Star Business

DHAKA MONDAY JULY 5, 2010

Stocks

DGEN	▲ 1.03%	6,217.07
CSCX	▲ 0.22%	11,720.64

IDLC Index

IDLC 50	▲ 0.69%	6,616.27

Subject to Conditions contained in www.idlc.com

Currencies

	Buy Tk	Sell Tk
USD	69.50	69.52
EUR	87.22	87.27
GBP	105.57	105.63
JPY	0.79	0.79

SOURCE: BANGLADESH BANK

Deep cuts in income from savings tools

Govt issues circular; decision effective from July 1

REJAUL KARIM BYRON

The government has cut interest rates on savings certificates, including Wage Earners Development Bond meant for expatriate Bangladeshis, by 1.5-2 percentage points.

The new rates came into effect from July 1, according to a circular issued by the Internal Resources Division yesterday.

Now the highest rate of interest is 11 percent, which was 12.5 percent earlier.

From July 1, 10 percent taxes will be imposed on earnings from all savings instruments except three: Pensioner Savings Instrument, Family Savings Instrument and Wage Earners Development Bond.

The interest rate for five-yearly savings certificates has been fixed at 10.50 percent, which was 12 percent previously, for three-monthly profit-bearing savings certificates 10 percent, which was 11.50 percent earlier, and for pensioner savings certificates 11 percent, which was 12.5 percent.

The interest rate on Wage Earners Development Bond has been set at 10.50 percent. Earlier it was 12 percent.

The earlier rate of interest on savings deposits with the post offices was 12 percent. Now it has been lowered to 10 percent.

The National Board of Revenue also issued another circular with regard to the tax cut at source. Earlier, up to Tk 1.5 lakh profit on the savings instruments was tax-free.

The three-yearly National Investment Bond has been closed. At the time of buying the savings certificates, a beneficiary must show and write the number of National ID card on the prescribed form.

The circular also said the interest rates and terms and conditions will remain valid till maturity of the instruments purchased before July 1, 2010.

Meanwhile, the new move evoked sharp reactions from the beneficiaries of saving instruments.

Sonia Islam, 30, a housewife in Dhaka, said she is upset to see the reduction in interest rates on savings certificate.

"I invested in savings certificate expecting a higher and secured return. Housewives will now feel discouraged to invest in the tool," she said.

"The government's decision will adversely affect our future plan," said Shirin Akhtar of Moghbazar area in the capital.

Akhtar bought some savings instruments from post office.

A high official of the finance ministry argued that the new step has been taken so that savings of the people are invested and the government expenditure on payment of interest is decreased.

According to Bangladesh Bank statistics, the sales of savings instruments went up by 70 percent in the July-March period of the immediate past fiscal year compared to the same period a year ago.

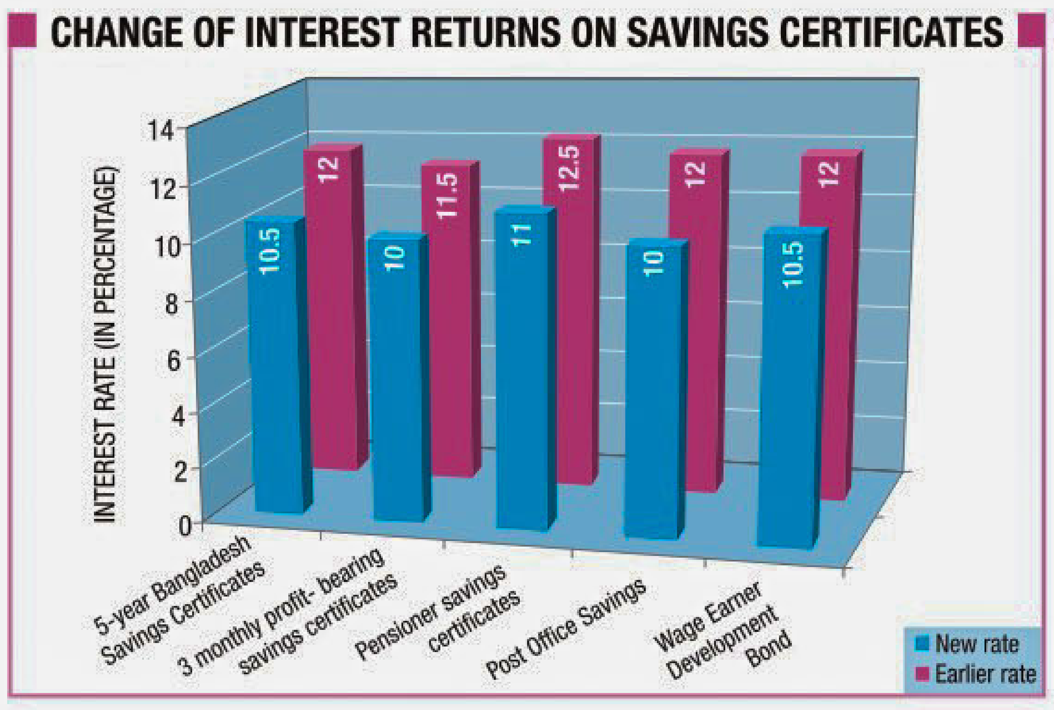
After March the government's total borrowing from the savings instruments stood at Tk 58,320 crore.

