

DGEN  
0.23%  
4,680.61CSCX  
0.25%  
8,878.18Gold  
\$1,623.30  
(per ounce)Oil  
\$83.54  
(per barrel)MUMBAI  
0.11%  
16,880.51TOKYO  
0.60%  
8,587.84SINGAPORE  
-0.36%  
2,786.88SHANGHAI  
1.27%  
2,318.92USD  
81.40  
BUY TK  
82.40EUR  
100.24  
SELL TK  
104.37GBP  
124.86  
JPY  
0.99  
128.90  
1.09

DHAKA THURSDAY JUNE 14, 2012, e-mail:business@thelailystar.net

# Economists doubt 7.2pc GDP growth next year

**They point to govt's poor implementation capacity**

STAR BUSINESS REPORT

A panel of economists yesterday doubted the chances of the government of achieving 7.2 percent economic growth in the next fiscal year.

The government may fail to reach the goal due to weak export growth amid a sluggish global demand and the presence of energy and infrastructure constraints to boost investment, they said.

They also expressed concern over proper implementation of the next fiscal year's budget due to weak capacity of government agencies.

They spoke at a press meet on the proposed budget for 2012-13, co-organised by Metropolitan Chamber of Commerce and Industry (MCCI) and Policy Research Institute (PRI) at the chamber's office in the capital.

Only two out of the 19 indicators of the economy-- remittance inflows and revenue collection -- raise hopes, said Mirza Azizul Islam, former finance adviser to a caretaker government.

The remaining 17 indicators are clearly moving towards undesirable

direction at varying degrees, said Islam.

His remarks came at a time when exports growth is slowing down, while pressure on the balance of payments is rising due to dwindling foreign exchange reserves coupled with soaring subsidy pressure.

At the same time, the government's dependence on bank borrowing has created concerns among the private sector on availability of credit.

Ahsan H Mansur, executive director of the PRI, said the global economy is experiencing a 'second round of shocks' and Bangladesh has begun to face the impact of it like other countries.

"Slowdown is very much real. It is on our doorstep," he said, adding that the global recession has certainly affected Bangladesh through the export sector and general investors' sentiment, which translated into slower manufacturing and services activities and lower investment.

But a relatively strong domestic demand due to increased remittance inflows helped sustain domestic

economic activities and revenue performances, he said.

He said a strong growth in the industrial sector, generally supported by garments, is needed to achieve the government's target of 7.2 percent economic growth.

"This will be extremely challenging in FY2013 due to the weak export demand in the EU and the US," he said.

Mansur hoped the government may achieve the target for 7.5 percent inflation mainly because of the falling commodity prices on the international market and a tight monetary policy of the Bangladesh Bank.

On the budget, Mansur said implementation challenges are enormous for the government due to its capacity dearth.

The 7.2 percent growth target has been set in line with the sixth five-year plan where it was assumed that energy shortage would ease and investment would rise while global economy would remain stable, said Zaidi Sattar, chairman of the PRI.

READ MORE ON B3



From right, Abdus Salam Murshed, president of Exporters Association of Bangladesh; S Humayun Kabir, director of Bangladesh Frozen Food Exporters Association; Mohammad Hatem, acting president of BKMEA; Ehsanul Fattah, secretary general of BGMEA; and Mohammad Shams-uz Zoha, chairman of Bangladesh Jute Spinners Association, attend a discussion on the 2012-13 budget, organised by The Daily Star at its office yesterday.

# Exporters protest proposed tax hike

**The Daily Star organises discussion on budget**

STAR BUSINESS REPORT

The government's pitch to double tax on exports will further erode the country's competitive edge, exporters said yesterday.

"Our industries will be at serious risk if the tax on exports is finalised at 1.2 percent," said the BKMEA leader.

Further blows to export competitiveness has been given by the steep increase in costs of production the past one year, pointed out Abdus Salam Murshed, president of

has dipped dramatically to less than 3 percent in the first 11 months of the current fiscal year.

"We are ready to pay taxes, but the government must provide us with electricity and gas," he said.

S Humayun Kabir, director of Bangladesh Frozen Food Exporters Association, demanded the tax rate be slashed to 2004-05 levels of 0.25 percent, given the circumstances faced by exporters.

Shrimp farmers and exporters face lot of hurdles, including lack of collateral-free loans and absence of any insurance policy, said Kabir. Moreover, he said the bank interest rate has gone up as high as 20 percent recently.

"Under these circumstances, we want the government to reduce the proposed tax on exports to 0.25 percent," he said.

"Proposing 1.2 percent tax on exports is an anti-export idea," said Mohammad Shams-uz Zoha, chairman, Bangladesh Jute Spinners Association.

The Centre for Policy Dialogue in its budget analysis purported that the higher tax could eat into up to 17 percent of the exporters' profits.

