Star Business

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Stocks

DGEN	▲ 1.36%	5,825.88
CSCX	▲ 1.41%	11,016.65

Currencies

	Buy Tk	Sell Tk
USD	68.65	69.65
EUR	82.79	88.31
GBP	97.73	103.47
JPY	0.73	0.78

SOURCE: STANDARD CHARTERED BANK

Commodities

Gold	▲	$1,249.40 (per ounce)
Oil	▼	$71.61 (per barrel)

SOURCE: AFP (As of Friday)

Falling GDP is a major downside

Analysts suggest a boost to manufacturing sector

REJAUL KARIM BYRON

BUDGET IN MIND

> The biggest problem lies with exports. Growth may not be on par with the last fiscal year

A persistent fall in economic growth in the last three years has emerged as a major concern in Bangladesh, say analysts.

There is a gap of around 0.5 percentage point in GDP growth projections by the government and donors for the current fiscal year.

The official projection is 6 percent, while donors, including the International Monetary Fund, say it is no more than 5.5 percent.

"GDP growth has been down for the three straight years whereas it needs to shoot up to 8-9 percent," says Mustafizur Rahman, executive director of the Centre for Policy Dialogue.

Between 2007-08 and 2008-09, the growth marked a downtick of 0.25 percentage point a year.

According to an IMF report, Bangladesh's GDP growth this time is expected to be 5 percent compared to the previous year's 5.9 percent, due largely to sluggishness in the readymade garment sector.

The lending agency suggested that such growth should pick up next fiscal year moderately on more supportive external conditions, but the balance of risks is slightly on the downside.

"Persistent water, gas and electricity disruptions, spillover effects on domestic demands from this year's possibly weaker-than-expected boro crop, and some unevenness in the global recovery, notably in Europe, could temper growth," it said.

Bangladesh Bank's recent analysis pointed out that despite fears of slow-down in the real sector growth because of the global recession, all direct and indirect indicators of economic activities are pointing to a very similar growth rate in FY10 that the Bangladesh economy has been witnessing during the last 5 years.

Agriculture provides a silver lining in the gathering gloom.

The ratio of the farm sector's contribution to GDP is dominated by rice yield. The bumper rice production reached around 3.42 crore tonnes last fiscal year, the central bank said, expecting a similar yield this time.

The agriculture ministry data shows aus and aman crops exceeded the output target. Boro production is also expected to cross the target.

Investments are also picking up although sluggishness defined the scenario in the beginning of this fiscal year. Bangladesh Bank data shows a 51.61 percent rise in the opening of letters of credit to import capital machinery in July-March.

In the same period, such L/C opening for industrial raw material imports increased 9.57 percent.

Pointing to the fact that construction, education, health and banking sectors showed a positive trend last year, a high official of the central bank expects similar growth this time.

Atiur Rahman, governor of the central bank, said: "We've fixed the growth rate at 6 percent. We're working hard to reach the target."

All indications are gradually picking up, he says. However, the economy was a bit slow in the first six months of this fiscal year, Rahman points out.

The growth in exports has now turned 'near-positive', which was "deep negative", he said.

"Our biggest problem lies with exports. The growth in this sector may not be on par with the last fiscal year, but it's likely to be 7-8 percent."

CPD's Mustafizur Rahman thinks GDP growth may be 5.7 percent to 5.8 percent this fiscal year. "A continuing fall in GDP growth for three years is the first in 15 years. To overcome this, we have to raise production."

The private think-tank official said the farm sector growth was good in the past several years.

Fearing difficulties in maintaining this momentum, he suggested that the country's main growth has to come from manufacturing and service sectors.

For this, both local and foreign investments have to be increased, which will require congenial atmosphere, he added.

Removal of deficiency in infrastructure, power and energy can make the atmosphere conducive to investments, he said. "To increase growth, we'll have to take full advantage of the recovery in the global market."

