Remittances from US on the decline

Overall receipts rose 10.32 percent to $12.84 billion last year

REJAUL KARIM BYRON

REMITTANCE inflow from the USA fell by 19 percent last fiscal year due to a volatile labour market and sluggish economic activities in the world's largest economy.

Bangladesh stood third among the countries that receive remittances from the USA and its earnings reached $1.5 billion last fiscal year, down from $1.85 billion in the previous year.

However, the overall remittances increased by 10.32 percent last year and reached $12.84 billion.

From the Middle East countries, remittances rose by 15.41 percent to $8.33 billion. But in case of other countries, the rise was only 1.80 percent and the receipt was $4.51 billion.

A high official of the central bank said remittance inflow from the non-Middle East countries plunged mainly due to an economic meltdown in the US and the European economies.

He said the amount of remittances would have crossed $13 billion last year had there been no sluggishness in the US and European economies.

Zahid Hussain, the World Bank's senior economist in Bangladesh, said the economic uncertainty in the US is yet to ease. As a result, per hour income of people has fallen and so have their work hours per week, he added.

Hussain said many expatriate Bangladeshis are sending less money home due to this uncertainty in the US labour market.

Instead of remitting to Bangladesh, they are now saving more to face any further uncertainty, he said.

An official of a multinational organisation said one of his two sons, living in the US, has become frustrated after failing to land a job and finally has given up job search.

His other son earlier used to work 30 hours to 35 hours a week, but the working hours have now dwindled to only 8 to 9, said the official, asking not to be named.

This is the real picture of the US job market now, he said.

However, remittance inflow from Malaysia and Singapore increased substantially last year.

Remittances from Singapore rose by around 54 percent and from Malaysia 21 percent.

An official of the expatriates' welfare and overseas employment ministry said around three lakh workers were regularised in Malaysia recently, which might be a cause of higher remittance inflow from the country.

The economic situation in Singapore is good despite world economic meltdown and Bangladesh's labour export to the country has also increased.

As a result, the remittance inflow from Singapore has marked a rise, the official said.

