infrastructure Fund" proposed
- Issuance of power fund bonds with a seven-year term and 7 percent interest rate proposed
- FBCCI demands reduction of banks' service charges

Finance Minister AMA Muhith yesterday assured the business community of forming a crisis management fund in the upcoming national budget to provide quick financial assistance to the entrepreneurs hurt by the ongoing global financial recession.

The disclosure came at a meeting between the finance ministry and the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) at the minister's Secretariat office.

FBCCI President Annisul Huq submitted a set of recommendations to the minister suggesting a 'Comprehensive Economic Stimulus Package' in the FY 2009-10 budget to mitigate the recession fallout.

Although the minister did not spell out immediately the size of the proposed fund, he said, "I can assure you that there would be a fund in the next budget to face the recession."

The FBCCI's 28-point demand includes loans from the block allocation of the central bank for the affected entrepreneurs at 6 percent interest in line with the Bangladesh Bank guideline, which should be repayable in a span of five years from the year 2011. "Giving stimulus packages to the affected sectors in this system will be more effective," Huq thinks.

The apex trade body also proposed that the rate of interests is slashed to 11 percent for all industrial credit, including the sectors specified by the central bank, and bank service charges reduced to maintain its smooth flow.

Another demand the federation put forward was formation of funds, such as Bangladesh Power Fund and Bangladesh Infrastructure Fund to resolve the power crisis and develop infrastructure.

It also demanded the government move to issue power bonds at 7 percent interest, with a seven-year term.

The government can purchase electricity from captive power plants, as many businessmen are ready to sell it, the FBCCI chief also suggested.

To develop infrastructure, the trade body recommended a five-year term investment bond at five percent interest. "Such investment should remain above question and undisclosed," Huq said.

The FBCCI pointed to the huge idle fund of the state-owned Jiban Bima Corporation (a life insurer) and suggested its utilisation for the formation of Bangladesh Infrastructure Fund.

Huq also recommended initiatives on the government's part to get funds from the lenders like International Monetary Fund, World Bank and Asian Development Bank, as those organisations have recently launched a $850 billion bailout package.

"Bangladesh as an LDC should be entitled to an allocation from this fund," he said.

Huq urged the government to keep the interest rate spread between the cost of fund and the interest on deposits at 2.5 percent.

He also proposed fixing the tax rate at 25 percent for the manufacturing companies earning less than Tk1 crore a year, 30 percent for the ones earning more than Tk 1 crore and 35 percent for the trading and non-manufacturing companies in the national budget for the fiscal year 2009-10.

The FBCCI reiterated its demand that the government target a Tk 55,000 crore revenue earning, with an estimated growth rate of 6 percent.

It also sought an import duty cut to 1-2 percent by 2016 so that industrialisation gains a speed.

Huq also asked the government to cap duties on the imports of capital machinery by 1 percent, 5 percent for intermediate goods, 12 percent for essential intermediate goods and 25 percent for luxury items.

Different stakeholders like apparel, frozen foods, textile and handicraft manufacturers and exporters were consulted before outlining the recommendations the trade body placed to the minister.

Stimulus package puzzles leather industry

SAYEDA AKTER

The leather industry is reeling under a shadow of uncertainty and confusion over the government's stimulus package announced last week, as the package has generalised 'leather and leather goods' for the cash incentive.

Instead of particularly mentioning incentives for the leather exports, the package announced 2.5 percentage points increase in cash assistance for export of 'leather and leather goods' for the April-June period of the current fiscal year.

"In the stimulus package two different sectors were generalised -- leather export and value-added leather goods including footwear and bags. But the government does not provide any cash incentive for leather sheet exports," said Tipu Sultan, former chairman of Bangladesh Finished Leather, Leather Goods and Footwear Exporters' Association.

"Leather goods especially footwear and bags are already enjoying a 15 percent cash incentive for export and 2.5 percentage points increase in cash assistance will raise it to 17.5 percent," he said.

"It's not clear how the rise in incentive will be applicable to us, as presently we don't get any cash incentive that was not mentioned while announcing the package or whether it's solely for the leather goods' exports," Sultan said.

"We (leather exporters) need to be assured that we will also get 17.5 percent cash incentive for exports," he added.

Meanwhile, Bangladesh Finished Leather, Leather Goods and Footwear Exporters' Association sent a letter to the finance minister on Thursday for clarification in this regard.

According to the government's stimulus package, cash incentive will rise for leather and leather products up to 17.5 percent from the existing 15 percent.

Sultan said the stimulus package should have clearly mentioned cash incentives that would be provided for leather goods and leather exports and ensuring safeguard of leather processing also. The local leather processing industry mainly caters to the leather goods.

The global financial meltdown has hit the local leather export, which declined by around 40 percent in the January-March period of the current fiscal year compared to the previous year.

According to statistics of Export Promotion Bureau (EPB), leather export accounted for $124.74 million in the July-February period of the current fiscal year, which is a 33 percent decline from the same period a year ago.

Currently the overall market size of the leather industry is around Tk 3,500 crore a year, with export figure standing at $284 million in 2007-08, according to EPB.

"Leather exporters have lost almost half of their running capital amid the global recession, but those who export value-added products including shoes and bags haven't faced that," said Rezaul Karim Ansari, chairman of Bangladesh Finished Leather, Leather Goods and Footwear Exporters' Association.

