

DHAKA THURSDAY JUNE 11, 2009

Stocks

DGEN 0.09%
 2,743.20

CSCX 0.41%
 6,111.20

Asian Markets

MUMBAI 2.25%
 15,466.81

TOKYO 2.09%
 9,991.49

SINGAPORE 1.76%
 2,391.22

SHANGHAI 1.02%
 2,816.25

Currencies

	Buy Tk	Sell Tk
USD	68.45	69.45
EUR	94.31	99.88
GBP	109.75	115.54
JPY	0.69	0.77

SOURCE: STANDARD CHARTERED BANK

Commodities

Gold ▲
 \$954.00 (per ounce)

Oil ▲
 \$68.95 (per barrel)

SOURCE: AFP
 (Midday Trade)

More News

Great expectations



We await the details of the much-anticipated 2009-10 national budget by Finance Minister AMA Muhith later today. This is the first budget of the newly elected government with a mandate to deliver on a broad range of economic and social issues in line with its election manifesto. Numerous announcements by Muhith and other government officials point to an ambitious budget with a sharp increase in spending and the overall fiscal deficit.

B-4

International

Asian cities among most expensive in the world

Asian cities are among the most expensive in the world for expatriates this year as regional currencies have gained against the US dollar and other key units, a survey said Wednesday.

China consumer prices fall for fourth straight month

China's consumer prices fell for the fourth month in a row in May, data showed Wednesday as the economy continued to be hit by the global slump despite a massive stimulus plan aimed at boosting spending.

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Contact Us

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

Budget raises high hope

SAJJADUR RAHMAN

Finance Minister AMA Muhith rolls out the national budget for the next fiscal year today amid high expectations that measures will be designed to cushion the economy from the impact of global meltdown and help drive domestic demand.

Demands from all sectors have overflowed. There is no doubt that the budget will be observed and disseminated keenly by exporters, importers, manufacturers, bankers, and untaxed money holders. The budget is to be announced live on television and radio from parliament, starting at 3pm today.

The minister has to create a balance between the mounting demands of businesspeople and falling exports and resource mobilisation.

The Federation of Chambers of Commerce and Industry (FBCCI), the apex trade body, demanded a comprehensive economic stimulus package to combat the impacts of recession and keep industries and employment on track.

The FBCCI also demanded formation of a financial crisis mitigation fund to provide low cost loans to affected industries. The trade body also asked for bank credit for the industrial sector at a maximum interest rate of 11 percent.

A reduction in duties on the import of capital machinery and raw materials is also a major demand pushed forward by businesspeople.

Businesspeople will watch how the finance minister scores by addressing the issues over the energy crisis. Analysts said new investments are not

sprouting because of a severe shortage of power and gas -- two vital ingredients for any industry.

Woven and knitwear exporters, who earned nearly \$10 billion in exports last fiscal year, strongly demanded a 2 percent interest rate subsidy, which was backed by the central bank governor.

The Metropolitan Chamber of Commerce and Industry (MCCI) demanded fiscal, monetary and tariff policy support in the budget to ward off the impacts of the global crisis.

All the trade bodies demanded a reduction in corporate tax rates and an extension of tax holidays for the sake of the economy.

The finance minister is surely in a dilemma over legalisation of untaxed money, as the views of businesses and ruling party politicians vary in this regard.