A committee, formed by the central bank to reset the interest rates on savings instruments, recommended that the interest rates be market-based. This body also said such interest rates could be set considering the interest rates of different bonds of the same tenure.

The committee in its report pointed to the fact that the existing average rate of interest on the five-yearly bond is 7.85 percent, while the rate on five-yearly savings instruments is 12 percent. It said the expenditure for paying the interests on loans taken through the savings instruments is much higher.

The report said if the interest rates on the savings instruments are higher, the banks might suffer from liquidity crisis and they would not be able to increase the rate of interest on deposits.

CHANGE OF INTEREST RETURNS ON SAVINGS CERTIFICATES



RMG exports to Japan rise

REFAYET ULLAH MIRDHA

Garment exports to the new destination of Japan maintained a high growth rate in July-April of fiscal 2009-10 riding on the back of high demand for Bangladeshi apparel items there.

According to data from state-owned Export Promotion Bureau, Bangladesh exported knitwear items worth $60.02 million in the first 10 months of the immediate past fiscal year, which was $18.15 million in the same period of fiscal 2008-09.

In the July-April period of fiscal 2009-10, knitwear exports to Japan grew by 230.65 percent. Bangladesh logged $89.87 million in earnings from woven garment exports, registering a robust 121.46 percent growth over the same period a year ago.

Data showed that RMG exports to Japan were worth $74.38 million in fiscal 2008-09, compared to $28.04 million in fiscal 2007-08.

Exporters said RMG exports to Japan are buoyant as the Asian giant reduced its dependence on China, the largest supplier of apparel items globally because of the government's recent adoption of the China+1 policy.

A major exporter to Japan said Japanese importers are coming to Bangladesh for competitive prices and the labour crisis in China. Japan was dependent on Chinese apparel makers over the last 20 years.

"Moreover, the Japanese government has recently decided to divert outsourcing of apparel items to other countries, like Bangladesh and Vietnam," he said, requesting anonymity.

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Workers pass a busy day at a garment factory. RMG exports to Japan were buoyant in the first 10 months of the immediate past fiscal year.

The Bangladesh government's incentives for entering new destinations is also inspiring exporters to achieve the high export growth to Japan, he said.

He said many Chinese manufacturers are failing to carry out the orders because of a shortage of labour, higher wages and continuous labour unrest.

"Bangladesh should deepen diplomatic relations with Japan, so that we continue such export growth to this potential market," he said.

However, he warned that if the government fails to provide an adequate supply of gas and power to the manufacturing units, exporters would not be able to maintain the lead-time set by international buyers.

"If this happens, we will lose our potential customers."

Viyellatex Group Chairman and Managing Director David Hasanat said Bangladesh has a lot of opportunity in the Japanese market, as the big buyers of the country are entering Bangladesh.

He said the Japanese apparel market is worth more than $35 billion a year. "We have an opportunity to grab a significant amount of this figure if we go for aggressive marketing drives."

reefat@thedailystar.net

Tiny business tumbles on fall of WC giants

SOHEL PARVEZ

It was a gloomy Sunday morning for Kamal Hasan Prince. He displays jerseys of Argentina and Brazil at his makeshift shop on a busy footpath near Sonargaon Hotel in Dhaka.

"The excitement among the fans seems to have dwindled after the exit of the two teams," the 42-year-old hawker said.

Prince wanted to clear stocks and slashed the prices of each jersey by 40 percent to Tk 60. A week ago, he sold each at more than Tk 100. These T-shirts have lost their lustre.

"On Saturday morning, I sold a dozen Argentine jerseys. Demand for T-shirts of both the teams was high. Not anymore," he said.

The slump in demand came with the exit of the two teams in a space of as many days. Bangladesh has been obsessed with the two South American nations in the World Cup (WC) tournament for decades.

Prince was lucky not to have a huge stock of jerseys to clear. But he feared that his neighbour would face difficulty.

"He sold only jerseys to cash in on the world cup. Today, he did not even open his store. I am afraid his losses will be greater than mine," he said, who has six jerseys remaining to sell.

Fans had adorned houses and cars with colourful flags and wore jerseys and armbands to express their loyalty to their favourite teams, in hopes that they would secure the cup.

