



*Top*, A man plays a vuvuzela (plastic horn) as part of a campaign for Abdul Haque, a contestant from the Ganatantrik Parishad for the FBCCI polls in Dhaka yesterday. *Left*, Supporters of different candidates set up camps in front of the FBCCI building. *Right*, businesspeople line up to cast their votes.

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AMRAN HOSSAIN



# Bangladesh drops in remittance ranking

STAR BUSINESS REPORT

**A**LTHOUGH Bangladesh continues to be among the top 10 remittance receiving countries, this year, the country has slid one notch down from last year. Bangladesh came in eighth in the most recent edition of World Bank's migration and development brief, released on Wednesday. India came on top this year, with China coming in second. Last year, Nigeria occupied the eighth position, sitting just below

Bangladesh, but this year it has leapfrogged Bangladesh -- and also Egypt and Pakistan -- to the fifth spot. The report predicts that Bangladesh will receive \$14 billion remittance for the whole year, whereas the projection last year was \$12 billion. In the first 10 months of this year, the remittance inflow was \$11.79 billion, with the monthly average being \$1 billion. But the Bangladesh Bank (BB) is hopeful that the remittance

receipts this year will surpass the WB projection, said an official preferring not to be named. The official added that the country's receipts could be higher if Bangladesh can increase its skilled manpower exports. The WB report said the officially recorded remittance flows to developing countries are estimated to reach \$406 billion in 2012, a 6.5 percent rise from the previous year. The flows are expected to rise by 8 percent in 2013 and 10 percent in

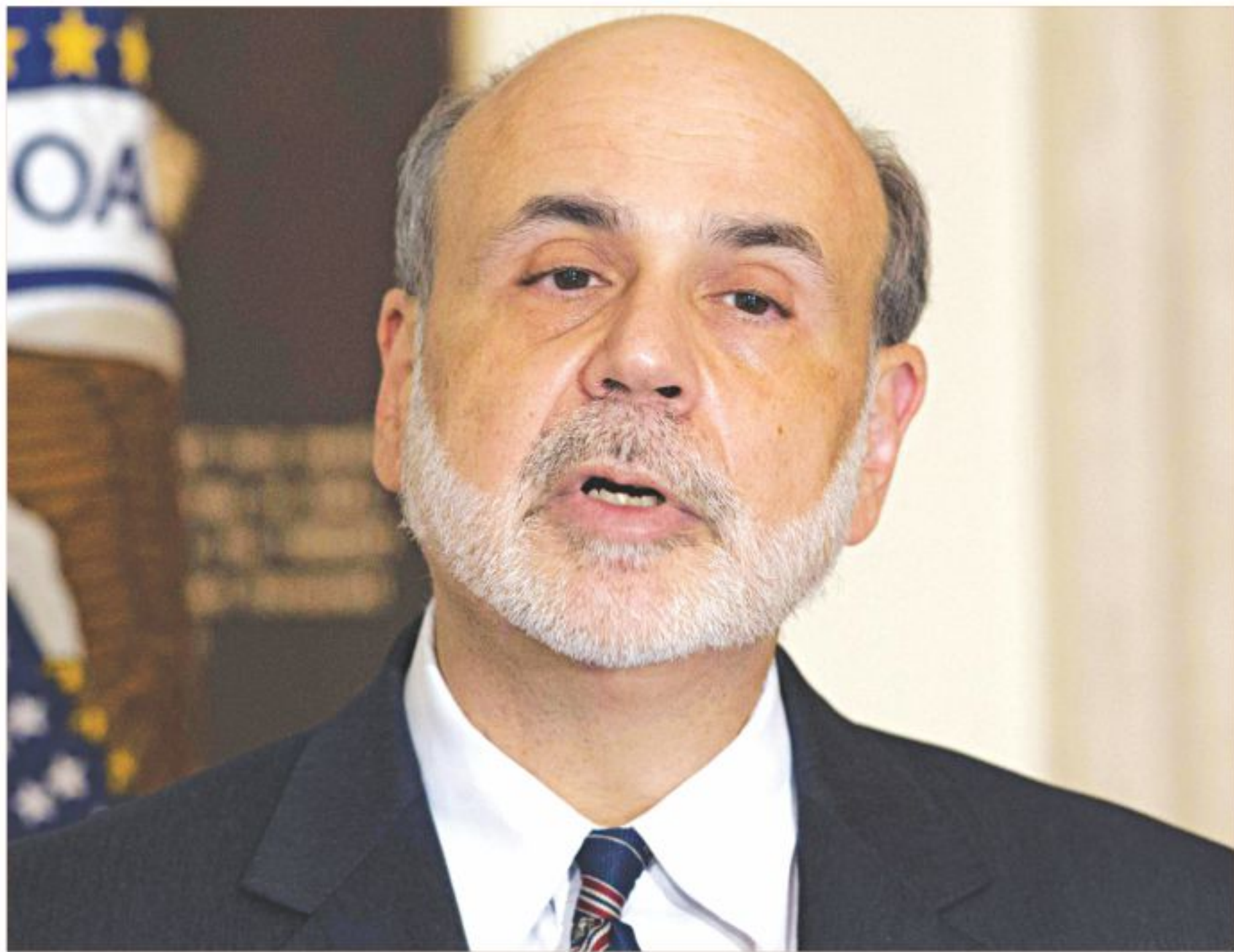
2014 -- to reach \$534 billion in 2015. The report found the remittance costs -- of about 9 percent -- to be still too high. The WB report said the exponential rise in mobile phone usage promises much for remittance flow, by way of expanding access and lowering costs. The central bank has also taken the initiative to introduce mobile banking in all commercial banks, with half of the banks having already introduced the service and the rest due in by the end of this year.

