

Outlook stable despite political turbulence

S&P reaffirms 'BB-' long-term sovereign credit rating on Bangladesh

STAR BUSINESS REPORT

Bangladesh managed to keep its outlook intact despite a spell of violent political unrest and deadly factory accidents that caused a huge international uproar of late, according to Standard & Poor's.

"We are affirming our 'BB-' long-term and 'B' short-term sovereign credit ratings on Bangladesh," the credit rating agency said in an update.

"The stable outlook balances strong growth prospects and a relatively good external profile against political pressures and development needs."

Hassan Zaman, chief economist of Bangladesh Bank, said: "This suggests that the medium term fundamentals of the economy remain intact and that the recent measures to contain inflation and strengthen external balances were important for retaining these ratings."

He, however, said these ratings can be revised anytime.

"The agency will be observing our steps to significantly improve worker safety and other compliance standards in our garments industry, as these will affect export growth and external debt servicing capacity," Zaman said.

However, the rating agency also said the real per capita GDP growth of about 5 percent a year and a stronger external profile are weighed against the vulnerabilities of a low-income economy, fiscal and monetary constraints and heavy development needs.

It said the ratings encompass the country's low level of economic development and limited fiscal and monetary flexibility.

The ratings also reflect the country's significant infrastructure and services shortfalls and a large subsidy regime, S&P said.

A volatile and adversarial domestic political setting is an additional source of vulnerability, it added.

"These constraints are balanced by strong

economic growth, and an external profile that benefits from ongoing donor and multilateral engagement."

Bangladesh's low per capita gross domestic product, which S&P projects at \$850 in 2013, is partly a function of evolving institutions and weak governance, which deter investment and hamper development.

The country's sometimes volatile politics also detracts from legislative efficiency and harbours the potential for instability, the agency said.

"We estimate government revenues at 13.8 percent of GDP this year, inclusive of grants, among the lowest of similarly rated sovereigns."

On the expenditure side, various subsidies totalling about 3.5 percent of GDP further limit fiscal flexibility, despite some progress in curtailing fuel and electricity subsidies, it said.

Years of under-investment have resulted in pervasive energy and infrastructure deficiencies. These factors, combined with administrative and bureaucratic weaknesses, prevent Bangladesh from achieving higher growth, it added.

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Stable outlook balances strong growth prospects and a better external profile

Infrastructure shortfalls and a large subsidy regime are key challenges

A volatile political setting is an additional source of vulnerability



ANURUP KANTI DAS

The delivery of shipments has slowed to a crawl at Chittagong port as recurrent shutdowns are affecting loading and unloading.

Containers pile up at Ctg port as shutdowns linger

DWAIPAYAN BARUA, Ctg

An acute congestion of containers has been disrupting loading and unloading at Chittagong port for the past few weeks, due to frequent hartals, bad weather and rising imports.

As of Thursday, 28,244 TEUs (twenty-foot-equivalent units) of containers have been lying at different yards, occupying nearly 88 percent of the port's storage capacity, according to Chittagong Port Authority.

The CPA took steps to ensure safe transportation of goods and delivery, but the 32 hartals since January have adversely impacted

the operations.

The port delivered around 200 to 400 TEUs of containers on hartal days each in February and March, down from 1,500 and 2,000 TEUs on a regular day.

The port failed to complete the construction of the New Mooring Container Terminal even five years after its start. With the terminal on full stream, it will add a capacity of 1.5 million TEUs.

The stay time of foreign vessels at the port is being extended by at least one day, which will delay shipments and deepen financial losses, shipping executives said.

MV Wehr Rissen, a ship owned

by Pacific International Lines, left the port one day after its scheduled departure, said Captain Rafiqul Islam, country director of the Singapore-based shipping firm.

"It took nearly three days to unload 902 TEUs of containers. Usually, it takes only 24 hours."

Problems have also been created in linking the export containers with scheduled connections at the Singapore port.

Many export-bound containers bound for Europe and the US failed to reach their mother vessels in Singapore, as the feeder vessels left Chittagong late, said Nasir Uddin Ahmed Chowdhury, first vice presi-

dent of Bangladesh Garment Manufacturers and Exporters Association.

CPA Chairman Rear Admiral Mohammad Nizamuddin Ahmed, however, claimed the situation was under control.