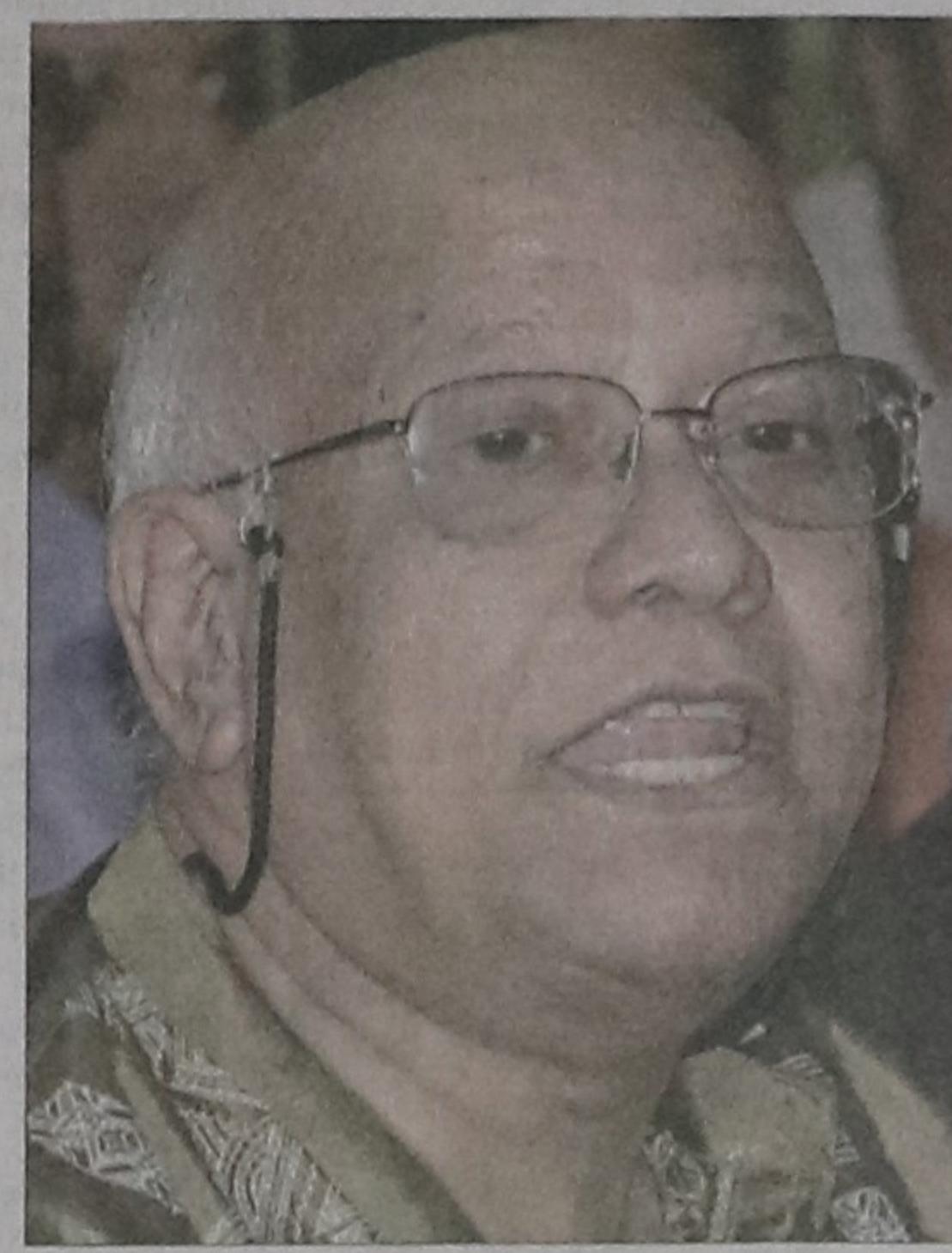
The FBCCI and Dhaka Chamber of Commerce and Industry proposed that the budget for fiscal 2009-10 should allow investment of untaxed money in the industrial sector and capital market, while the MCCI opposed it.

The parliamentary standing committee on the finance ministry also recommended amnesty to undisclosed money holders.

So people, businesses and politicians will surely observe the elucidation on untaxed money.

On the eve of Budget Day, people tend to look at the performance of major economic indicators.

The year-on-year revenue growth decelerated from 20.5 percent in the first quarter of the outgoing fiscal year to 12.2 percent in the three quarters till March. A sharp fall in import prices has markedly



AMA Muhith

affected the collection of import-based taxes that accounts for over 40 percent of all tax collections.

The growth in revenues from import-based taxes fell from 27.7 percent in the first quarter to 8.4 percent

Entrepreneurs seek GP CEO demands budget for growth tax overhaul

REFAYET ULLAH MIRDHA

Top entrepreneurs demanded a business friendly budget to facilitate growth and employment generation.

