

Stocks

DGEN ▲ 1.84%
2,552.95

CSCX ▲ 2.08%
5,433.36

(Week-on-week)

Asian Markets

MUMBAI ▲ 1.10%
13,887.15

TOKYO ▼ 0.41%
9,225.81

SINGAPORE ▲ 1.55%
2,245.27

SHANGHAI ▼ 0.50%
2,597.60

(Friday closings)

Commodities

Gold ▲
\$959.75
(per ounce)

Oil ▼
\$60.93
(per barrel)

SOURCE: AFP

(As of Friday)

More News

WTO takes flak for subsidy policy

Speaker Advocate Abdul Hamid yesterday asked the World Trade Organisation to shun its 'double standard policy' on farm subsidy. Hamid urged the government to take a strong position to cancel the sections and sub-sections of WTO.

B-3

International

Job losses pile up in US states



All but six states lost jobs in April and double-digit unemployment persisted in every corner of the country as companies squeezed by the recession slashed payrolls. For the fifth straight month, California led the nation in net job losses, with 63,700 jobs disappearing in April.

Emirates airline profit plunges on fuel costs

Full-year profit at Emirates, one of the world's fastest growing airlines, plunged 80.4 percent as oil prices skyrocketed to an all-time high of 147 dollars a barrel, the company said on Friday. Net profit for the fiscal year to March 31 sank to 982 million dirhams (268 million dollars) from 5 billion dirhams (1.4 billion dollars) a year earlier, Emirates said in a statement.

Magna prepared to invest 700m euros in Opel

Canadian auto parts maker Magna International and Russia's Sberbank are prepared to invest 700 million euros in a venture to buy General Motors' Opel unit, and leave the US giant with a 35 percent stake, Magna said Friday. Magna confirmed the nonbinding offer, worth some 980 million US dollars, made along with Russia's biggest lender, state-run Sberbank.

B-4

Contact Us

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

Local investment edges down

Analysts blame policy uncertainty and recession



REJAUL KARIM BYRON

The country has been experiencing a drop of around 0.03 percentage points in investment, both public and private, for the last three years, Bangladesh Bureau of Statistics says.

During July-December of the current fiscal year, the central bank data show, industrial term-loan disbursement, a main indicator of investment scenario, also slowed around 8 percent.

Economists blame transitional political situation, policy uncertainty and global economic recession for this low investment.

This fiscal year's investment rate came down to 24.18 percent of the gross domestic product (GDP) from 24.21 percent a year earlier. Of this, private-sector

investment slightly increased by 0.30 percentage points and stood at 19.55 percent of GDP, which was 19.25 percent last fiscal year.

The public investment dropped by 0.32 percentage points and stood at 4.63 percent of GDP from 4.95 percent a year earlier.

Overall investment has been showing a downward trend since FY 2005-06, when it was 24.65 percent of GDP.

The data on industrial term credit show that disbursement of such loans fell 7.48 percent to Tk 8940 crore in the first six months this fiscal. The figure was Tk 9636 crore last fiscal, 64 per cent up compared to the same period of the previous year.

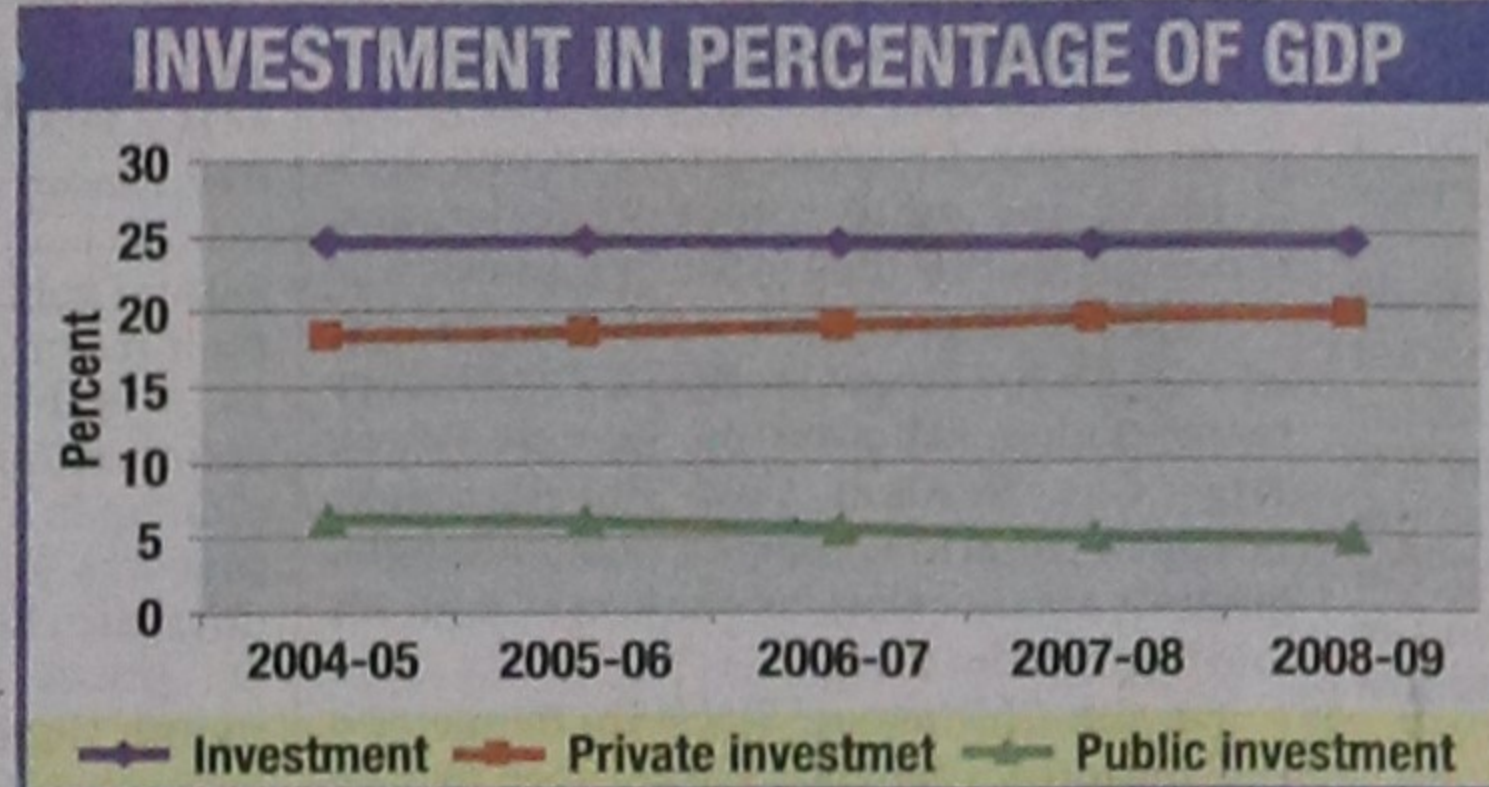
In the first nine months, opening of letters of credit for the import of capital machinery marked a 32 percent drop.