Islamic Economic Forum starts tomorrow

DIPLOMATIC CORRESPONDENT

Six business deals are expected to go through at the 6th World Islamic Economic Forum (WIEF) that will begin tomorrow in Kuala Lumpur.

The deals are on banking, information technology and trade sectors.

Other business opportunities in Islamic banking, halal food, education and green technology will come up under the agreements.

Countries, including Bangladesh, Syria, Senegal, Indonesia, Iraq, Pakistan, Kazakhstan, Egypt and India, will participate in the three-day event.

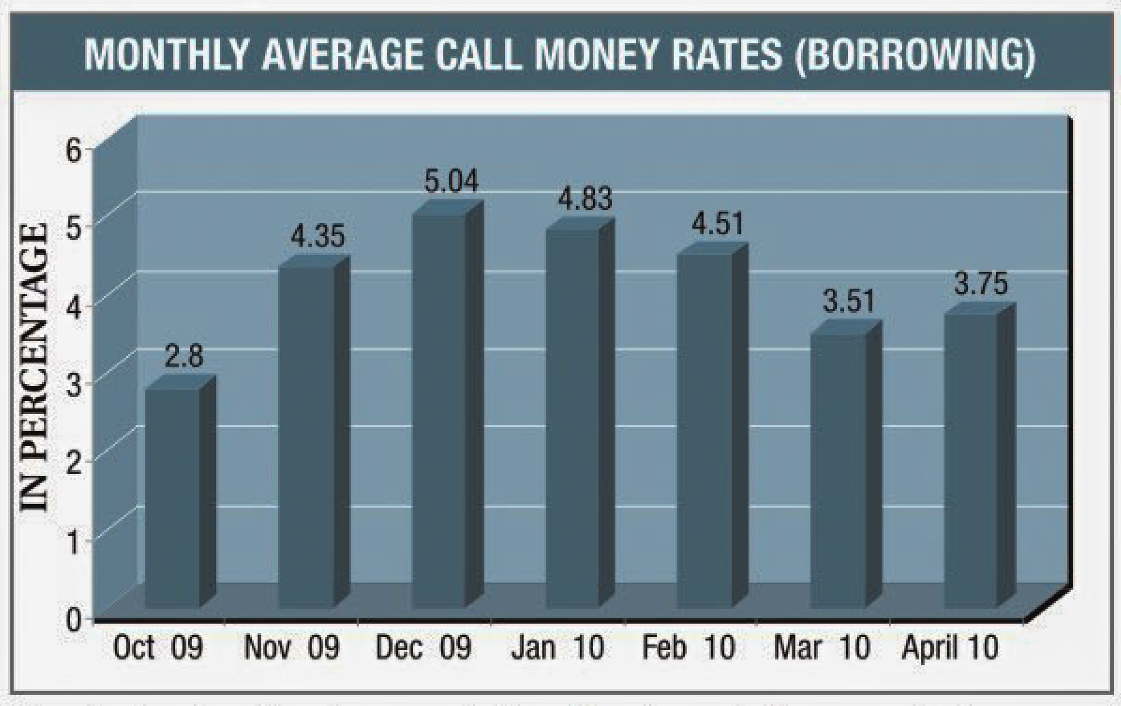
The WIEF aims at providing a platform for businessmen of the member countries. There will be sessions on climate change, business innovation and leadership.

Prime Minister Sheikh Hasina will attend the WIEF and address the opening session. Malaysian Prime Minister Najib Tun Abdul Razak will inaugurate it.

Hasina will also hold bilateral meeting with her Malaysian counterpart to discuss manpower export from Bangladesh.

Call money rate soars

SAJJADUR RAHMAN



Inter-bank call money rate shot up abnormally yesterday following a hike in cash reserve requirement (CRR) by 50 basis points, according to market players.

The rate reached 9.5 percent, the highest since February 2009, and had been hovering between 0.5 percent and 5.5 percent over the past one year.