Finance Minister AMA Muhith is going to place the national budget for fiscal 2009-10 at the national parliament today.

Reazuddin Al-Mamoon, managing director of Epylon Group, an enterprise having 10 ready-made garment (RMG) and textile units and also into real estate business, demanded business friendly policies in the budget, just a day before the announcement.

"Friendly policies will help grow our businesses and hence create employment opportunities," said Mamoon, who exported \$87 million in fiscal 2008-09 and targeted exports worth more than \$90 million for fiscal 2009-10.

Mamoon also advocated a temporary stimulus package for the export-oriented sectors, particularly for RMG, to keep businesses afloat.

"I want an uninterrupted supply of gas and power to our factories," he said over a phone call from Singapore. He urged efficient execution of the public-private partnership (PPP) budget to extract the real benefits from such a concept.

KM Rezaul Hasanat, chairman and managing director of Viyellatex Group, an industrial conglomerate having turnover of \$125 million a year in RMG alone, demanded peaceful law and order situation so that businesses could run smoothly.

"My general expectation from the budget is that law and order would be stabilised and the port would function efficiently," Hasanat said.

The Viyellatex Group chief also urged the government to deliver a temporary stimulus package for the RMG sector in the budget, to tackle the recession.

Specifically, the government should reduce taxes on businesses, widen the tax-holiday facility and provide cash incentives for exporters in the budget.

Hasanat also suggested the government create emergency funds to tackle any sort of an unwanted situation like recession.

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STAR BUSINESS REPORT

Mobile phone operator Grameenphone's Chief Executive Officer Oddvar Hesjedal has expressed hope that the national budget to be placed today will reflect a way for an affordable telecom industry, which witnessed a slowdown in the last one year.

Telecom is one of the most dynamic industries in Bangladesh and also one of the largest sources of revenue for the government. However there has been a slowdown for the last 12 months in the industry.

"So naturally we are expecting that the budget will reflect this and pave a way for a stronger industry," said Hesjedal yesterday.

The SIM (subscriber identity module) tax needs to be removed completely for the growth not only of this industry, but for the development of the country, the GP CEO said.

"I hope to see that the SIM tax is removed, or, failing that, reduced significantly to make the telecom industry's business expansion plans tenable," said Hesjedal.

Marginal profitability from new subscribers in rural areas makes it impossible for the operators to have a sustainable business when the mobile connection fee is subsidised, he observed.

So the start-up price for a new connection must be made cheaper for the industry to gain new footing and generate increased revenue for the government, he suggested.

This can only be done if the SIM tax is removed, since the SIM tax accounts for almost 90 percent of the cost of a new connection.

"We would like to see a revision of the corporate tax structure, particularly because we are bundled with banks and insurance companies," said the GP CEO.

PRE-BUDGET QUIPS

One last question before budget is announced. Do you think the leaks of budget proposals are deliberate?

The Awami League is only living up to its election pledges of openness and transparency in governance.

NMI

Exporters missing out on stimulus

KAWSAR KHAN

The announcement of new budget proposals for the 2009-10 fiscal comes at a time when exporters are in disarray, as they are yet to be awarded an interim stimulus package during April-June of the outgoing fiscal year, as declared by the government to support some recession-hit sectors.

Finance Minister AMA Muhith laid bare a plan on April 20 under which he made an assurance that the exporters of some specific sectors hurt by the ongoing global crisis would get policy support in the last quarter of FY2008-09. Of this package, 70 percent of the incentives was supposed to be disbursed immediately after primary assessment of claims and the rest 30 percent after necessary audits.

The minister at that time sounded warning against taking any extra benefit than what any exporter deserves.

"As per the finance minister's announcement, 70 percent of the incentives are to be disbursed from respective banks immediately after we submit relevant documents there. But we could not avail of these benefits as banks have not received any direction from the central bank in this regard," said Ahmed Hossain, chairman of Bangladesh Jute Spinners Association.

He said in international market both demand and price of jute goods have reduced by 20-25 percent, affecting the sector severely.

"If we were given incentives on time we could buy raw jute," said Hossain, adding that the price of raw jute has increased by Tk 200 per maund in recent days.

