

DHAKA TUESDAY AUGUST 25, 2009

Stocks

DGEN	0.18%
	2,991.26
CSCX	0.65%
	6,642.45

Asian Markets

MUMBAI	2.55%
	15,628.75
TOKYO	3.35%
	10,581.05

SINGAPORE	2.65%
	2,612.33

SHANGHAI	1.10%
	2,993.43

Currencies

Buy Tk	Sell Tk
USD 69.06	69.06
EUR 98.97	98.99
GBP 113.91	113.95
JPY 0.73	0.73

SOURCE: BANGLADESH BANK

Commodities

Gold	▲
	\$952.50 (per ounce)
Oil	▲
	\$73.05 (per barrel)

SOURCE: APP

News in Brief

Britain free of recession: Survey

AFP, London

A record recovery in Britain's business confidence signals that the country's recession "is at an end," an industry body said on Monday.

Optimism among professionals moved to its highest level for two years in the current third quarter, according to research by the Institute of Chartered Accountants in England and Wales (ICAEW).

The confidence measure jumped from minus 28.2 to 4.8, the largest quarterly improvement since the survey began in 2003.

The group's third quarter survey "suggests that the UK recession is at an end," said ICAEW chief executive Michael Izza.

JAL considering 5,000 job cuts

AFP, Tokyo

Cash-strapped Japan Airlines is considering cutting about 5,000 employees, or 10 percent of its group workforce, by March 2012, Kyodo News reported Monday.

Kyodo, quoting industry sources, said the cuts may be implemented through attrition and steps such as encouraging early retirement.

The report could not be immediately confirmed with Asia's biggest carrier.

On August 7, JAL announced drastic cuts to its flight services as it braces for a second straight year in the red amid a slump in demand, particularly from business travellers, caused by the global downturn.

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MCCI backs fiscal steps to check inflation

STAR BUSINESS REPORT

The cause of concern is the average inflation rate, which takes the heat mainly from supply-side bottlenecks, said Metropolitan Chamber of Commerce and Industry (MCCI) yesterday.

Instead of depending on the central bank's restrictive demand management policy, a greater reliance is needed to be placed on fiscal policy measures that would reduce inflationary pressure, the chamber suggested.

However, the average inflation rate came down to 7.2 percent in the fourth quarter from 8.1 percent in the third quarter of the immediate past fiscal year, the MCCI said in a review of economic situation (April-June 2009).

"The fall in the inflation rate primarily reflects the decline in food grains prices, a result of a bumper harvest," the review said.

"That the average inflation rate has started to rise again is a cause of concern," MCCI said.

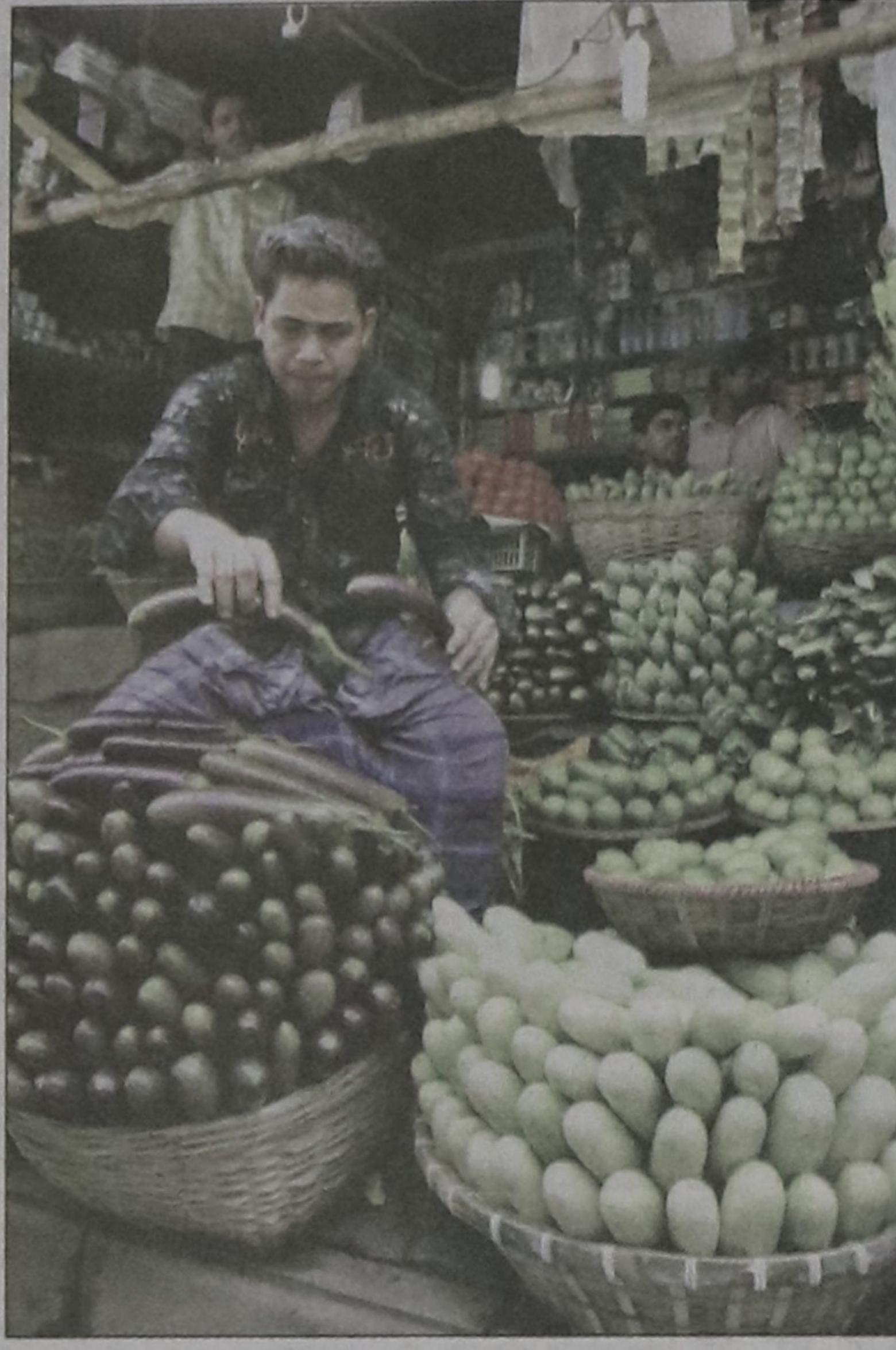
An all-round effort will need to sustain the higher growth of agriculture sector, which not only provides the country's much needed food security but also supplies essential raw material inputs for the manufacturing sector.