Ansari urged the government to make it clear that the stimulus package would be applicable to both leather and leather goods exporters while issuing a statutory regulatory order (SRO) in this regard.

The government announced on April 19 a Tk 3,424 crore stimulus package to cushion the blow of the global economic downturn.

The package meant to be used for the last quarter of the current fiscal year includes Tk 450 crore in cash subsidies for the export industries already hit by the recession. Of the export items, leather and leather products will see a cash incentive rise to 17.5 percent from the existing 15 percent.

The stimulus package lacks plans to safeguard the leather processing industry, claimed the tanners.

They said the issue of reducing import duty on raw materials that are essential for leather processing was not addressed by the stimulus package.

"We have demanded the government reduce import duty and provide a 25 percent cash incentive for leather processing industry," said Harun Chowdhury, chairman of Bangladesh Tanners' Association.

"If the government doesn't offer incentive to the leather processing industry, the entire leather industry will extremely suffer for that," said Chowdhury.

The government should adopt long-term planning to protect the export-oriented industry, he said.

Earlier industry experts predicted a 25 percent drop in leather exports for this fiscal year, fueled by a slump in demand in international markets, despite a higher collection of rawhide.

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Rice price fixing raises mixed reactions

STAR

PORIMOL PALMA and RAFIQUL ISLAM, *from Barisal*

The prices of un-husked boro rice at Tk 14 and rice at Tk 22 a kilogram, fixed by the government for public procurement, come as news to the farmers who get good productivity, but bad for those who get less, agronomists and farmers said yesterday.

Some farmers said they are happy about the prices fixed by the government, but are doubtful if they could sell rice to the government at this price.

"The prices fixed by the government are moderate," said Bangladesh Agricultural University Vice Chancellor Dr Abdus Sattar Mondal.

The farmers in general will get good incentives, while it is also reasonable for consumers, he said. "The problem is, all farmers do not get good yields."

"But I think the government has fixed the prices appropriately because otherwise if the prices were higher than this, there would have been problems in procurement management," the agronomist said.

Increasing yield productivity and reducing production cost is more important now, he said.

BRAC Executive Director Dr Mahabub Hossain said the current prices of rice and un-husked rice are low, which is causing losses to farmers.

"So, from that point of view, the declared prices are good," he said.

There is however doubt if this fixed price could have an impact on the market, as the government procurement target is not very long.

Zakir Hossain, a farmer at Koladema in Barisal, said: "I'm happy about the government fixed price. But the problem is, the government has so far not procured rice from us. We just saw annually the government was buying rice, but never from us in Barisal."

He proposed that the government specifies a spot from where farmers will sell rice to the government at the fixed price.

Palash Molla, another farmers in Banaripara in Barisal, said the cost of producing a maund of rice has been over Tk 400. "So the government's procurement price is good," he said.

"But last week I sold un-husked rice at Tk 300 to Tk 350. I would be happy if I can now sell rice at the government-fixed rice," he said.

Meanwhile, Kamal Sarder, a farmer in Mahilara village of Gournadi, said he cultivated hybrid rice, the production on each bigha (33 decimals) is around 30 maunds.

RELATED STORY ON PAGE 1

World finance ministers wary over economy

AFP

In this image released by the International Monetary Fund (IMF) shows the International Monetary and Financial Committee (IMFC) meeting chaired by Youssef Boutros-Ghali at IMF Headquarters in Washington, DC yesterday.

AP, *Washington*

Finance ministers see signs the global economy is stabilising but are cautioning it will take until the middle of next year for the world to emerge from the worst recession in decades.

In a daylong session of the International Monetary Fund, many ministers said stimulus packages, bank recapitalisation and other actions taken by governments and central banks to deal with the crisis are beginning to show results.

"We can see a break in the clouds," Egyptian Finance Minister Youssef Boutros-Ghali, the chairman of the IMF's policy-steering committee, said Saturday.

He said some financial markets are trending up and other economic indicators are improving "but there are still downside risks."

"Things will continue looking negative for a while but at a lesser and lesser pace," Boutros-Ghali said. "Toward the end of the year, we will start seeing the light, start seeing movement toward stabilisation and then recovery" by mid-2010.

Last week, the IMF said the global economy is likely to shrink by 1.3 percent this year, the first such decline in six decades.

More assessments of the global economic situation are expected Sunday as the policy-steering committee of the IMF's sister institution, the World Bank, meets and ministers and central bankers then begin heading home.

The head of the IMF, Dominique Strauss-Kahn, said ministers expressed satisfaction with measures various governments took to stimulate their economies, calling early disagreements over the extent of spending needed childish.

He said all agree also that a global economic recovery depends on "the absolute necessity of cleansing the financial system" of bad debts or toxic assets on many bank balance sheets. Such a step is expected to unfreeze credit markets.

In their communique, the ministers said they agreed on an immediate increase of $250 billion for the IMF's lending coffers so that it can "continue acting promptly to make available, under adequate safeguards, substantial resources to member countries with external financing needs."

They said a further $250 billion will be added later to an "expanded and more flexible" line of credit known as the New Arrangements to Borrow.