

Rod price hike troubles realtors, contractors

SOHEL PARVEZ

Realtors and contractors count extra money due to soaring rod prices.

Many of them, especially those with a low capital base, now consider slowing down their construction works. Some realtors plan to hike the prices of unsold apartments to cope with the increased costs for rods, they said.

Prices of MS rod (60-grade) rose 14 percent to Tk 62,000-Tk 65,700 each tonne in the last one month. The 40-grade MS rod climbed 17 percent to Tk 59,000-Tk 64,700, according to Trading Corporation of Bangladesh (TCB) data.

Year-on-year, the prices went up 33 percent and 37 percent.

The spike, if continues, would hit hard public and private construction works, feared the sector operators. Rod accounts for 20 percent costs of building and 30 percent of bridges.

"This is the single most expensive item. An increase in prices of rod has a significant impact on project costs," said Shahriar Kamal, deputy managing director of Concord Group of Companies, engaged heavily in construction and real estate.

Construction and real estate that account for 16 percent of the economy face increased prices of rod at a time when many realtors are in difficulties to get electricity and gas connections to hand over their newly built apartments to the homebuyers.

"We are in a double bind," said Kamal.

"If the prices go down shortly, it's fine. But if not, the realtors will have to increase prices, although there is a concern of affordability of the buyers."

For the contractors engaged in public sector projects such as buildings, culvert and bridges, the recent price hike is much worrisome.

They feared that the price rise will slow down constructions of public sector projects, and affect the implementation of the annual development programme (ADP) in



Workers carry rods to a construction site in Dhaka. Prices of MS rod jumped around 15 percent in the past one month.

the current fiscal year.

The realtors and contractors said the prices of rod usually go up during the dry season as construction activities peak up.

And they usually calculate the project costs considering a 10 percent fluctuation in the prices. If the prices go beyond their costing, they will fall in trouble. The latest upward trend in the prices is going beyond the estimated project costs of many, they added.

According to TCB data, the prices of rod started to rise slowly since August last year. But the prices shot up sharply in the past two months.

Tapan Sengupta, executive director of one of the leading steel mills, BSRM, blamed the hike on the rise in prices of raw materials such as scrap and billet on the international market.

The prices of billet rose to \$700 per tonne on the global market now, from \$550 three-four months ago, he said.

The devaluation of the local currency against the greenback also contributed to the increase in prices of rod on the local market, he added.

"We are suffering," said Tanvirul Haque Probal, managing director of Building for Future Ltd, a realtor.

He said his firm counts increased costs to continue underground

works of seven apartment buildings. "It's a stage where you cannot slow down," said Probal, also former president of Real Estate and Housing Association of Bangladesh (REHAB).

Mir Nasir Hossain, managing director of Mir Akhter Hossain Ltd, said the high prices have already started affecting the overall construction and real estate industry.

"Rod accounts for 30 percent costs of a bridge. If the prices continue to go up, it will affect the implementation of the projects under the ADP," said Hossain, also former president of the Federation of Bangladesh Chambers of Commerce and Industry.

Aminul Islam, managing director of another construction firm, Project Builders Ltd, said the activities of the projects that have no compensation clause for any price escalation, would come to a halt due to the price hike.

"Only the projects having the chance to adjust to the increased prices will continue," said Islam, urging the government to either bring down the prices of rod or compensate the contractors to ensure a proper implementation of the ADP.

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External balance sheet under stress

Slowing remittance and higher imports are setbacks

REJAUL KARIM BYRON

The country's external balance sheet is now under tremendous pressure largely due to low growth in remittance and foreign aid. Next comes higher import growth. All are piling stress on the economy.

Economists observe that the government may take a loan from the International Monetary Fund (IMF) to handle the situation but the conditions to be tagged by the lender might put the government in trouble over macroeconomic management.

In the first six months of the current fiscal year, the deficit in overall balance stood at \$686 million, while it was a \$2.09 billion surplus in the same period of the last fiscal year.

The government being in deficit in overall balance, the exchange rate is under pressure, hiking costs of import which in turn creates risks of inflation.

Senior Research Fellow of the Centre for Policy Dialogue (CPD) Khondaker Golam Moazzem told The Daily Star that the government is likely to take \$1 billion credit from IMF keeping in mind the crisis at hand in the external balance sheet.