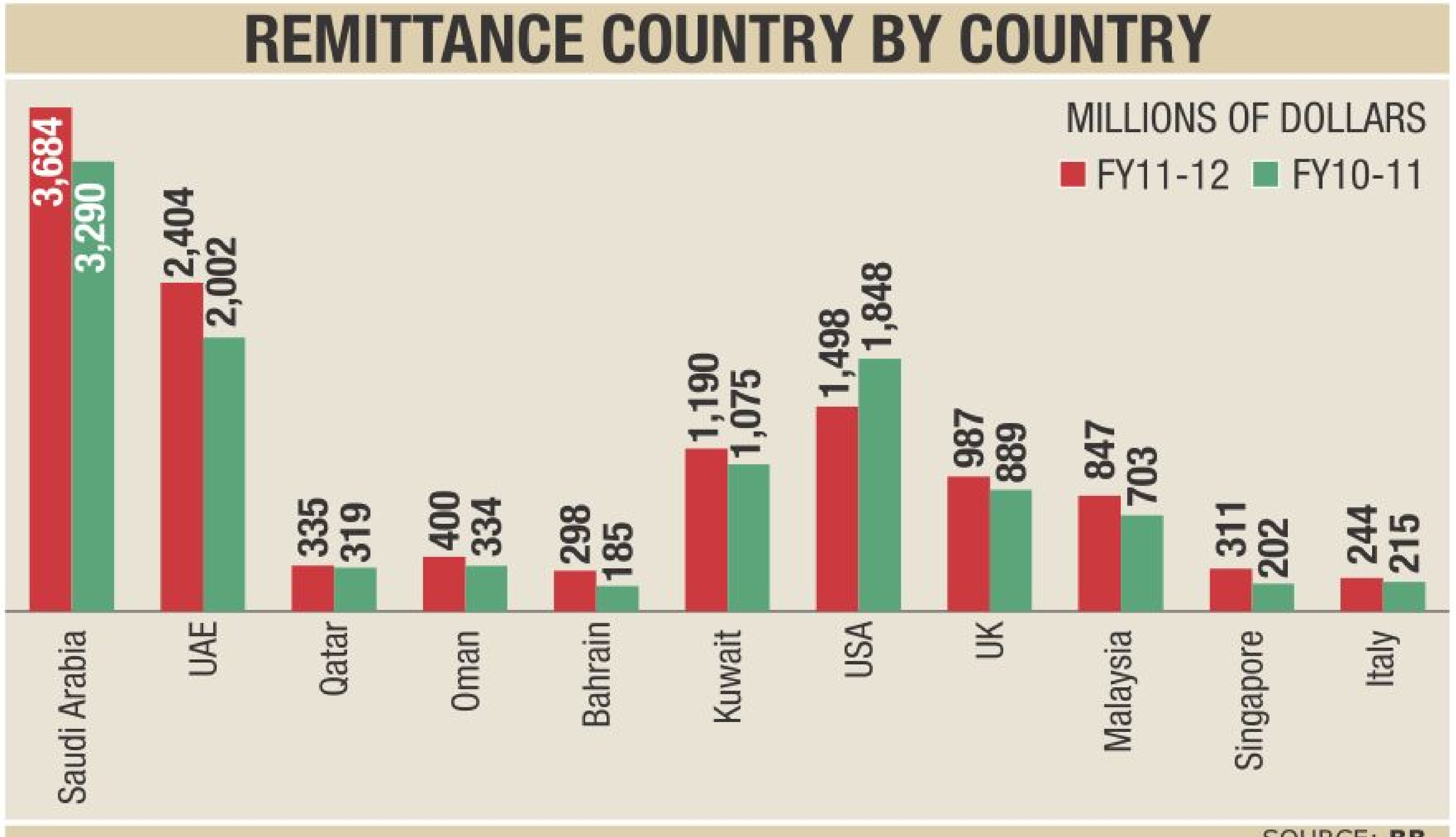
Traditionally, Bangladesh receives highest remittances from Saudi Arabia and the UAE. In the last fiscal year, remittances from Saudi Arabia increased by about 12 percent and stood at $3.68 billion. From the UAE, the receipt went up by 20 percent to $2.40 billion.

However, among the ME countries, the growth in remittance inflow from Bahrain was highest at 61 percent to $298 million. From Oman, remittances rose by 20 percent and the amount was $401 million.

Remittances from Libya showed a steep fall at a point earlier but in the recent times manpower export to the country has been on the rise.

As a result, around $13 million came from Libya last fiscal year, more than double from the previous year's $5 million.