Bangladesh Bank officials said investment is falling due to gov-

ernment's failure in implementing the annual development programme (ADP). Every year the original ADP is slashed and only 80 to 85 percent of the revised ADP implemented.

Pointing to Bangladesh's low investment rate, Zahid Hossain, senior economist of World Bank Dhaka office, said it hovers around 40 percent of GDP in emerging economies like India and China. Bangladesh needs to raise the total investment rate to at least 34 percent of GDP in the next three years in order to accelerate its GDP growth rate to the 8.5 to 9 percent range for becoming a middle income country next decade, Hossain opined.

He also put emphasis on its efficiency to reap maximum return from scarce capital resources. With declining GDP growth rate in the last four years, the efficiency of investment, as



measured by the Incremental Capital Output Ratio (ICOR), has declined.

However, Hossain said despite poor infrastructure, Bangladesh economy has been weathering several uncertainties since the last half of 2006.

He said the FY07-08 transitional political situation dented investor confidence, associated by policy

uncertainties and the ongoing global recession. All these have fuelled a high level of risk aversion, the economist pointed out. Added to that is the high cost of finance as well as high transactions costs that investors have to face in doing business here.

On boosting investment, he suggested three measures. Firstly, raising public investment will

ensure adequate supply of energy and infrastructure services, particularly roads and ports.

Besides, an improved law and order can provide a secured environment for investors, Hossain added.

"And the last but perhaps not the least, the investors need a credible and predictable medium-term policy framework that will enable them to assess the rate of return to prospective investments. Risk aversion is inherent to human nature. That does not mean people do not take risks," the noted economist said.

When it comes to investment behaviour, particularly investment in long term fixed assets, risk aversion turns into risk avoidance, if investors are unable to make a reliable assessment of the level and variability of returns to investment, Zahid Hossain observed.

Poultry operators demand special funds

SOHEL PARVEZ

Poultry industry operators want special funds that would assist the sector to meet future demand and create employment for over one crore people by 2021.

"The demand for protein will continue to rise as population grows. Proper planning in the sector will not only reduce protein deficiency-related health conditions, but also generate employment on a large scale," said Syed Abu Siddique, president of Bangladesh Poultry Industries Association (BPIA), the lobby group for tens of thousands of poultry farmers across the country.

BPIA made the pleas, as the newly elected government is about to place the national budget for the fiscal 2009-10. Analysts expect the budget will reflect the commitments made by Awami League, during run-up to the elections.

Referring to the present government's vision, BPIA said there is no alternative to the poultry industry because it helps increase protein production in the least possible time and reduces protein deficiency at low costs.

The association observes that the per capita consumption of meat now stands at 1.85 kilograms, while the per capita consumption of eggs is 26 units. "It's the lowest level of protein consumption among the developing countries," the BPIA president pointed out.

Taking 5 kilograms of chicken meat as per capita consumption, BPIA expects about 7 lakh tonnes of chicken will be required by 2010 and about 9 lakh tonnes



STAR

The poultry industry incurred huge losses due to bird flu. Industry leaders demand rehabilitation of poultry farmers.

by 2021.