The mild recovery witnessed in the last quarter of fiscal 2008-09 was not sufficient to push up the GDP (gross domestic product) growth rate beyond 5.88 percent for that year.

There is no scope for complacency, despite the good growth of agriculture in the current fiscal year, said the MCCI.

Growth in the farm sector was reflected in an increase of 8.11 percent in primary commodities exports compared to 3.12 percent rise recorded in the same quarter of fiscal 2007-08.

The MCCI review also suggested the government should continue to provide and if necessary enhance



A greengrocer awaits customers at a kitchen market in Dhaka. Business leaders suggest fiscal measures to keep the inflation rate in check.

the prevailing subsidies on fertiliser, diesel and electricity to this sector in order to sustain the growth rate, as the FAO has already put Bangladesh on a list of 31 food-insecure countries.

Expansion in agriculture largely offset the slow growth in manufacturing and electricity and the decline in mining sector production.

Credit policy was made less

restrictive in the review quarter, reflecting the new government's pledge to promote growth and tackle the adverse impact of global recession, the review observed.

Some expansion took place in aggregate spending compared to the previous quarter. This expansion occurred in both private sector spending and government's

investment and current expenditure, the review said.

The MCCI blamed the under-developed physical infrastructure, insufficient and irregular power and gas supply, high interest rates on bank loans, and a host of non-economic factors like deteriorated law and order situation for the lower growth of industry and services sectors.

"Slow growth of electricity and gas sub-sectors, in particular, poses a threat to the industrial growth," the review said.

"Classification of industry by export ratios reveals that the production of woven garment, knitwear, footwear and terry towels displayed a positive growth in Q4 of FY09, while the growth in petroleum by-products, chemical products, leather, textile fabrics, home textiles and ceramic products significantly decelerated."

The review said the disbursement of industrial term loans during the third quarter of FY09 was Tk 4,234 crore, which was 6.1 percent higher than that in the second quarter.

"In the Q2 of FY09, disbursement of industrial term loans was Tk 3,990 crore and recovery was Tk 2,985 crore," the review said.

"We urge the government to speedily complete the preparatory work so that the process of implementing the Public-Private Partnership (PPP) programmes can begin around the middle of the present fiscal year," the MCCI said.

The government could take some immediate measures like rehabilitation and maintenance of old power plants, and reduction of system loss that will enhance the medium term prospects and, to some extent, improve the present situation as well.

Extending the right type of policy supports like lower interest rates on bank loans, greater access to credit for the private sector, and tax facilities would be more effective than cash assistance in easing the impact of the recession on the productive sectors, the MCCI review said.

Banks look to fund PPP projects

SAJJADUR RAHMAN

Banks are considering financing public private partnership (PPP) projects actively in the wake of a sharp decline in domestic investment demand.

Currently, banks have excess cash in reserves, amounting to an estimated Tk 30,000 crore, nearly a third of the country's annual budget. The inter-bank call money rate has dropped to as low as Tk 0.10.