Bangladesh Bank earlier this month announced to increase the CRR by 50 basis points to 5.5 percent from May 15. But the decision came into effect yesterday, as May 15 was a holiday.

"An increase in CRR has fuelled the money market," said Ashim Kumar Saha, head of treasury of NCC Bank.

According to the central bank, the CRR rate hike will mop up nearly Tk 1,500 crore from the market, which it said would help contain the mounting inflationary pressure.

But Motiur Rahman, head of treasury of Prime Bank, said the BB decision not to assist primary dealer banks with normal liquidity support has also led to the money market volatility.

The central bank's decision to hike up SLR (statutory liquidity ratio) by 50 basis points to 10.5 percent for the Islamic banks also increased the demand for money in the market. This decision also came into effect yesterday.

According to the market players, most of the local banks, particularly private ones, faced liquidity crunch yesterday. Only the foreign banks and state-owned Sonali and Agrani banks did not feel the shortage of money, they said.

The operators said borrowing by non-bank financial institutions has also fuelled the demand for money.

Syed Abu Naser Bukhtear Ahmed, former managing director of Agrani Bank and former chairman of Bangladesh Foreign Exchange Dealers' Association, said it is a 'temporary phenomenon'.

"I hope the volatility in the money market will go away soon."

Ahmed said: "It is right that a rise in CRR has helped the Bangladesh Bank wipe out the surplus liquidity from the market, but there are other reasons for the shortfall in money."

A boost in agriculture and SME (small and medium enterprise) loans may have created the cash shortage in the banks, he said.

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New hotel zones in Cox's Bazar

ALPHA ARZU

The land ministry has proposed four new exclusive hotel and motel zones in the main tourism hub of Cox's Bazar.

The zones are Baradale Hotel-Motel zone sprawling on 57 acres, Shilkhali-1 zone on 100 acres, Shilkhali-2 on 112 acres and Sabrang Island zone on 961 acres.

The government will encourage the construction of shopping malls and amusement parks with car parking at the zones for tourists, officials said.

The decision comes as the sector promises to create employment, attract local and foreign investment and boost revenue, said a high official, who attended a meeting at the land ministry yesterday.

Land Minister Rezaul Karim Hira chaired the meeting, also attended by State Minister Mustafizur Rahman.

For these zones, the government will allot about 165 plots, with each having at least two acres and a maximum of three.

The government will take about 380 acres of land from private owners and give 875 acres from government fallow land.

The government took the decision as the 230 hotels and motels in Cox's Bazar can accommodate only 70,000-75,000 tourists, while the number of tourists crossed the 150,000 mark last winter.

"The move will encourage both local and foreign tourists to visit the world's longest sea beach, which will help the country earn more revenue," said Land Secretary Atharul Islam said.

To explore tourism, the government will also have to plan the construction of more amusement parks and ensure tourist security, he said.

According to the civil aviation and tourism ministry, the state tourism body earned Tk 5.49 crore in July-March from its 17 commercial units.

The ministry statistics also showed that 4.35 lakh foreign tourists visited Bangladesh in 2009, which was a sharp rise from 3.82 lakh in 2008, 2.65 lakh in 2007 and 2 lakh in 2006.

United Airways IPO subscription begins

STAR BUSINESS REPORT

United Airways opened its primary shares for public subscription yesterday to raise Tk 100 crore to procure two wide-bodied aircraft to expand international operations.

The airline said it would float one crore shares with a Tk 100 per share. Subscription for resident Bangladeshis will close on May 20. The deadline for non-resident Bangladeshis has been set for May 29.

Bank Asia, Social Islami Bank, National Bank, Standard Bank, Southeast Bank, Export Import Bank of Bangladesh, One Bank and Investment Corporation of Bangladesh are receiving subscription forms. Non-resident Bangladeshis have been asked to submit subscription forms directly to Dhaka Zila Krira Sangstha in Motijheel instead of the company's headquarters.