## BUDGET 2012-2013

Exporters' Association of Bangladesh.

Power tariffs went up 26-28 percent, transportation costs 10-12 percent, bank interest rates for term loan has gone up to 16 percent from 12 percent and the wages by 10 percent, in the last 12 months, he said.

"The rapid rise in cost of production has reduced our competitiveness," Murshed said.



From left, Muhammad Abdul Mazid, former chairman of NBR; MA Taslim, a professor of economics at Dhaka University; AB Mirza Azizul Islam, former caretaker government adviser; Zaidi Sattar, chairman of Policy Research Institute (PRI); Nihad Kabir, vice-president of Metropolitan Chamber of Commerce and Industry (MCCI); Anis A Khan, chairman of the tariff & taxation sub-committee of MCCI, and Ahsan H Mansur, executive director of PRI, attend a press meet on the 2012-13 budget, co-organised by the MCCI and PRI at the MCCI office in Dhaka yesterday.

# Ceiling likely for tax on mobile phone bill

STAR BUSINESS REPORT

Finance Minister AMA Muhiut yesterday said a ceiling may be set for imposing tax on mobile phone bill.

The minister said this while replying to journalists' queries after a meeting with Bangladesh Seagoing Ship Owners' Association at the secretariat.

"I didn't expect so much reaction," he said about imposing tax on mobile phone bill in the proposed budget for the next fiscal year.

Muhiut said, "We are considering a threshold, crossing which a user will have to pay tax. It is now under processing."

On the introduction of an automatic pricing formula for adjusting local fuel prices to the international market, the finance minister said an inter-ministerial meeting will be held in this connection.

"I am delaying the meeting on purpose. The policy decision will be taken in the meeting. But political judgment will be required before implementing the decision."

When asked why there was no announcement on the Tk 1,600 crore fund for infrastructure in his budget speech, the finance minister said, "It's easy to make an announcement."

However, the minister said the rules and regulations for the fund have been prepared. Now some issues, including the rate of interest, would have to be decided, he added.

# WB lists reasons for economic shocks

**It forecasts Bangladesh's GDP growth at 6.4pc next fiscal year**

STAR BUSINESS REPORT

The World Bank has identified a number of reasons that dealt a blow to Bangladesh economy.

The reasons include political turmoil and periodic strikes, widespread electricity shortages, near double-digit inflation, fiscal deficit and deteriorating external balances.

Bangladesh's economic growth may be 6.4 percent in the next fiscal year, the lender said in its Global Economic Prospects June 2012 released worldwide on Tuesday.

In the current fiscal year, the government has estimated the GDP (gross domestic product) growth rate at 6.3 percent, down from 6.7 percent last year.

The WB report also said exports

have been affected by weaker demands from key European trade partners, while infrastructure constraints, especially electricity shortages, have become acute, partly due to higher crude oil prices.

It also said agriculture output growth is also estimated to have slowed to less than 2 percent in the current fiscal year from the previous fiscal year's 5.1 percent. But a good crop harvest is expected for the current agriculture season due to favourable weather, the WB said.

The report said monetary tightening and easing of food inflation are likely to continue to put a downward pressure on the overall inflation.

Non-food inflation, however, remains persistently high partly

due to the still-high costs of imported inputs and pressure from a huge government spending.

The report also said South Asian countries, including Bangladesh, may require a significant upward adjustment to the international fuel prices to ease the pressure on subsidy.

The WB said, even after recent price hikes in Bangladesh and Sri Lanka, energy products are still subsidised to some extent.

Moreover, election schedules in the coming two years in several south Asian countries and an intention to protect consumers from the inflationary impact of higher fuel prices could make it difficult for the governments to reduce subsidies and raise the oil prices, it said.

# SEC launches probe into RN Spinning rights

STAR BUSINESS REPORT

The stockmarket regulator launched a probe into non-compliance with securities rules by a listed firm that has been delaying to credit rights shares to the shareholders.

The Securities and Exchange Commission formed a two-member panel to conduct the probe into the matter of RN Spinning Mills Ltd, officials said.

The SEC also asked the committee to submit a report within next 15 working days.

Although the subscription period for rights issue of RN Spinning closed on March 13, the company is yet to credit the rights shares to the shareholders' BO accounts.

But according to rules, a listed firm will have to credit rights shares to the shareholders' BO accounts within 21 working days of the close of the subscription period.

Our Gulshan Branch

now @

**MTB Square**

210/A/1 Tejgaon I/A

Tejgaon, Dhaka 1208

MTB Contact Centre

Just dial 16219 or  
096040 16219

you can grow with us

NCC BANK's

**ATM**

BOOTH NOW AT

Kandirpar, Comilla

NCC BANK Ltd.  
Where Credit and Commerce Integrates

www.nccbank.com.bd