

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.

B-4

Contact Us

If you have views on Star Business or news about business in Bangladesh, please email us at business@thedailystar.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 (FCCI), the apex trade body, demanded a comprehensive economic stimulus package to combat the impacts of recession and keep industries and employment on track.

The FCCI 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.

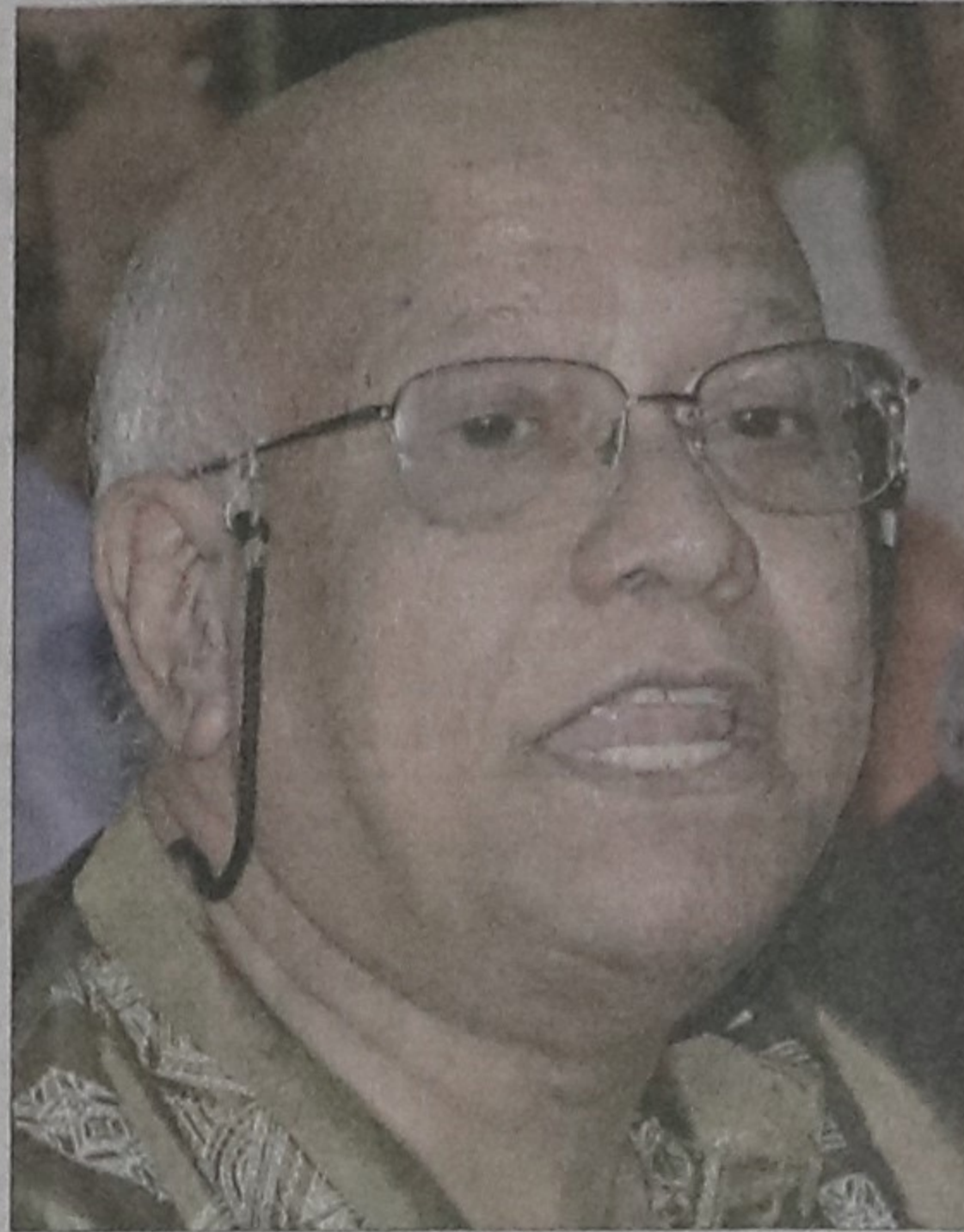
The FBCCI and Dhaka Chamber of Commerce and Industry proposed that the budget for fiscal 2009-10 should allow investment of untaxed money in the industrial sector and capital market, while the MCCI opposed it.

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

for the first nine months of the current fiscal year.

The effects of recession have also begun to pinch the country's industrial sector. The Bureau of Bangladesh Statistics estimates that growth in the industry sector would fall to 5.9 percent in fiscal 2008-09 from 6.8 percent last year.

The growth in the services sector would also decline slightly to 6.3 percent from the previous year's 6.5 percent.

The growth in export earnings has been decelerating steadily, falling from 42.4 percent in the first quarter of the current fiscal year to 19.4 percent in the first half and just 14.5 percent for the first nine months. Import payments during the first nine months rose by 12.4 percent, far below 23.9 percent for the same period of the previous year.

The only silver lining for the finance minister is falling prices of essentials and oil and a significant growth in the agriculture sector -- 4.6 percent this year from 3.2 percent a year ago.

Analysts however said revival of the economic activities would depend largely on how the government gives policy and stimulus support.

Zaid Bakht, research director of Bangladesh Institute of Development Studies, said growth of the industry would depend on how the government takes measures to stimulate the sector.

"Stimulating the domestic market will be a big challenge for the finance minister," said Prof Mustafizur Rahman, executive director of the Centre for Policy Dialogue.

sajjad@thedailystar.net

Entrepreneurs seek budget for growth

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.

Rezauddin Al-Mamoon, managing director of Epyllion 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.

reefat@thedailystar.net

GP CEO demands tax overhaul

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.

MMI

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 body also urged the Bangladesh Bank (BB) to cut further the lending rate to help improve investment situation.

"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 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.

"We maintain that the spread between deposit and lending rates should be reduced," said the chamber president.

"But we strongly feel that more remains to be done, particularly in determining the interest rate struc-

ture at the earliest," he said with caution that economy is deemed to be affected by second (through impact on credit) and third wave (through impact on the consumer economy), although it has been spared from the first wave of the global financial crisis.

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.



STAR

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.