## COLUMN

# Economic optimism now official

ANATOLE KALETSKY

**E**CONOMIC optimism is now official. The year ahead could be "a very good one for the American economy," Ben Bernanke, the chairman of the Federal Reserve, declared on Tuesday. If he turns out to be right, these words could probably be applied to the world economy as a whole. Since Bernanke, even more than other central bankers, has spent the past four years warning of perils such as the "fiscal cliff" and the dismal condition of the US labour market, this statement, delivered in the carefully worded peroration of a speech to the prestigious Economic Club of New York, marks an important turning point. Not because Bernanke has a crystal ball that offers him economic clairvoyance. But because his views have an enormous impact on business and financial sentiment around the world. And sentiment -- especially about government policies -- is the biggest problem for the world economy today. In terms of objective economic and financial conditions, the end of this year looks like a turning point in the slow recovery from the global financial crisis. Outside the euro zone, which now accounts for just 17 percent of global output and will shrink to just 9 percent by 2060 according to the Organisation of Economic Co-operation and Development, economic statistics are clearly improving. Unemployment, though still high, is steadily falling. Banks are now adequately capitalised. Property prices have stabilised, stock markets are rising and credit conditions have returned more or less to normal. For much of this year, the main obstacle to hiring and investment decisions, according to many business surveys, has been uncertainty about politics and monetary policy. That uncertainty is almost over. This may sound preposterous. After all, businesses and financiers have been obsessed all year with the euro crisis or speculation about Fed monetary policy or the US presidential election or China's surprisingly chaotic leadership transition -- and now the prospect that the United States will fall off a fiscal cliff,



Ben Bernanke

dragging down the whole world economy. But that is the point. Political uncertainties have been resolved or dramatically improved in all the most important economies. Yet business sentiment is so negative that almost nobody believes this. Consider what is happening around the world -- with the glaring exception of the Middle East, where war and political chaos is unfortunately quite normal. China has belatedly anointed its new leadership, which should end the paralysis in economic policy and ensure that the country's gradual adjustment to a slower growth does not deteriorate into an economic collapse. In Europe, the crisis has certainly not ended, but German Chancellor Angela Merkel's decision to back unlimited ECB bailouts and to keep Greece within the euro, essentially guarantees that the euro will not disintegrate, nor the banking system suffer a Lehman-style meltdown. At least until next October's German elections. Best of all, the uncertainty about US politics and monetary policy, which have preoccupied businesses and investors this year to the exclusion of almost all other issues, is about to disappear.

Bernanke made clear on Tuesday that his optimism about the economic outlook depended entirely on the assumption that Congress would ultimately back away from suicidal legislation that would deliberately push the US economy over a fiscal cliff on January 1. The bad news is that a plausible deal to avert this self-inflicted catastrophe has not yet been outlined. Fear of another Lehman-style financial crisis therefore quite reasonably restrains business decisions around the world. But the good news is that this uncertainty is almost over. By New Year's Day, 2013, Congress and President Barack Obama will have chosen one of two options. The first is to deliberately sabotage their nation -- in which case the world will be back to economic Armageddon. The second will be to tear up the fiscal suicide pact. As long as Washington decides to avoid fiscal suicide, it hardly matters how. The best outcome would be to agree on broad outlines of long-term fiscal consolidation, while avoiding any spending cuts or tax hikes in 2013. The alternative would be merely to "kick the can down the road" by extending today's fiscal legislation and increasing the Treasury's borrowing powers. This is

