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# Star BUSINESS

DHAKA THURSDAY JUNE 6, 2013, e-mail:business@thedailystar.net

## Stock turnover rides high on budget hopes

**STAR BUSINESS REPORT**

Turnover on the Dhaka Stock Exchange hit Tk 661 crore, a seven-and-a-half month high, riding on investors' buying spree in anticipation of an investment friendly budget for 2013-14.

Considered the most important indicator for the market, it gained 8.03 percent yesterday from the previous day's Tk 611 crore.

DSEX, the benchmark index of the Dhaka Stock Exchange, closed the day at 4,048.03 points, after surging 73.54 points or 1.85 percent.

Condensed expectations driven by capital market incentives in the budget pushed up the market gauge, IDLC Investments said in its regular market analysis.

"High net worth individuals and institutional participation increased in the market. Strong buying pressure seems to offset any bearish sell-off in the market," LankaBangla Securities said in its analysis.

Turnover trending up indicates a boost in the flow of fresh money into the market, the stockbroker said.

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## Budget to see many odds

**SAJJADUR RAHMAN**

The budget for fiscal 2013-14 comes at a critical time when the country is going through hardships on both political and economic fronts. And if these challenges are not addressed properly, they are likely to hurt the already declining growth and investment further.

How the finance minister will deal with other risks -- the subsidy burden, growing public expenditure and bank borrowing, gas and electricity crises, infrastructure deficiencies, unemployment problem and declining foreign aid -- would be of great interest to see in his budget proposal.

The finance minister's mechanism to unearth untaxed money would also be crucial.

At this critical juncture, Finance Minister AMA Muhith, who is now 80 years old, will place a Tk 222,490 crore annual budget in parliament today. The outlay is almost double the amount he proposed five years ago. The allocation for annual development programme has been set at Tk 65,870 crore and deficit financing at Tk 55,000 crore.

"Political uncertainty poses the biggest threat to our economy," said Mustafa K

Mujeri, director general of Bangladesh Institute of Development Studies.

Economic growth has slowed to a three-year low since 2009 due to confrontational politics. Private sector credit growth in April has gone down to the lowest in 10 years. Investments and savings have also been stagnant.

On top of all, interest burden and gas and electricity crises are holding back new investments and expansion plans.

Despite all the odds, the finance minister is upbeat. He has set an ambitious GDP (gross domestic product) growth target at 7.2 percent. He wants to see a 26 percent bigger ADP compared to this year's revised one. He also eyes a 7 percent inflation rate in the next fiscal year. His revenue collection target is 20 percent higher.

But the question is where the higher growth would come from.

Two key drivers for higher economic growth are savings and investments but Bangladesh falls far behind the savings and investment rates required to achieve such a high growth.

"There is no way that we can reach 7.2 percent growth without a substantial jump in the investment rate -- from 25 percent of GDP to around 30 percent of GDP," Mujeri said.

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**BY THE NUMBERS**

**Budget size**  
Tk 222,490 crore

**ADP size**  
Tk 65,870 crore

**Budget deficit**  
4.6% of GDP

**GDP growth target**  
7.2%

**Revenue growth target**  
20%

**Inflation target**  
7%

## Falling investment: a big worry

*Debapriya Bhattacharya of CPD speaks on political turmoil and depressed economy*

**SAJJADUR RAHMAN**

The current government has limited control over budget implementation that may tempt it to instil commitments beyond its capacity and competence, said Dr Debapriya Bhattacharya, economist and distinguished fellow of Centre for Policy Dialogue (CPD).

The budget for fiscal 2013-14 that is going to be announced today in parliament will be implemented in an atypical manner, involving three governments -- the pre-election government will prepare the budget, the election time government will manage it shortly, and the post-election government will inherit it.

But that was not Bhattacharya's major concern; the lowest level of credit disbursement and investment for the private sector in the outgoing year are the main issues for him, he said on Tuesday at the CPD office.

"One wonders what kind of fiscal incentives would be available to prop up slowing investment," said Bhattacharya. The government has already announced a refinancing scheme at a subsidised interest rate for small investors in the stock market. A number of controversial fiscal incentives with insignificant development consequences are to continue to make 'so-called' black money white.

He said private sector credit growth of 12 percent in April was the lowest in 10 years. The private investment to GDP ratio -- 19 percent -- is also the lowest in 6 years.

Domestic savings have also stagnated, dropping to the lowest in 10 years. Although inflation has slightly



**Debapriya Bhattacharya**

moderated, consumers have lost 38 percent of their purchasing power since January 2009.