REMITTANCE COUNTRY BY COUNTRY

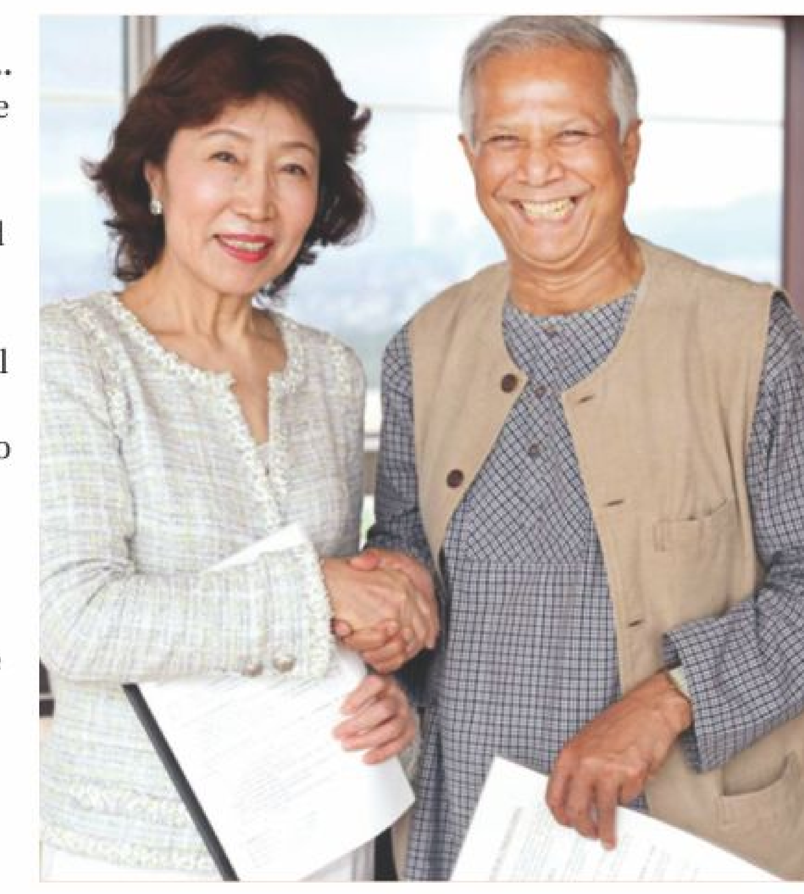


SOURCE: BB

Social business on auto mechanic training

Nobel Laureate Prof Muhammad Yunus partners with Japanese NGO

STAR BUSINESS DESK



YUNUS CENTRE

Nobel Laureate Professor Muhammad Yunus and Kazuko Sumino, president of SK Dream of Japan, an NGO, exchange documents of a deal signed at Fukuoka in Japan on Friday to create a social business for auto mechanic training centre and automobile workshop in Bangladesh.

NOBEL Laureate Professor Muhammad Yunus on Friday joined hands with SK Dream of Japan, an NGO in Japan, to create a social business on automobile workshop and auto mechanic training centre in Bangladesh with Japanese investment and technology.

The objective of the social business is to create vocational training programmes to develop human resources and create job opportunities, especially for the young people in Bangladesh from disadvantaged families.

The joint venture will offer training in the field of auto mechanics at various levels of proficiency, Yunus Centre said in a statement yesterday.

The venture also aims to produce automobile spare parts in the future and it is expected that the new social business, which is a non-dividend company aiming at solving a social problem, will begin its work in Bangladesh in June 2013.

Prof Yunus and Kazuko Sumino, president of SK Dream, inked a deal in this regard on the sidelines of the Social Business Forum Asia, organised by Kyushu University in Fukuoka, Japan on July 20-22.

The Nobel laureate is attending the annual forum, and other social business events in Fukuoka and Tokyo during July 19-26, according to the statement.

Sumino is the founder of SK Dream that supports disadvantaged people. Her husband's family established the famous Autobacs chain stores all across Japan, with annual revenues of $3 billion and over 500 stores in Japan.

She became very interested in the concept of social business since Professor Yunus' visit to Japan in July 2011.

Sumino then sent her representatives to Bangladesh to discuss the possibility of setting up of a social business in Bangladesh, and carried out a feasibility study for auto mechanic training centre.

Can a real central bank save Europe?

Using printed money to finance government deficits cannot permanently solve economic problems

ANATOLE KALETSKY

WHY is it that the US, Britain and Japan, despite their huge debts and other economic problems, have not succumbed to the financial crises that are threatening national bankruptcy for Greece, Spain and Italy -- and perhaps soon for France?

After all, even the strongest British and American banks, such as HSBC and JPMorgan Chase, have now admitted that they were as accident-prone as their continental rivals. Borrowing by the US, British and Japanese governments is well above European levels relative to the size of the economy. These governments are not even considering fiscal consolidation as ambitious as the 3 percent deficit targets now being written into national constitutions across most of Europe -- and Britain has missed by a wide margin the much less demanding targets David Cameron set himself in 2010.