The fall of the two soccer giants also cast a shadow over the prospect of television sales in the remaining days to the final on July 11. Electronics retailers placed various promotional offers and discounts to attract buyers.

"We are a bit upset. Market sentiments will ultimately sink due to the departure of the two," said Mohammad Zane Alam, deputy-marketing manager of Rangs Electronics, distributor of Sony televisions.

He said television retailers log a rise in sales prior to the final match, when these two teams stay on.

"So far, our sales are fine. But it may drop below expectations," said Mahbub-ur Rahman, director of operations of Butterfly Marketing Ltd, which sells LG televisions.

The world's biggest tournament also boosted demand for projectors to view the matches on large screens in open spaces. Industry insiders said the sales of projectors would also drop.

However, companies that have promoted their products by taking advantage of the fact that thousands are hooked on to their television screens are more or less relieved that their spending was worthwhile, as the teams made their exit almost towards the end.

"I think the World Cup's impact has been quite substantial. The exit of Brazil and Argentina has come at the fag end and I don't think it will have much impact on advertising spending or its effectiveness," said Nazim Farhan Choudhury, managing director of Adcomm Ltd.

"If Argentina and Brazil left at the beginning, there would have been a big impact, as many would have turned off their TVs," he said.

With a few matches remaining, Choudhury said it would not have a major impact on viewership and thereby, would help advertisers fulfil their objectives.

sohel@thedailystar.net

Asian nations to cash in on rising China wages

AFP, *Jakarta*

Labour costs and the value of China's currency are sending ripples around Asia as countries jostle to lure manufacturers that are rethinking their Chinese operations, analysts and officials said.

Worker unrest at foreign-owned factories and the prospect of higher wage costs are forcing some manufacturers to consider countries such as Bangladesh, India, Indonesia and Vietnam, where wages remain relatively low.

Indonesian Trade Minister Mari Pangestu said in January that there was a "permanent trend" of shoe manufacturers shifting from China to Indonesia, resulting in 1.8 billion dollars of investment over the last four years.

Bangladesh, which has the lowest minimum wage in the world at just 25 dollars a month, is poised to reap the benefits as long as it can resolve its own chronic labour disputes and fix its crumbling infrastructure, experts say.

"Bangladesh has a huge opportunity to capitalise on rising costs in China," said Ifty Islam, an investment banker at Dhaka-based Asian Tiger Capital.

"But it is difficult to get more foreign firms to come if we can't prevent labour unrest," he said.

Bruce Tsao, an analyst with Capital Securities in Taipei, said dramatic wage hikes in the mainland were "adding more woe to labour-intensive industries in China already troubled by low profit margins".

"Such factories may not move out of China soon, but the trend is inevitable in the long term," he said.

Taiwan's Feng Tay Group, which supplies about one sixth of Nike sports trainers, said it was planning to boost production in India as its Chinese manufacturing base shrank.

NBR upbeat on large taxpayers

SAYEDA AKTER

The National Board of Revenue (NBR) beat its target of collecting revenues from large taxpayers in the just-concluded fiscal year.

The tax administrator logged more than 6 percent growth over the target mainly because of its enhanced collection efforts.

The board's Large Taxpayer Unit (LTU) has collected Tk 6,165 crore against the target of Tk 5,800 crore, with Grameenphone paying the highest.

The leading mobile phone operator paid taxes of around Tk 750 crore last fiscal year, a sharp rise from Tk 535 crore in FY2008-09, according to NBR data.

Islami Bank and Standard Chartered Bank ranked second and third, paying Tk 333 crore and Tk 250 crore respectively.

The tax body sees the rise in collection as an achievement.

Syed M Aminul Karim, member (tax) of NBR, said the board launched an improved 'action plan' that enhanced the growth in revenue collection from the country's large tax-paying companies and individuals.

"The growth came because of the strong drive of the board to promptly collect revenues. The LTU launched an action plan to visit different companies for a quick examination of wealth and introduced e-filing system to ease collection," he said.

The board also formed a taskforce to collect taxes at source, which ensured a strong monitoring system and pushed up the growth, the official said.

Besides, the Central Audit Cell of NBR strengthened its drive to realise default tax and collected more than Tk 50 crore last year.

However, the response to online payment system was low, as only 40 large taxpayers responded online until January 2010.

The LTU has a total of 987 taxpayers -- 279 corporate and 708 individual taxpayers.

Karim said the LTU also increased the number of audit teams for a quick assessment of both normal and audit cases, and to collect data from different organisations to examine tax evasion complaints.

This helped the LTU achieve 25 percent of its annual target in the first month of last year, he added.

However, the tax administration body had to face some challenges to meet the revenue collection target last fiscal year.

sayeda@thedailystar.net