The IMF conditions the government will have to meet may put pressure on the government's macroeconomic management in the long term. The conditions include withdrawal of lending cap and cutting down debts of state enterprises which may create problems in maintaining fiscal balance.

Although the Foreign Direct Investment (FDI) and export increased, this uneasy situation has

The IMF conditions the government will have to meet may put pressure on the government's macro-economic management. The conditions include withdrawal of lending cap and cutting down

been created mainly due to a fall in foreign aid and remittance.

As a result, the current account balance surplus dropped by about two-thirds compared to a surplus in the same period of the previous fiscal year. In July-December of the current fiscal year, the surplus came down to \$592 million from a \$1.56 billion surplus in the same period of the previous year.

According to Bangladesh Bank data, exports increased by about 41 percent in the first six months of the current fiscal year but import went up by 37 percent.

Traditionally, Bangladesh's import tends to be much more in volume widening the trade deficit to \$3.44 billion in the six months from \$2.75 billion in the same period of the previous year.

On the other hand, remittance growth has been rather slim. It increased by only 0.33 percent in the first six months. Foreign aid fell to

about half in the six months compared to the same year-ago-period. The figure stood at \$818 million.

The repayment increased slightly over the last fiscal year. As a result, the net foreign aid fell by 161 percent and stood at only \$437 million in the first six months.

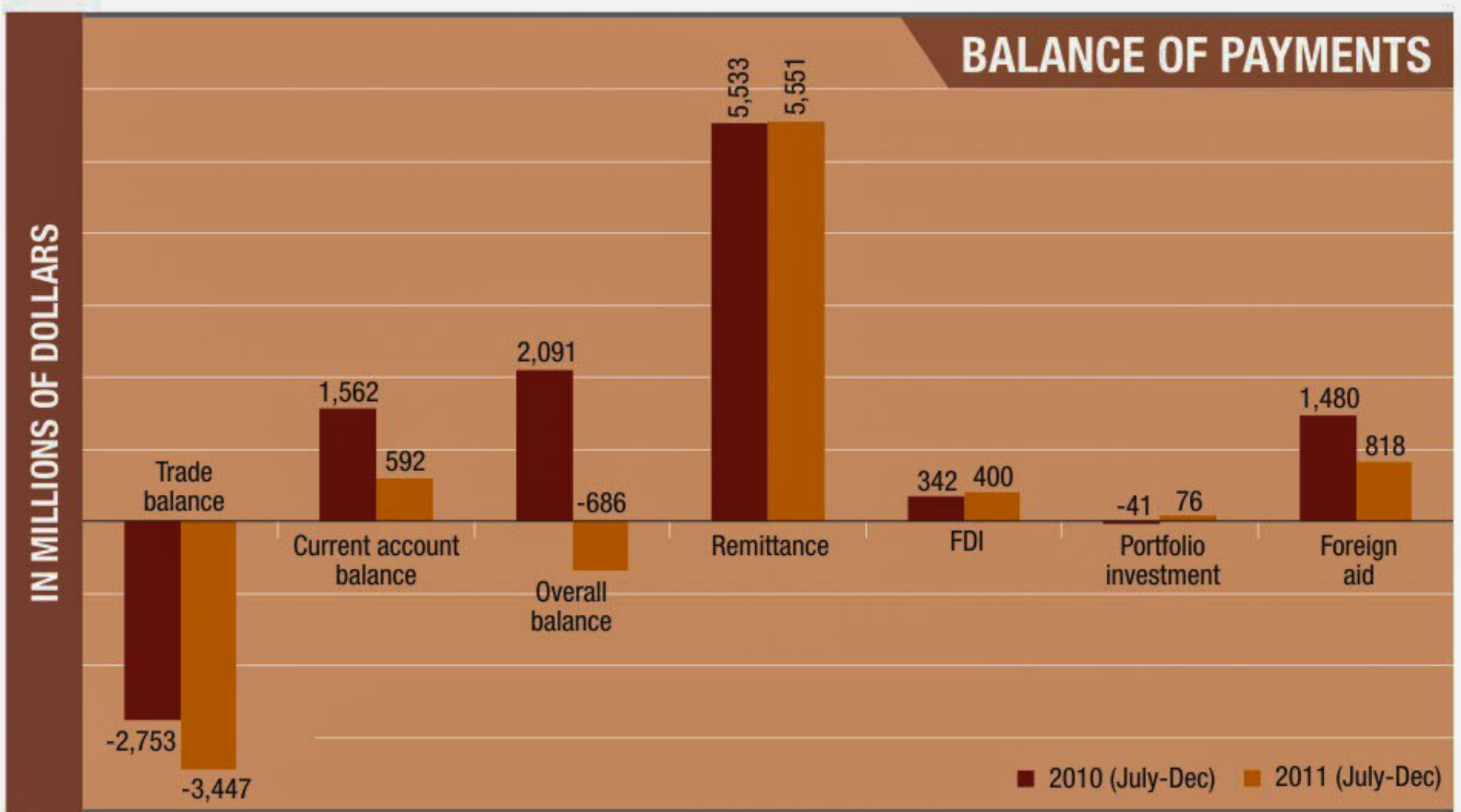
Portfolio investment, export and FDI increased slightly but fall in foreign aid and halt in remittance growth offset the benefit.