not ideal, but investors and business leaders could live with it. The Fed would then continue financing Washington's deficits at near-zero interest rates for another two or three years, as explained last week in this column -- and as Bernanke has now promised again. The long-term problems of demographics and healthcare costs would then have to be addressed in the next election cycle, after 2016. Whichever option Washington chooses, the current uncertainty about US fiscal policy will, for better or worse, be resolved by January 1. Assuming the fiscal cliff is averted, investors and businesses around the globe will have lost their main excuses for avoiding decisions. When they look at Europe, they will see a continental economy in recession, but no longer close to a Lehman-style financial shock. In China, the new leadership is now in a position to act, if necessary, against risks of the economic slowdown getting out of hand. In the United States, monetary policy is now fixed until 2014 and the presidential election is out of the way. Business leaders may like Obama or hate him. They may agree with Fed policy or disapprove. But there is no longer any point in delaying business decisions until after the next Fed meeting, or until healthcare reform is abandoned or until a new president with new policies is inaugurated next year. That leaves the fiscal cliff as the only serious policy uncertainty to fret about. Assuming that Washington decides not to commit economic suicide on January 1, the business obsession with politics will then have nothing left to feed on. Business leaders and investors will be forced to redirect their attention to economics and the financial fundamentals of their businesses. They may be pleasantly surprised. Once this political uncertainty is neutralised, prospects for most of the world economy look pretty good. 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.

# Argon Denims to pay off loans by its IPO proceeds

Subscription starts tomorrow

SARWAR A CHOWDHURY

**A**RGON Denims will use the raised funds from public for improving its financial indicators, including profit. The export-oriented company will get relief from interest burden by using the proceeds of initial public offering (IPO), through which the firm will raise Tk 105 crore. Argon Denims will also repay Tk 84.80 crore that it took from One Bank as 'bridge financing' to set up a new unit to double its production capacity, a top official said. The company mainly produces medium and premium range denim fabrics, and after the project expansion its current production capacity is 1.70 crore yards of denim fabrics per year. Although the IPO was for setting up the new unit, the company was determined to complete the new project within September this year, said Anwar-ul Alam Chowdhury, managing director of Argon Denims. The company went for the bridge financing, as the project could have been delayed had they waited for the IPO fund, he said. "We have completed the expansion with the bridge financing and went for commercial production in September," he said.

Argon Denims submitted its IPO proposal to the Securities and Exchange Commission in March and the regulator approved it in May with an offer price of Tk 44 per share. Later in October, the SEC approved the IPO with an offer price of Tk 35 per share, after the company submitted a revised IPO plan in June. Now the company will issue three crore ordinary shares of Tk 10 each at an offer price of Tk 35, including Tk 25 as premium. Using a portion of the IPO proceedings, the company will also repay Tk 16.40 crore that it took from One Bank and Mercantile Bank as short-term loan. "As we are going to be listed soon, the additional production from the new project will ultimately benefit the investors," he said. The IPO subscription of Argon Denims will start tomorrow and close on December 2. After the completion of the IPO, the company's paid-up capital will rise to Tk 60 crore, from Tk 30 crore now. As per the latest financial statements of Argon Denims, its earnings-per share was Tk 5.46 and net asset value per share was Tk 20.71.

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## India upbeat on reaching privatisation target

AFP, New Delhi

**I**NDIA says it is hopeful of meeting its privatisation target even though state-run financial institutions had to bail out its sale of a stake in a state-run copper miner. The cash-strapped government raised eight billion rupees (\$144 million) by selling 5.58 percent of Hindustan Copper through a stock exchange auction, exceeding its goal of unloading at least four percent of the company. "I am happy the (Hindustan Copper Ltd) issue has been fully subscribed," Finance Minister P. Chidambaram said late Friday after the sale results were announced. "This is the resumption of the disinvestment process and we will go forward with more privatisations," he said, adding: "I am hopeful we can collect the targeted 300 billion rupees (\$5.44 billion)" for this fiscal year to March 2013. The sale of the stake in Hindustan Copper marked a belated start to the government's privatisation drive for this fiscal year. The government of Congress Prime Minister Manmohan Singh was forced to jettison a couple of earlier sell-offs due to sluggish market conditions in a sharply slowing economy. Most of the bids for Hindustan Copper came from state-run institutions -- underscoring continuing weak retail investor appetite -- even though the stake was sold at a deeply discounted price. The government urgently needs to raise capital from privatisation as it struggles to rein in a ballooning deficit that threatens to exceed a targeted 5.3 percent of gross domestic product. Cutting the deficit has become even more crucial since ratings agencies Standard & Poor's and Fitch reduced India's sovereign ratings outlook to "negative," jeopardising the country's investment grade status. Among other privatisations, the government aims to sell 10 percent of iron-ore miner NMDC to raise around 70 billion rupees and a five percent stake in energy explorer Oil India to collect 25 billion rupees. The cabinet has also cleared the sale of a 9.5-percent stake in power utility NTPC. The government's renewed privatisation drives comes after it said it would triple to 30 percent the maximum stake India's biggest insurer, state-run Life Insurance Corp, or LIC, can hold in other companies. The move is seen by analysts as a bid to help the government sell off stakes in state companies. LIC has helped mop up shares in other government sell-offs -- most recently in the \$2.6-billion sale earlier this year of Oil and Natural Gas Corp stock. Although such deals technically reduce the state's holdings, the government remains the companies' major shareholder. The government sees such sales as a way to raise vital funds.