The economist said investment was initially impeded by low energy supplies and later by the capital market crash. Growing weakness of the banking sector, particularly due to unscrupulous transactions by the state-owned entities, could not give adequate support to private sector development. The share of non-performing loans at about 11 percent is the highest in the last five years.

"However, the inability to operate the much hyped public-private partnership is the most critical factor that affected private investment expansion," he said.

He sees solution lies in the enhanced volume and improved quality of public expenditure.

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According to him, the scope to extend tax rebates is quite narrow in an economy like Bangladesh. So the major incentive for private sector investment would come through enabling capacity with public investment in the areas of physical and social infrastructure.

"Given the context of the election year, one should not expect the government to go for totally new revenue collection measures, even if it sets an ambitious target," said Bhattacharya. It might at best do some tariff harmonisation, particularly to support the emerging domestic industries.

As the budget will be the last one for the present government, it will be its last opportunity to reflect its electoral pledges, even in a symbolic way, he said. So, 250 odd development projects earmarked for completion may not get adequate allocation, he feared. There will also be pressures if a hefty block allocation is made, he added.

The economist said every budget by a political government should be an election budget as it is voted to deliver promised services.

"But this budget will be more political than any other in the previous years." So, he does not expect economic rationale and realities to be fully respected in making projections of key targets of resources and expenditures.

For example, the GDP growth projection at 7.2 percent for the coming year is too high compared to the estimated 6.03 percent achieved in the outgoing year. He said the mid-term projections of the economy have not been aligned to reality.

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## Airport cargo village in disarray

**SUMAN SAHA**

The cargo village at Shahjalal International Airport is saddled with a huge stockpile due to damage caused by the fire on April 5.

On a typical day, tonnes of imported raw materials, mainly for the garment sector, can be found lying on the open tarmac.

Some are getting damaged in the process, meaning the importers will have to reorder them. Production processes, too, are getting held up.

"Not only to us, this is causing huge losses to the economy as well," Anasul Haque, an official of an export-oriented garment company in Dhaka Export Processing Zone, told The Daily Star.

Kevin Steele, managing director of Biman Bangladesh Airlines Ltd, which solely provides ground handling services to cargo carriers, said the conditions at the import cargo warehouse are "very poor".

"Dhaka Cargo Village is facing space constraint due to the fire in the courier warehouse," he said.

Both the cargo and courier

handling is now being done at the import section, which is making things worse.

Steele hopes the state of disarray would be done away with in the next 10 days as the repair of the courier warehouse is expected to be complete by then.

A total of 5,870 tonnes of cargo were handled by the import terminal in May, down 9.86 percent from the previous month, according to data from Biman Bangladesh Airlines.

"The fire did disrupt normal operation, but the Cargo Village's service quality has been in a decline for long now," said Mahbul Anam, president of Bangladesh Freight Forwarders Association. He blames the lack of competition for this.

Biman Bangladesh solely runs the Cargo Village by leasing it from the Civil Aviation Authority of Bangladesh, he said. "This has created a monopoly, and complacency has sunk in."

Anam called for complete revamp of the warehouse to international standards "since almost 98 percent of the airfreight cargo is handled by it".

Steele, too, said that the Cargo



Left, cartons pile up at the cargo village at Shahjalal International Airport. Right, some cargoes are being kept out in the open due to a space constraint in the warehouse.

Village needs a major facelift, which would take place "hopefully by the end of 2013".

A company with experiences of building cargo warehouses in



Hong Kong, Dubai and Amsterdam has turned in a proposal, he added.

It will also have bar-coding for security, electric forklifts, CCTV, fire systems and will increase throughput by 50 percent, said Steele.

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## Pangaon terminal takes off in July

**HELEMUL ALAM**

The Pangaon Container Terminal, tipped to play a significant role in reducing traffic congestion on the Dhaka-Chittagong highway, will start operations next month, Shipping Minister Shajahan Khan said.

"The Pangaon Container Terminal is now ready, so we have decided to inaugurate it in July," he said.

The terminal sited in Keraniganj is expected to reduce traffic congestion on the Dhaka-Chittagong highway by 30-35 percent, said Syed Farhad Uddin Ahmed, secretary of Chittagong Port Authority.

"The cargo that will come through the vessel will not only be secure, they will reach their destination in lower costs."

