

# Slow exports to pull down GDP growth to 6pc: ADB

**STAR BUSINESS REPORT**

Bangladesh's economic growth may come down to 6 percent in the current fiscal year due to sluggish exports and a decline in domestic demand, the Asian Development Bank has said.

The lender launched its Asian Development Outlook 2012 in Bangladesh and throughout Asia Pacific yesterday.

GDP (gross domestic product) rose by 6.3 percent and the government's target is 7.2 percent for the current fiscal year.

However, the ADB said inflation will fall by 2 percentage points and stand at 8.5 percent on average in the current fiscal year compared to that in the last fiscal year.

"Export growth is expected to remain low in the first half of fiscal 2013," said ADB Country Director Teresa Kho at a press conference at the organisation's office in Dhaka yesterday.

Growth in domestic demand is also likely to stay limited because of the central bank's continued credit tightening, Kho said.

Mohammad Zahid Hossain, principal economist of the ADB in Bangladesh, made a presentation on the latest situation of Bangladesh's economy at the press conference.

Hossain said a financial crisis in the European Union is affecting Bangladesh's exports.

Echoing the view of the ADB country director, he said credit tightening by the central bank will slow domestic demand.

"The expected rise in remittances will not be strong enough to fully offset it."

Hossain said sectoral GDP growth in the services and industries sectors will be slow in



Left, ADB Country Director Teresa Kho speaks at a press conference in Dhaka yesterday.

the current fiscal year but growth in the agriculture sector will almost double compared to that in the last fiscal year.

About inflation, he said upward adjustments in the fuel and electricity prices at home will lift non-food inflation.

But inflationary pressures will be contained as central bank's credit tightening measures take hold.

He also said the international prices of commodities, including that of fuel, are expected to be broadly stable.

Hossain said food prices are expected to fall in the first half with comfortable domestic supply, but will go up in the second half as drought in a number of major agricultural suppliers cuts global supplies.

The ADB said remittance growth will be 12 percent in the whole year as more workers leave for the Middle East countries.

The prevailing oil prices support the construction projects in those countries that engage the bulk of unskilled Bangladeshi workers.

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# GE to supply \$89m gas turbines to power plants

STAR BUSINESS REPORT

US industrial giant General Electric Company will supply gas turbines worth \$89 million to two new power plants with a combined capacity of 675 megawatts.

Isolux Ingenieria SA of Spain, which is installing Siddhirganj power plant, and local Summit Group, engaged in Bibiyana-2 power plant, signed deals with GE yesterday at the Westin Dhaka Hotel.

Prime Minister's Energy Adviser Tawfiq-e-Elahi Chowdhury, GE Chairman Jeffrey R Immelt, GE India CEO John Flannery, Isolux Chairman Luis Delso, Summit Group Chairman Aziz Khan and US Ambassador Dan W Mozena were present at the signing ceremony.

"Bangladesh has witnessed strong economic growth in the past few years. GE aims to provide support to its customers in the country by leveraging its technological expertise," said Immelt, who is also the chair of US President Barack Obama's council on jobs and competitiveness.

He said the Bangladesh government has a plan to increase the country's electricity generation capacity to 20,000MW by 2021.

This is the first time a chief executive from GE came to Bangladesh, where the company has presence since 1970.

The chairman of the electric giant said GE has a strong focus on emerging markets that add around \$50 billion to its annual turnover.

Immelt said GE also wants to provide capital and financial support to Bangladesh.



Jeffrey R Immelt

"I am very encouraged to come here. This is a place where we can invest and be successful."

Luis Delso, chairman of Isolux, in a written statement said: "We believe GE's advanced gas turbine technology is an excellent fit to ensure the success of these vital projects."

Summit Group Chairman Aziz Khan said, "We have worked with GE on Meghnaghat project, which will start producing power by September 2013. We are confident that they are the right supplier."

The Siddhirganj plant is likely to go into commercial operation by end-2014, while the Bibiyana plant in mid-2015.

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# DSE casts doubts on Delta Spinners' dividend

SARWAR A CHOWDHURY

The Dhaka Stock Exchange has raised questions about Delta Spinners' dividend declaration for 2011-2012 as the amount of dividend was five times higher than those in the previous years.

The premier bourse also expressed doubt over the company's financial disclosures that came along with the dividend declaration.

Delta Spinners, which never gave dividend more than 10 percent in the last one decade, announced 50 percent stock dividend on September 29.

The company also disclosed its yearly earnings-per share (EPS) at Tk 3.06 and net asset value (NAV) per share at Tk 38.69 that, according to the DSE, are inconsistent with those in the previous quarters.

But the company denied anything suspicious over the dividend declaration and financial disclosures.