The demand for eggs will also rise to 840 crore units by 2010 and 1,200 crore units by 2021.

"We can achieve such levels of production, given a separate fund is created to boost the poultry industry," he said, urging the government to earmark Tk 10,000 crore for the sector in the national budget.

The BPIA president said the fund will be used within the next decade to promote investment in the poultry industry as well as create employment. A portion of the proposed fund could provide equity support to prospective and existing investors, he said.

"Surging investment in this sector will enable establishing about 3 lakh farms

and generate 1 crore new employment opportunities," said Siddique.

The BPIA places its demands to the government as the Tk 15,000 crore worth domestic poultry industry tries to retrieve from the losses it incurred due to the outbreak of avian influenza (bird flu). The flu hit the poultry industry first in early 2007.

According to the BPIA, the bird flu outbreak forced nearly 40 percent of the 1,50,000 farms in the country to exit production and about 20 lakh people to lose their jobs.

"The whole industry incurred huge losses due to the bird flu. Rehabilitating the poultry farmers is of utmost importance," he said, demanding strengthening of bank loan disbursement.

The association sought a 2-year freeze on loan interest without any down payment and urged the government to reschedule the loans taken by the affected farmers.

It also demanded the sector people be able to avail of loans at a 5 percent rate of interest.

"If we can prevent diseases and maintain quality, we will be able to enter the global market with our produce," said Siddique. He observed that the export potentials of this sector has provoked some local companies to increase production of processed poultry items.

In this regard, BPIA said the government should impose high duty on poultry items to discourage the import of frozen poultry meat and processed poultry.

The association also urged the government to ban 100 percent foreign investments in the sector, arguing that foreign investors profit by enjoying various duty and tax benefits offered by the government.

sohel@thedailystar.net

Cabinet to discuss govt staff salary tomorrow

REJAUL KARIM BYRON

The finance ministry has recommended that the cabinet form a secretarial committee to implement the proposals of the Pay Commission for the government staff, officials said.

A cabinet meeting with Prime Minister Sheikh Hasina in the chair will discuss tomorrow the finance ministry recommendation and the pay commission proposals.

Officials said the finance ministry after a complete review of the pay commission report will place a summary to the cabinet.

The ministry will also put forward an account on how much money would be required to implement the recommendations fully, and present a report on how much of the previous pay commission recommendations was implemented.

It will present an account on how much money would be required if the employees pay their income taxes and how much would be needed if the employees do not pay the income tax.

In the Pay Commission recommendations, the highest salary is Tk 45,000 (fixed) and the lowest is Tk 4,000 (scale). If the government pays the income tax of the employees, the highest salary will be Tk 40,000.

In his budget speech on June 11 the finance minister is expected to announce when the government would implement the Pay Commission recommendations.

Besides the basic salary, a big portion of the gross salary is house rent. The proposed recommendations have suggested cut in the house rent by 5 percentage points on the existing rent. Even after cutting the house rent allowance, it will go up by 40 percent if the proposed allowance is given.

The Pay Commission analysing the data of Bangladesh Bureau of Statistics showed that the house rent in four metro-

politan cities in the country increased by 25.79 percent in 2008-09 over 2004-05.

In Dhaka the rate of increase was 28.37 percent, in Chittagong 29.37 percent, Khulna 22.54 percent and in Rajshahi 21.72 percent.

In Dhaka town recommendations have been made to fix the house rent up to 60 percent of the basic salary or minimum Tk 2,400 for those whose basic salary is up to Tk 4,500. Presently they draw 65 percent of the basic salary as house rent.

Those whose basic salary is Tk 4,501-Tk 8,000 will get 55 percent of their basic salary as house rent or minimum Tk 2,800. Presently it is 60 percent.

For the employees who draw basic salary of Tk 8,001 to Tk 17,000, the house rent would be 50 percent of the basic salary or minimum Tk 5,500. Presently they get 55 percent of the basic salary as house rent.

Those who draw salary of Tk 17,001 and upward will get 45 percent of the basic salary or minimum Tk 10,000. Presently they draw 50 percent of their basic salary as house rent.

At present around 10 percent of the government staff reside in government houses and pay 7.5 percent service charge of the basic salary.

The Pay Commission also recommended giving loan of Tk 5 lakh to Tk 25 lakh to the government employees at 2 percentage points higher interest of bank rate for buying land or plot. The tenure of the loan payment would be 12-25 years.

The first Pay Commission was formed in 1972.

According to the Pay Commission statistics, Tk 27,260 crore would be required to implement the recommendations for pay and allowance for government staff, government and autonomous organisations and schools and colleges, except the armed forces. Presently Tk 20,661 crore is required for the purpose.

EBL Consumer Banking

EBL Cards Center's New Address
31 North C/A, Road-53, Gulshan Circle-2, Dhaka.
Tel: 044 7670 1031-34, 02 8822104, 8812476, 8860381
Mobile: 01819 278811/22, Fax: 880 2 9882316
E-mail: cardsteam@ebd-bd.com

Cards Center Relocation
EBL cards center is relocated from Dilkusha to Gulshan-2