Moreover, the terminal is expected to be of great help during the hartal days, according to SM Mannan Kochi, second vice-president of Bangladesh Garment Manufacturers and Exporters Association.

"We will get to bring in containers even during hartal hours from Chittagong, something we cannot do at present by road."

Forty-one vessels with the highest capacity of 140 TEUs will be purchased through government and private initiatives to transport the cargo on the Chittagong-Pangaon route, according to Khan.

The vessels will come from private business firms, Bangladesh Navy, the Chittagong Port Authority and Bangladesh Inland Water Transport Corporation, he said.

The fare and other charges for the vessels are yet to be fixed though, he said. "A government committee is working on it and I expect it to be finalised before the inauguration."

Kochi said if the fare and charges could be set at Tk 7,000-8,000 it would benefit the business community much. They now have pay Tk 15,000-22,000 for a truck to transport goods to-and-from the Chittagong port, he added.

The terminal, which cost Tk 177.5 crore, will have the capacity to contain 2,400 twenty-foot equivalent units (TEUs) containers at a time, and be able to load and unload 11.6,000 TEUs a year, said Mozibur Rahman Sarkar, director of the project.

The project started off in 2005, with the Bureau of Research Testing and Consultation of BUET serving as the consultant.

The Chittagong port delivers nearly 1,400 TEUs to Dhaka and Narayanganj, with 90 percent sent through the Dhaka-Chittagong highway and the rest by train, Sarkar said.

## Primark, Inditex set to hand out compensation to garment workers

**STAR BUSINESS REPORT**

The affected workers of Rana Plaza and Smart Export Garments Ltd will soon receive financial support from their respective foreign retailers, Primark and Inditex, a labour leader said.

IndustriALL Bangladesh Council (ICB), the local arm of the global union of workers, brokered the deal with British retailer Primark, who has now agreed to compensate the injured workers and the families of the dead or missing ones, said Roy Ramesh Chandra, general secretary of ICB.

He, however, declined to reveal the amount that would be disbursed, at a later date via bKash.

Chandra requested the beneficiaries to register their details at the field of Savar Cantonment Public School on June 7 between 8:00am to 7:00pm.

The injured workers have been asked to

bring their voter identity card, company pay slip or hospital documents, while the family members of the deceased workers their voter identity cards together with proof of beneficiary of the deceased, he said.

The list of the dead and missing workers has been acquired from the Upazila Nirbahi Office and the injured workers from BGMEA's salary sheet.

Primark conducted another registration round on June 1 outside the capital's Sundarban Hotel, where 227 workers were recorded.

Meanwhile, Spanish retailer Inditex is due to compensate the Smart Export victims on June 8 at Suchana Community Centre in Ring Road, according to Chandra.

Families of the eight deceased workers will get Tk 10.49 lakh, the 25 injured workers Tk 5 lakh and the remaining 264 workers Tk 15,000 each, he said.

## Factory owners to explain safety steps to foreign envoys

**STAR BUSINESS REPORT**

Owners of garment factories will explain safety measures to the envoys of the major export destinations in a bid to assure them of workplace upgrades undertaken in the aftermath of the Rana Plaza collapse.

"We will soon hold meetings with envoys of the EU, the US, Canada and other major countries to show the safety measures we have taken in factories," said Atiqul Islam, president of Bangladesh Garment Manufacturers and Exporters Association.

More than 90 percent of the country's garment exports go to the EU, the US and Canada, according to data from Export Promotion Bureau.

"We want to send out a strong message to the Western consumers via their envoys that the country has taken the issue seriously and is working for further improvement."

He, however, did not specify a date for the meeting.

The response from garment manufacturers come after the Western customers threatened

to stop patronising Bangladeshi garment products on grounds of lax factory safety standards, in the wake of the Rana Plaza collapse, which killed at least 1,100 dead and injured thousands.

The BGMEA president said the scheduled visit of US Secretary of State John Kerry on June 25 is a "positive" sign, as the US is the single largest export destination of the country's garment items.

Islam's comments came after a meeting with Foreign Minister Dipu Moni at her office yesterday.

Dipu Moni also discussed the latest situation regarding the generalised system of preferences (GSP) that allows zero tariffs for exports to the US and the EU, said a BGMEA official present at the meeting.

"The foreign minister is also expecting a positive outcome from the USTR [United States Trade Representative] hearing on GSP," the official added.

The USTR was due to give out the verdict of the hearing, which took place on March 28, in the first week of June, but has decided to delay it after the Rana Plaza collapse.

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