He mainly blamed the congestion on a huge stockpile of empty containers and the increase in imports.

On May 16, the port has increased the penal rents four times on empty containers to clear more space, Ahmed said.

The authorities plan to store an additional 3,500 TEUs at the backyard of the New Mooring Container Terminal.

IMF okays third instalment of \$1b

The lender says Bangladesh's economic reforms are on track

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The IMF yesterday approved about \$136.6 million as the third instalment of its \$1 billion loans for Bangladesh on the back of satisfactory reform programmes undertaken by the government.

The executive board of the International Monetary Fund also completed the second review of Bangladesh's economic programmes.

"Bangladesh Bank's prudent monetary policy has helped bring down inflation, while rebuilding international reserves. Going forward, greater exchange rate flexibility and stepped up sterilisation operations will be important to contain monetary growth," Shinohara says

The lender promised last year to give Bangladesh around \$1 billion under its Extended Credit Facility.

"Bangladesh's programme under the ECF is broadly on track," Naoyuki Shinohara, deputy managing director of the IMF, said after a discussion of the executive board at its headquarters in Washington.

Macroeconomic pressures have eased, with reserves rising and underlying inflation moderating, supported by restrained

fiscal and monetary policies, Shinohara said in a statement.

"Continued improvement in labour conditions in the garment sector, in coordination with international business and development partners would be welcome."

He said, despite the challenging global environment, exports have picked up and remittances remained strong.

However, growth is slowing and could weaken further given downside risks. It will be important to maintain sound policy anchors and keep up the reform momentum, the official said.

"Fiscal policy has remained on track, but tax collections need to be strengthened and the tax base broadened. Continued policy discipline is also needed during the pre-election period," Shinohara said.

To further expand space for development spending, subsidy costs should be further reduced while protecting subsidies targeted at the poor, he said.

Public debt management needs to be strengthened through better monitoring and transparency and by taking full advantage of concessional borrowing opportunities.

"Bangladesh Bank's prudent monetary policy has helped bring down inflation, while rebuilding international reserves. Going forward, greater exchange rate flexibility and stepped up sterilisation operations will be important to contain monetary growth," he said.

Structural reforms have also moved forward, he added.

"Timely implementation of the new value added tax law will help increase revenues and modernise the tax regime."

Timely passage of the banking law amendments recently introduced in parliament will strengthen financial sector governance and keep risks in check, especially those arising from state banks, Shinohara said.

HC irked by govt's failure to turn in Tazreen report

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The High Court was dismayed yesterday by the government's failure to submit the home ministry's probe report on the Tazreen fire and present its owner before the court.

The deadly fire on November 24 at Tazreen Fashions Ltd, a garment factory in Ashulia, killed at least 112 people and injured many others.

Following a writ petition, the HC on May 19 ordered the government to submit the probe report and to produce Delwar Hossain, owner of the factory.

Hossain, however, appeared by himself before the court yesterday.

At the hearing on the petition yesterday, the HC told Deputy Attorney General Bishwojit Roy that the government has failed to submit the report and could not produce Hossain either. The government said Hossain was absconding.

Roy told the court his office is yet to get the report from the home ministry. The government has taken steps to ensure that Hossain cannot escape the country, he added.

After the hearing, the court directed the government to submit the probe report on June 9 and ordered Hossain to reappear before the court on that day.

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Pressure mounts for trade union in RMG factories

No more blame game, says BGMEA chief; analyst rolls out 10-point reform plan

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The head of Bangladesh Garment Manufacturers and Exporters Association (BGMEA) yesterday said the industry lobby group is ready to allow trade union in factories to improve labour conditions.

"BGMEA will welcome trade union in the garment sector if it is constructive," said Atiqul Islam, president of the association.

His comment comes at a time when pressure is mounting on Bangladesh from the international community to allow the country's four million garment workers to

form trade union in factories to make workplaces safer.

The BGMEA chief said this is not the time to play the blame game. "We should work together on how to grow."

Islam, however, was critical of the disparate codes of conducts imposed by the buyers. "GAP has issued one set of code of conduct and H&M another -- we need a uniform code of conduct."

He said the BGMEA would suspend membership of the members who had installed generators on the roofs of their factory buildings. "In May, we instructed our members to

bring down their generators from the top floors."

The BGMEA president said his association is also in favour of increasing the workers' wages on an annual basis.