It said everything was done within rules and all facts and figures were disclosed as well.

The DSE in a letter to Delta Spinners on September 30 said: "The declaration of 50 percent stock dividend for the year ended on June 30, 2012 is very unusual compared to your previous dividend."

The premier bourse also asked the company to clear its position on the EPS and NAV and explain the reasons for declaring 50 percent stock dividend.

The Dhaka bourse said Delta Spinners' EPS was Tk 0.34 in the first quarter of 2011-12, Tk 0.29 in the second quarter and Tk 0.49 in the third quarter.

It indicates that the company's EPS in the fourth quarter was Tk 1.94, an around 300 percent jump over the third quarter's EPS, which the DSE said was inconsistent with the quarterly disclosures. The NAV per share, at the end of June 2012, was Tk 38.69, which was Tk 21.60 a year ago, a rise by Tk 17.09 or 80 percent.

The bourse also asked the company to explain why it has revised the rights offer, when the rights issue is pending with the Securities and Exchange Commission for regulatory approval.

The DSE also asked Delta Spinners to provide the details of the use of proceeds of the rights issue.

The company on June 14 announced that it would issue 6.11 crore ordinary shares of Tk 10 each at an offer price of Tk 15 each, including Tk 5 premium for each share, through rights issue.

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# Economists call for higher investment

STAR BUSINESS REPORT

The government's aspiration for higher economic growth could be met with setbacks if the country fails to court both domestic and international investors, top economists said yesterday.

The comments come at a time when Bangladesh's investment to gross domestic product (GDP) ratio has been stagnant at 24 percent, much below the government's Sixth Five Year Plan target, for several years now.

The biggest concern for the sustainability of the growth target is the substantial shortfall on the investment front, Sadiq Ahmed, vice-chairman of Policy Research Institute (PRI), said in a policy briefing on the economy at the think-tank in Dhaka.

"Unless the challenges pertaining to infrastructure and investment rate are tackled upfront, there is a substantial risk that the growth targets will not be achievable," he said.

Ahmed said the outcome of the first two years of the plan suggest a mixed record of performance.

"Slower GDP growth and higher inflation relative to the plan targets, unless

tackled forcefully, will likely to have adverse implications for employment and poverty reduction targets."

ABM Mirza Azizul Islam, a former caretaker government adviser, said the GDP growth target enshrined in the plan may not be achieved due to bleak export growth prospects, stagnant investment and low level of foreign direct investment.

He said he does not think that the USA and the European Union -- Bangladesh's two biggest export destinations -- would come out of the current economic crisis by 2013.

About low investment-GDP ratio, he said: "From my experience, I can say that FDI [foreign direct investment] does not flow to a country where the level of local investment is low."

The economist said although foreign aid worth between \$12 billion and \$16 billion are lying in the pipeline, the government is failing to use the fund due to sheer administrative incompetence.

"So foreign aid utilisation target will not be met," said Islam, while suggesting that political uncertainty might hold back domestic investment.

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# Cooperatives come under NBR lens

SOHEL PARVEZ

The National Board of Revenue has brought the banking business of cooperative societies and cooperative banks under its scrutiny.

The tax administrator also asked its field offices to examine tax records of the cooperatives that are doing banking business.

The move comes after the NBR tightened its rules by withdrawing a tax-exemption benefit for the cooperatives that are engaged in banking business.

The removal of the tax benefit means, a cooperative society, which has banking business, will have to pay 42.5 percent tax

like banks from the current fiscal year.

The NBR has already sent a list of cooperative societies and cooperative banks to its 649 field offices.

"We have sent the list so that inspectors can check whether the cooperatives are engaged in banking business," said an NBR official, asking not to be named.

"We will examine whether the cooperatives have taxpayer's identification number and whether they submit returns regularly," said the official.

He said the tax-exemption benefit was withdrawn to discourage the cooperatives from running banking business.

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## CAUTION AND REJOINDER

Attention is drawn to the advertisement published in the "The Daily Star" on 30.09.2012 titled "Disposal of Equity Interest" by Mr. Ivan Chan and Mr. Willie Pang, Deloitte, Hong Kong to sell shares of North Pole Bangladesh Ltd. and North Pole CEPZ Limited ("the Companies").

In this connection, Prime Bank Limited would like to inform for the benefit of all the concerned parties that aforesaid Mr. Ivan Chan and Mr. Willie Pang have no authority to publish such notice or any power to dispose of the shares of the aforesaid companies. Prime Bank Limited the secured charge holder of all the assets of the above companies, no one is permitted to sell or dispose of any equity interest in the aforesaid companies without prior approval of Prime Bank Limited and the Bank has not granted such approval to the aforesaid Mr. Ivan Chan and Mr. Willie Pang.

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