Given that financial markets are supposed to be dispassionate arbiters of economic management, why are they punishing Mediterranean countries with cripplingly high interest rates, while the British, US and Japanese governments are left free to borrow without any apparent limits at almost zero cost?

In the US, the standard answer is that the dollar enjoys "reserve currency status," since it is the main currency of global trade and investment. But this explanation is clearly wrong, or at least irrelevant, as evidenced by the equally low interest rates in Japan and Britain, without this supposed "status." Moreover, the euro has been increasingly used as a reserve currency, but this has been no help to Greece, Italy or Spain.

Which brings us to the less flattering Eurocentric explanations of the unequal treatment meted out by investors to what they often describe as "the Club Med" countries. These range from philosophical statements whose precise meaning is never clear -- such as Europe's lack of "political solidarity" or "economic convergence" -- to claims verging on racism that prudent investors would never lend money to these countries because their national characters are rotten to the core: The Greeks are all corrupt, the Spaniards inefficient and the Italians lazy. As for the French, well maybe they are oversexed or rude -- or just French.

The headquarters of European Central Bank in Frankfurt.

Such impressionistic explanations of market behaviour are not just insulting and morally repugnant (imagine if such national stereotypes, which appear constantly in the German and British media, were applied to Jews, Africans or Muslims). They are also factually wrong -- for example, Italians on average work 27 percent longer than German workers (1,773 hours each year versus 1,390, according to the US Bureau of Labour Statistics, and Italy's long-term pension liabilities are smaller than Germany's (relative to GDP), according to the IMF.

Worst of all, however, the racist stereotyping that passes for rational analysis of the European crisis deflects attention from a genuine difference between Europe and the rest of the world that perfectly explains the markets' behaviour. There is one simple difference between all the European victims of financial crisis and the lucky countries that are given a free pass by investors, despite even bigger deficits and worse banking crises. The countries with immunity control their own currencies and central banks. They thus have the power to print money, which they use to the full. By the principle of Occam's razor, this one simple explanation should be viewed as the main reason for Europe's present crisis.

The ability to print money, officially known as quantitative easing (QE), has allowed the US, British and Japanese governments to run whatever deficits they wanted and to offer their banks unlimited support without suffering the sky-high interest rates that are now driving the Club Med countries toward bankruptcy. Instead of raising money from private investors, these governments finance their public spending and deficits by borrowing from their own central banks. This means that the US, British and Japanese governments are actually much more solvent than their huge deficits suggest, because much of their debt does not really exist. They are an accounting fiction -- an IOU from one branch of government, the treasury, to another, the central bank. The Bank of England, for example, is lending £375 billion to the British government in 2009-12, out of a total planned deficit of around £450 billion. The Fed's $3 trillion balance sheet effectively reduces the US government's total debt by 20 percent, from $16 trillion to $13 trillion.

Of course using printed money to finance government deficits cannot permanently solve structural economic problems such as poor education, crumbling transport infrastructure or unaffordable pension commitments -- and in some circumstances financing of deficits by central banks can be extremely dangerous, generating rapid inflation. But the world today is not threatened by inflation and overspending, as it was in the 1970s and 1980s. Instead the danger is generally thought to be deflation caused by inadequate investment, weak consumer spending and falling wages, as in the 1930s. Thus a policy that would rightly have been denounced as counterproductive and irresponsible 40 years ago, is now both necessary and prudent -- as demonstrated by the willingness of every major central bank in the world, including the ultimate guardians of monetary stability at the Swiss National Bank, to undertake QE. The only important exception has been the European Central Bank.

On Wednesday this week the IMF issued a report publicly urging the ECB to implement a "sizeable" programme of quantitative easing. If the ECB did this, the euro crisis would soon be resolved. If, on the other hand, Europe will not allow its central bank to play by the same rules as the Fed and the Bank of England, then all efforts to save the euro are doomed to failure.

Anatole Kaletsky is an award-winning journalist and financial economist who has written since 1976 for The Economist, the Financial Times and The Times of London before joining Reuters.