Due to pressure on balance of payments, the average exchange rate of the taka against the dollar was Tk 71.17 on February 15 which was Tk 69.35 a year back.

Research Director of Bangladesh Institute of Development Studies (BIDS) Zaid Bakht said the fall in remittance inflow created a pressure on the balance of payments. He said implementing the current fiscal year's budget is a major challenge for the government. Bakht said the government will have to take steps to increase remittance.

Golam Moazzem said the process of Bangladeshis going abroad for jobs has remained suspended and those in foreign countries earning wages are facing a problem in renewal of their job tenures. For example, he said, the workers in Malaysia face a similar predicament. As a result, remittance growth suffers.

Moazzem said if the pressure on the BOP does not let off and imports increase any further, the country may face foreign currency shortages while handling international payment. "It is one side of the coin. On the other side, the costlier imports may deepen risks of higher inflation."



Qatar to spin off huge jobs

PORIMOL PALMA

Qatar plans mega-infrastructure for the World Cup Football in 2022, and Bangladesh sees huge job opportunities for its workers there.

"Qatar is going to build 12 stadiums and some five-star hotels for the World Cup. This will require lakhs of workers, and we can surely tap the opportunity for our workers," said Begum Shamsunnahar, joint secretary of the overseas employment ministry.

Shamsunnahar, who recently held a formal meeting with Qatar's labour ministry officials in Doha, said the country is doing its homework now to start construction in a year from now.

"We said we have almost all categories of workers -- professionals, skilled and semi-skilled for the construction sector," she told The Daily Star.

Qatar's officials said they would require a huge pool of workers, but suggested the workers who intended to go to Qatar for jobs should have good orientation about the laws and culture of the Middle Eastern oil-rich country.

Shamsunnahar said Qatar, where around 1.5 lakh Bangladeshis work now, is a good job market for its better labour standards.

The officials of the Middle East country, however, could not yet specify the number of foreign workers it would be hiring for the mega-projects, she said.

Maqsurur Rahman, first secretary of Bangladesh embassy in Doha, said the Qatar authorities are yet to reveal the plans of the mega-projects. "Once they make it open, we shall surely try tapping the scope," he said.

Recruiting agencies said, though

there are a lot of job opportunities in Qatar, the Bangladesh mission there has not been effective in dealing with the labour issues.

"Our mission in Qatar has to know in details the workforce and their categories required. On the basis of that, we have to negotiate with the employers," said a recruiting agent.

Bangladesh Association of International Recruiting Agencies (Baira) Secretary General Ali Haider Chowdhury said the government must take the private sector into cognizance and launch joint efforts to tap the opportunity.

"Baira, as a trade body, has to start interaction with the companies, which will possibly construct the infrastructures, and the government has to facilitate us," he told The Daily Star. "Our competitors will not sit idle," Chowdhury said.

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Thailand returns to growth

AFP, Bangkok

Thailand's economy returned to growth in the fourth quarter, snapping out of a brief recession, data showed Monday. Gross domestic product expanded 1.2 percent in the Oct-Dec period.

NOTICE

Star Business brings out four pages today instead of its regular eight, as markets were closed yesterday on International Mother Language Day, a public

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