Star Business

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Stocks

DGEN	▲ 1.28%	4,380.94
CSCX	▲ 1.35%	8,240.93

Asian Markets

MUMBAI	▼ 2.00%	16,854.93
TOKYO	▼ 0.62%	9,383.24
SINGAPORE	▼ 1.10%	2,762.22
SHANGHAI	▼ 3.62%	3,170.98

Currencies

	Buy Tk	Sell Tk
USD	68.50	69.50
EUR	101.63	106.97
GBP	112.59	118.07
JPY	0.77	0.83

SOURCE: BANGLADESH BANK

Commodities

Gold	▲	$1,195.13 (per ounce)
Oil	▲	$76.97 (per barrel) (Midday Trade)

SOURCE: AFP

No review for second stimulus, says Muhith

UNB, *Dhaka*

Finance Minister AMA Muhith gave cold shoulder to the malcontents over the second stimulus package for export-oriented industries.

"There is no chance for a review of the dole distribution," he told the Purchase Committee meeting in the secretariat yesterday.

The country's highest export-earning industry's apex trade bodies -- Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and Bangladesh Knitwear Manufactures and Exporters Association (BKMEA)-- are not too happy with the government's declaration. They made a strong plea for a review.

"They sought incentives for five years, we gave them for three years. They cannot get the benefit of the package without fulfilling the conditions," Muhith said.

On the stimulus package for the small and medium industries in the garment sector, the minister said the BGMEA has not yet given the details of their small and medium-size industries to the committee formed by the government.

"If BGMEA cannot provide the details, it will be their problem."

Terming readymade garment as the maximum assistance-recipient sector of Bangladesh, the finance minister said they gave a lot to this sector.

"How much more could we give?" he posed the question.

"Although the garment sector creates jobs in the country, they enjoy customs facilities. They do not need to give corporate taxes," he added.

Answering to a query, he said that they would consider ensuring pensioners' facilities.

On Wednesday, the government announced a second economic stimulus package for a payout of around Tk 1,000 crore to export industries to help them come out from the adverse impact of global recession.

Contact Us

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

SHOPPING ON THEIR WAY

People flock to makeshift shops near Baitul Mukarram Mosque in Dhaka yesterday, ahead of Eid-ul-Azha. Roadside shops clock up brisk sales from last-minute shoppers.

ANISUR RAHMAN

Monetary policy to focus on raising domestic demand

SAJJADUR RAHMAN

The central bank in the upcoming monetary policy will focus on driving domestic demand until the global economies recover, said a senior Bangladesh Bank (BB) official.

The BB for the first time is consulting different stakeholders, including chamber bodies, banks and businesses, before formulating the new biannual monetary policy to be announced in January.

"The policy will focus more on raising domestic demand. We didn't formulate such a detailed policy before," said Habibullah Bahar, economic adviser to the central bank.

The BB released in July an expansionary monetary policy statement for a six-month period up to December.

The policy took a stance to extend credit to agriculture, small and medium enterprises (SMEs), rural economy, housing, shipbuilding and rural energy.

However the country is facing a sharp decline both in global and domestic demand despite the BB's expansionary monetary policy. Banks are overflowed with cash and finding no avenues to invest in, mainly due to energy crisis.

According to BB statistics, private sector credit growth went down to below 14 percent in September, the lowest in the last two years. The credit growth was 14.26 percent in August.

The banks lent private sector, including companies, flat buyers, consumers, farmers and traders, Tk 27,200 crore in September this year, while the figure was over Tk 41,800 crore in the same month a year ago.

Even a sharp cut in repo rate from 6.5 percent to 4.5 percent could not stimulate private sector demand. By repo the central bank sells money to the commercial banks.

Inflationary pressure is also mounting in the wake of a hike in commodity and fuel prices in the global markets. International Monetary Fund has also hinted a rise in inflation that may reach a double-digit level at the end of the year.

"The new policy will help generate inward-oriented demand and employment," the BB economic adviser said.

He said raising domestic demand will be prioritised as the global recovery is lingering.

The policy will give importance to the SMEs and agriculture to boost demand, he added.

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Tax cut for industrial raw materials

SAYEDA AKTER

The National Board of Revenue (NBR) has reduced taxes on some industrial raw materials in a new tariff structure to help local manufacturing industries and real estate to grow faster.

The VAT Department of the NBR issued a statutory regulatory order (SRO) in this regard yesterday.

In the new tax structure, tariff on production of corrugated iron (CI) sheet from hot rolled (HR) coil has been reduced from Tk25,500 to Tk18,500.

Cold rolled (CR) coil, galvanised plain sheet and CI sheet are the sub-products of HR coil, a basic raw material for making tin, window, door, steel cupboard, ceiling fan and tube light box.

Earlier manufacturers had to pay tariff of Tk 10,000 for producing CR coil from HR coil, and Tk 15,500 for making CI sheet from CR coil, totalling Tk 25,500.

The NBR has reduced tariff in every stage of production of CR coil or CI sheet from HR coil.

The tax administration has fixed different tariffs to create a level-playing field for those companies who have to pay more tax for not having the facilities to produce CI sheet directly from HR coil.

"We have reduced tariff, as local manufacturers have been demanding it for long. We hope this reduction will help importers and manufacturers cut their production cost," said a high official of the VAT (value added tax) Department.