"We are ready to finance big infrastructure projects under PPP programmes but we want the government to formulate favourable regulatory policies and modalities as soon as possible," said Ali Reza Iftekhar, managing director of Eastern Bank Limited (EBL).

Banks are willing to finance roads, railways, mega power plants, ports and bridges.

"PPP can be an ideal strategy to finance infrastructure projects as an alternative to industrial lending," said the EBL boss. "I am confident about the returns as well."

EBL is the only bank in the country that is already financing a PPP project for the power sector. This year, the bank arranged a syndicated term loan worth Tk 77.5 crore for Regent Power Limited, to set up a 22-megawatt power plant in Chittagong.

But this is an international PPP project, not domestic one, he pointed out. The Investment Promotion and Financing Facility (IPFF), a project co-financed by the World Bank and the Government of Bangladesh, is providing Tk 62 crore out of the total project cost.

The EBL also co-organised a seminar on PPP last week to create awareness on domestic PPP projects.

PPP has become a buzzword in Bangladesh soon after the government announced its integration in the budget for fiscal 2009-10 in June and made an allocation of Tk 2,500 crore to PPP.

However, it seems the government is not in a hurry to formulate legal framework and other processes involved to support implementation of PPP.

"As a banker, I want to see the regulatory framework and modalities before funding a PPP project," said Helal Ahmed Chowdhury, managing director of Pubali Bank.

"Money is not a problem for the banks at the moment," said the managing director of EBL.

Bangladesh's banking industry is comprised of 48 banks, of which, 30 are local private, nine foreign and nine government owned banks.

Private commercial banks are increasingly getting involved in syndicated financing to fund big projects, to share costs and minimise risks as well.

"Banks could participate in funding PPP projects under syndication deals," said the Pubali Bank managing director.

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Mobile operators add 1.28m customers



networks amid a stiff competition in the market.

But as subsidising had become a burden for the operators to touch breakeven, all of them demanded withdrawal of SIM tax and stopped paying for customers a year ago.

"Such price war is not good for the market. But most operators are compelled to join the race to keep their existing position in the market," said Zakiul Islam, president of the Association of Mobile Telecom Operators Bangladesh.

Islam said there was a consensus among operators on subsidising SIM (subscriber identity module) anymore. But when the budget ruled out any possible tax withdrawal on SIM, operators one after another came back to the price war.

The total number of mobile phone customers stood at 47.97 million in July. Grameenphone still leads the market with 21.15 million customers, followed by Banglalink's 11.27 million and AKTEL's 9.90 million in July.

Industry insiders said the price war is already in place with the AKTEL's Tk 199 per connection offer. Then Warid came up with a Tk 250 offer for Tk 300 per connection, followed by Banglalink's Tk 200.

The top player Grameenphone is completely absent from the new customers acquisition with the lowest price, as it is on retention stage with having 46 percent market share.

Although the government slapped SIM tax on new subscription, the operators used to pay the tax to add more customers to their



Poor monsoon rain has made the government think of a drought-tolerant rice seed for food-insecure Bangladesh.

Govt plans for drought-tolerant rice

SOHEL PARVEZ

The government has taken initiative to bring a drought-tolerant rice seed, Nerica, from Uganda in the face of mounting threat to food security amid looming climate change.

"We have advanced much in developing saline-tolerant rice seed. But a lack of progress in developing drought-tolerant rice seed has led us to look for Nerica," Agriculture Minister Matia Chowdhury told The Daily Star recently.

Developed by scientists of West Africa Rice Development Association, Nerica is a cross between an African rice variety and a high-yielding Asian variety.

"Our aim is to develop seeds for Aman and Aus crops to fight drought," he said.

Agriculture officials said

introduction of Nerica has increased rice production in Uganda and helped the landlocked East African country reduce its rice imports.

Scientists said Bangladesh Rice Research Institute (BRRI) had earlier developed high-yield varieties of rice seeds -- BR-42 and BR-43 -- to help farmers grow broadcast Aus during Aus season, which begins from April.

For another two big crops, Boro and Aman, there are no drought-tolerant rice seeds, said MA Salam, director (research) of BRRI.

They said erratic rain and drought-like situation might occur in future and suggested developing stress-tolerant variety to fight the impact of climate change and ensure better crop in about 9 lakh hectares of drought-prone land in the north.

The government initiative to bring in drought-resistant rice seeds comes at a time when poor monsoon rain threatens seasonal crop production in South Asian countries such as Bangladesh and India.

Bangladesh recorded 37 percentless rainfall in June.

Monsoon rainfall also remained low in the first 20 days of July putting farmers in the northern and central regions in trouble to transplant Aman crops and their green jute after a boom in production.

The situation however eased during the rest of the days of July due to excess rainfall.