

BUSINESS

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Confidence perks up in businesses

MCCI survey finds industrial output, investment and jobs rise in first half

STAR BUSINESS REPORT

Confidence among businesses is on the rise, with industrial production, investment and employment increasing in the first half of the current fiscal year, said a new survey.

Some 57 percent of the respondents in the survey, conducted by Metropolitan Chamber of Commerce and Industry among its member firms, said their output increased in the first half of 2012-13, while 24.2 percent reported a decline.

Of the 33 respondents, 21 were from the manufacturing sector and 12 from the services sector.

About 84.8 percent of the participants said they faced problems in running businesses, with gas and power shortage being the biggest impediment.

"Power and energy crises, poor infrastructure, a lack of accountability in administration, regulatory inefficiency, stagnant investment and political

uncertainty are serious challenges."

"The challenges for the government will be to properly address these problems," the survey said.

About 57.6 percent of the respondents said they have made new investment in their businesses; of them, 58.8 percent raised funds from banks and 41.2 percent used their own funds.

Around 48.5 percent of the respondent firms have recruited additional labour and only 6 reported to have retrenched some labours.

Of the 33 firms, 14 are export-oriented and 64.3 percent said they have experienced an increase in exports.

The chamber also published its review of the economy for October-December 2012.

It said Bangladesh has performed better than many other countries at comparative levels of development in coping with the adverse effects of the global economic crisis.

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Trade deficit narrows 34pc as imports fall

REJAUL KARIM BYRON

Trade deficit in the first six months of the current fiscal year narrowed by 34 percent, compared to the same period in the previous year, due to a fall in imports.

Economists and bankers said a dull investment scenario and a low demand for petroleum caused the fall in imports during the period.

Due to a sluggish import demand and a robust inflow of remittances, the balance of payment saw a record surplus of \$2.42 billion, which was a \$98-million deficit in the same period a year ago.

The country's foreign exchange reserve also got a boost due to dull imports. The safe limit for a country's reserves, as per international standards, is equal to the country's three months'

ment statistics.

Zahid Hussain, a senior economist at World Bank's Dhaka office, said both the prices and demand for petroleum products was low on the international market during the period, which caused the fall in petroleum import.

He also said the demand for electricity normally remains low during the winter, contributing to a fall in import of diesel and furnace oil for fuel-based power plants.

Hussain also said the demand for diesel for irrigation purposes was also low as the season is yet to start.

The WB economist said the weak investment climate and a slow global recovery also caused the fall in imports.

He said infrastructure development could not keep pace with the rapid economic development of the country and weak infrastructure holds investment back from picking up.

For example, he said the Dhaka-Chittagong highway is incapable of meeting the increased demand fuelled by higher economic growth.

Investors have also taken a go-slow stance due to the ongoing political uncertainties in the run-up to the next general election, chief executives of two top private banks said, asking not to be named.

A Bangladesh Bank official said they have given a positive signal to the bankers and investors in the Monetary Policy Statement for January-June 2013 to help investment and imports pick up.

The target for private sector credit growth has also been raised, the BB officials said.

He said a positive sign is already visible from the data of L/C opening for capital machinery import in the first six months, when L/C opening rose by about 2 percent.

BALANCE OF PAYMENTS

IN MILLIONS OF DOLLARS

TRADE BALANCE	CURRENT ACCOUNT	OVERALL
850	2,426	
-1,646	-998	
-3,675		
FY12 (JUL-DEC)		
FY13 (JUL-DEC)		

import bill. But Bangladesh's present reserves are equal to more than five months' import bill.

On February 12, the reserves stood at \$13.38 billion, which is enough to pay for 5.29 months' imports as per the import bill on December 12, according to Bangladesh Bank statistics.

During July-December, imports fell by 7.79 percent.

Import of capital machinery went down by 23.68 percent, industrial raw materials by 5.3 percent and petroleum by 5.96 percent during the period, according to L/C (letter of credit) settle-

ment statistics.

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