"Now the government will be able to collect more revenue than before," he said.

He said the manufacturers would be able make high quality products, including CI sheet (tin), window, door, steel closet or cupboard, ceiling fan and tube light box that have a huge demand in the local market.

Kazi Salahuddin Ahmed, deputy general manager of Galco Steel (BD) Ltd, said they were facing uneven competition with imported finished products.

"Earlier the production of CR coil and CI sheet from HR coil was under the same tariff and VAT registration, which led to uneven practices over the cost of production," he said, adding: "It often compelled us to pay excess VAT."

"Now we will be able to compete with the imported finished products and make things at lower costs that will increase production."

Mohammad Nasir Ullah, vice president of Bangladesh Iron and Steel Importers' Association, said the government decision would help the importers of HR coil, ultimately benefitting the steel product manufacturing and the real estate sectors.

Abdur Razzaque, president of Bangladesh Engineering Industry Owners' Association, said the prices of raw materials will witness a decline, helping the sector grow faster.

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Bangladesh Development Bank eyes January launch

MD HASAN

The much-awaited formation of state-owned Bangladesh Development Bank Ltd (BDBL) has reached the final stages with its registration completed with the Office of the Registrar of Joint Stock Companies and Firms.

The central bank also approved a plan for BDBL to run as a scheduled bank.

The registration was completed on November 16.

A merger between Bangladesh Shilpa Bank (BSB) and Bangladesh Shilpa Rin Sangstha (BSRS) shaped up into BDBL.

Officials say BDBL will be able to launch operations in January 2010, with industrial financing, commercial banking and merchant banking at the heart of its services.

"This is a good step taken by the government," said Md Mizanur Rahman, managing director of BSRS. "We expect BDBL to compete with other commercial banks."

The incorporation and business of commence have been permitted by the government, he said. It will sign a vendor agreement with the government soon.

KEY FACTS

- **Shilpa Bank and Shilpa Rin Sangstha were established in 1972 to provide loans and facilities to industrial units**
- **The two organisations provided Tk 1,890 crore to 243 projects**
- **From the 90s, the organisations have been facing problems in providing funds**
- **In 2008, formation of Bangladesh Development Bank Ltd (BDBL) was proposed**
- **BDBL received approval from the central bank and joint stock companies registrar in November 2009**
- **The bank is expected to launch commercial activities by January 2010**

BSB and BSRS, with almost similar functions, were established in 1972 to provide loans and facilities to industrial institutions, help set up new industries and expand investment in Bangladesh.

But the two companies failed to meet expectations. In 1992, the government moved to privatise BSRS, which remained unaccomplished due to some complexities.

The companies' board will sit on December 8 to fix a vendor agreement schedule with the government, the BDBL organogram, employee pay structure and select office space for the bank's headquarters.

As per merger plans, the accounts of the two organisations will be consolidated by December 2009.

The paid-up capital of the merged company will amount to Tk 400 crore. The present paid-up capital of BSB is Tk 200 crore, and Tk 70 crore for BSRS. Making adjustments to the reserve funds of the two companies will raise the capital. In the meantime, BSRS raised its funds to Tk 200 crore.

As per BDBL's operational plans, the banks will operate across the country by setting up branches at district levels. At present, BSB has 15 branches while BSRS has two.

BSB and BSRS have financed 174 and 69 projects so far, according to the companies' websites. As many as 1,000 officials are working for the two organisations.

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Pran to double farm produce procurement

SOHEL PARVEZ

Pran has set a target to double investment in agricultural produce procurement, mainly from contract growers, to boost sales in domestic and export markets.

The leading processed-food maker will buy agricultural produce worth Tk 400 crore in 2010, officials said.

Until November 2009, Pran has purchased various agricultural products worth around Tk 200 crore from farmers.

"We have planned to increase the raw material procurement to expand business and serve rural farmers," said Kamruzzaman Kamal, marketing director of Pran-RFL Group.

The entity with turnover in excess of Tk 900 crore will buy mangoes, aromatic rice, pineapples, tomatoes, fresh milk, spices, peanuts, mung, potatoes and mustard from farmers, mainly in the north.

Pran that exports to more than 70 countries plans to cash in on the growing market for agro-processed foods.

"We will purchase mainly from our contract farmers. We believe such direct buying helps farmers get fair prices as it reduces scope for middlemen to make extra gains," said Kamal. Pran procures agricultural produce from more than 10,000 contract growers.

Of the Tk 400 crore purchase plan, a fourth or Tk 100 crore will go into procuring mangoes to extract the pulp that makes mango flavoured juice and strengthen its position in the mango drink segment.

Currently, more than 10 local and foreign brands are competing in the category to dominate the rising mango-flavoured drink market.

Pran bought mangoes worth Tk 70 crore from farmers this year.

This year, aromatic rice, fresh milk, tomatoes and spices will account for most of the procurement.

"We have close connections with farmers in rural areas," said Kamal, adding that the contract farmers are offered market prices.

"We have contract growers in various districts such as Rajshahi, Natore and Chapainawabganj. They produce tomato, aromatic rice, mango, peanut, milk and spices."

Kamal said the company wants to bring in more farmers under contract next year to ensure guaranteed supplies of fresh agricultural produce.

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