According to official statistics, export of jute goods has reduced 17.78 percent in the first 10 months of the outgoing fiscal year. The earning from such exports during the time is \$222.05 million, while it was \$266.11 million in the same period a year earlier.

President of Bangladesh Jute Goods Association Kazi Syedul Alam Babul also

told The Daily Star his experience on the government's much-talked-about stimulus. "On submission of the papers relating to exports during April-May to banks, we did not receive any incentive," Babul said.

"Generally we get cash incentive one year after any export," he added.

Of the Tk 3,424 crore stimulus package, Tk 450 crore was earmarked as cash subsidies for exports of jute goods, leather and leather goods and frozen foods, hit hard by the recession.

Incentives for jute and jute-made goods were raised to 10 percent from 7.5 percent, leather and leather products to 17.5 percent from the existing 15 percent, and frozen foods and fish to 12.5 percent from 10 percent.

Meanwhile, finished leather exporters lamented that though the sector was on the list of possible stimulus awardees, it was not found in the final SRO (Statutory Regulatory Order).

"We are the most affected sector by the global recession, as our export has dropped by 36 percent this fiscal, but it is very unfortunate that the government has dropped finished leather from the list," said M Tipu Sultan, former president of Bangladesh Finished Leather, Leather Goods and Footwear Exporters Association.

Another exporting sector that has not yet been awarded the support is shrimp.

"We have seen no execution of the announced stimulus," said Kazi Belayet Hossain, vice president of Bangladesh Frozen Foods Exporters Association.

He, however, pointed out that such incentive would not bring about any qualitative change in shrimp exports, as the sector is now strongly in need of capital fresh to buy shrimp.

"The caretaker government has suggested lending of the 45 percent of our working capital, but it was not implemented," he added.

When contacted, an official of the Foreign Currency Policy Department of Bangladesh Bank, preferring anonymity, said BB could not complete the issue yet.

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MCCI suggests cap on govt borrowing from banks

STAR BUSINESS REPORT

Metropolitan Chamber of Commerce and Industry (MCCI) suggested yesterday a cap on government borrowing from the banking sector to rein in inflation.

The trade lobby group favoured an accommodative monetary policy with lower, short and long-term interest rates, saying that it would generate greater productivity in mills and factories, farms and fisheries and help curb inflation in the economy, where inflation is predominantly a cost-push factor and not just a pure monetary phenomenon.

The MCCI praised Bangladesh Bank's monitoring and accommodative monetary policy approach and said it helped resolve problems of bank credit to a large extent.

"The time has come to put a limit on the government's borrowings from the banking sector," said Abdul Hafiz Choudhury, president of MCCI, at a meeting with BB Governor Atiur Rahman.

Citing that government borrowing increased from Tk 36,230 crore in 2006 to Tk 43,348 crore in 2007, the MCCI said borrowing stood at Tk 53,458 crore in 2008 and it is expected to increase significantly in 2009.

"It is our fear that provisions in the proposed Industrial Policy 2009 for reopening the closed state-owned enterprises (SOEs) and freezing further privatisation of SOEs will put

pressure on the banks to provide more lending to the government," it said.

"We strongly feel that for the sake of inflation control, there must be a limit on the government's borrowings," the chamber said.

The chamber, citing an analysis, said Bangladeshi investors had to pay interest rate at 15 percent during 1990-2006 compared to 7 percent and 13 percent interest rates respectively in China and India during the same period.

In real terms, interest rates in Bangladesh were higher by 5.3 and 2.8 percentage points, according to MCCI.

"We feel that if the analysis is correct, a reversal move can not only provide effective monetary policy support to the economy but also can help improve the investment rate," said the MCCI president.

The chamber president said interest rates offered under the national savings certificates between 11.5 percent and 12 percent are also involved in the interest rate structure.



A model poses with a Nokia N97 handset at a curtain-raiser in Dhaka yesterday. The Nokia N97, the company's first device to feature a 'personalisable home screen', comes with a range of widgets like key social networking destinations Facebook and Hi5, news services and live weather information. The handset will be up for sale in Bangladesh from July 1.