Islam's comments came at a dialogue titled "Post-Rana RMG Roadmap", organised by Policy Research Institute of Bangladesh (PRI) in collaboration with Metropolitan Chamber of Commerce and Industry, Dhaka (MCCI) and Bangladesh Employers' Federation, at the capital's Lakeshore Hotel.

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Stocks cheery for fourth day

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Share prices on the Dhaka Stock Exchange soared for the fourth day yesterday as investor confidence is riding high on hopes of a market-friendly budget for 2013-14.

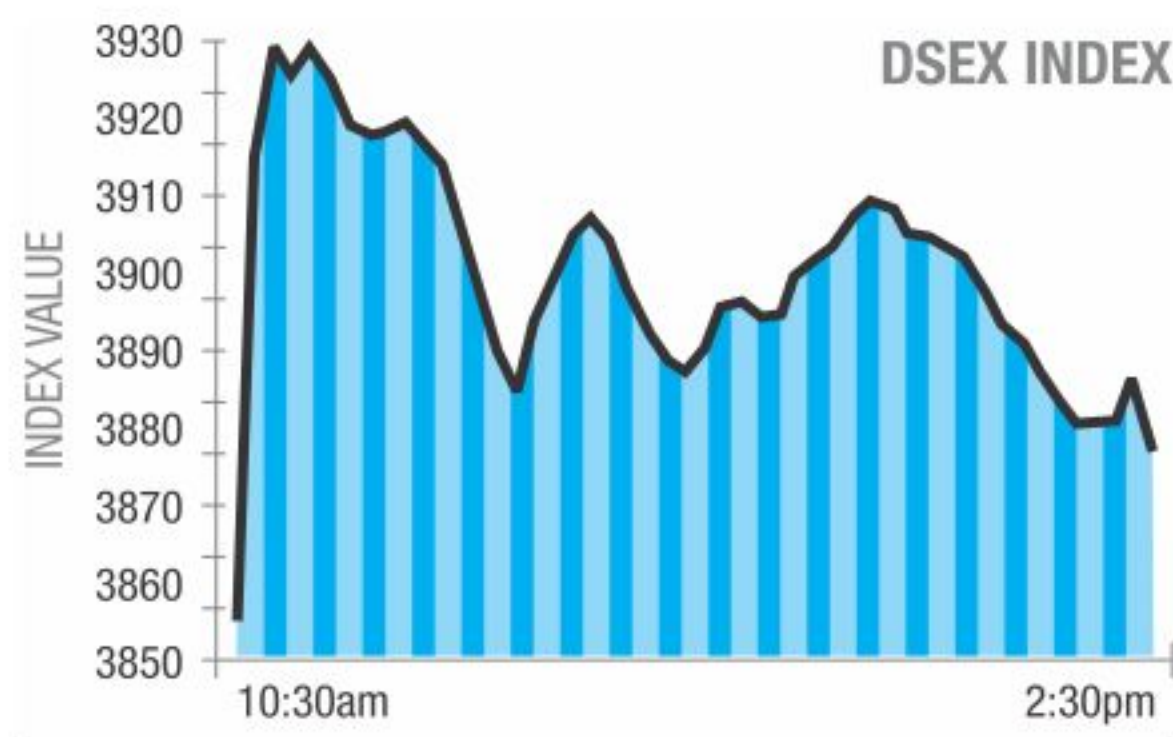
DSEX, the benchmark general index of Dhaka Stock Exchange, closed the day at 3,878.07 points, after surging 22.92 points or 0.59 percent.

"Investors have been quite optimistic over the last few sessions, hoping for a capital market supportive budget ahead," IDLC Investments said in its market commentary.

Optimism soared further from a recent refinancing proposal from the central bank as well as the outcome of a parliamentary committee meeting, the investment banker said. The committee hinted at a continuation to investing black money in the market at a 10 percent flat tax rate in the upcoming budget.

Investors positively greeted the central bank's move to approve Tk900 crore for capital market improvements, it said.

"Boosted by positive expectations, investors further continued taking a fresh position in the market.



Meanwhile, cautious investors were realising profits after significant gains in recent momentum."

Turnover rose 7.79 percent from the previous day to Tk466 crore.

Around 1.21 lakh trades were executed with 13.57 crore shares and mutual fund units changing hands on the Dhaka bourse.