Job creation remains a big challenge

PORIMOL PALMA

Job creation in the next fiscal year will remain a challenge amid low levels of investment and private sector credit growth, and the falling trend in overseas employment in recent months, analysts said.

"We cannot be optimistic about job creation, given political instability and low investment," said Zaid Bakht, research director at Bangladesh Institute of Development Studies.

These factors caused a fall in imports that resulted in a decline in jobs in the services sector, including financial intermediation and wholesale retailing, he said.

The private sector credit growth of 12 percent in April is the lowest in the last ten years, while the private investment to GDP ratio of 19 percent is the lowest in six years. Domestic savings also stagnated, dropping to the lowest in 10 years.

Around 18 lakh jobseekers enter the job market every year. Of them, nearly six lakh find jobs overseas. A part of the rest is absorbed by the local market, while others remain unemployed.

The number of those absorbed in the local job market depends on economic activities driven by credit growth to the private sector, and investment.

However, economists are making gloomy predictions for infrastructural weaknesses and political instability at present.

The outlook of the overseas job market is also not encouraging.

On average, six lakh Bangladeshis migrate abroad for jobs a year, but in the first four months this year, a total of 139,907 workers migrated to different countries. Trends show that the number would be slightly more than four lakh next year.

A reduction in the recruit of Bangladeshi workers by the United Arab Emirates and Saudi Arabia, the two largest labour markets, accounts for the decline in labour migration, said BIDS Senior Research Fellow Anwara Begum.

Anwara said, even though Bangladesh has made a state arrangement to send workers to Malaysia, it has not gained pace yet.

She suggested the government should focus more on small and medium enterprises, diversification of rural economy and labour-intensive industries for job creation.

Bangladesh received more than $14 billion remittances last year, with an average growth of 12.8 percent in the last four years. In his budget speech, Finance Minister AMA Muhith said he expects the growth to be 15 percent next fiscal year.

Experts said remittance growth may be the same but the government must make efforts to ensure that migrants' earnings go up, and migration costs drop.

Wage board formed for RMG workers

STAR BUSINESS REPORT

The government formed a six-member wage board to fix a new minimum wage structure for garment workers.

AK Roy, a district judge, will head the fourth such wage board, said Rajiuddin Ahmed Raju, labour and employment minister, to reporters at the Secretariat in the capital yesterday.

Sirajul Islam Rony, president of National Garment Workers Employees League, will represent the workers, while Arshad Jamal Dipu, a director of Bangladesh Garment Manufacturers and Exporters Association, will be in the board on behalf of the owners.

Two permanent members of the board are Kazi Saifuddin Ahmed, an adviser to the Bangladesh Employers Federation, and Fazlul Haque Montu, a working president of Jatiya Sramik League.

Mohammed Kamaluddin, a professor of sociology at Dhaka University, has been appointed as a neutral member of the board, said Mikail Shipar, labour and employment secretary.

According to the rules, the board will have to submit its recommendations in six months after the issuance of the circular, Shipar told The Daily Star.

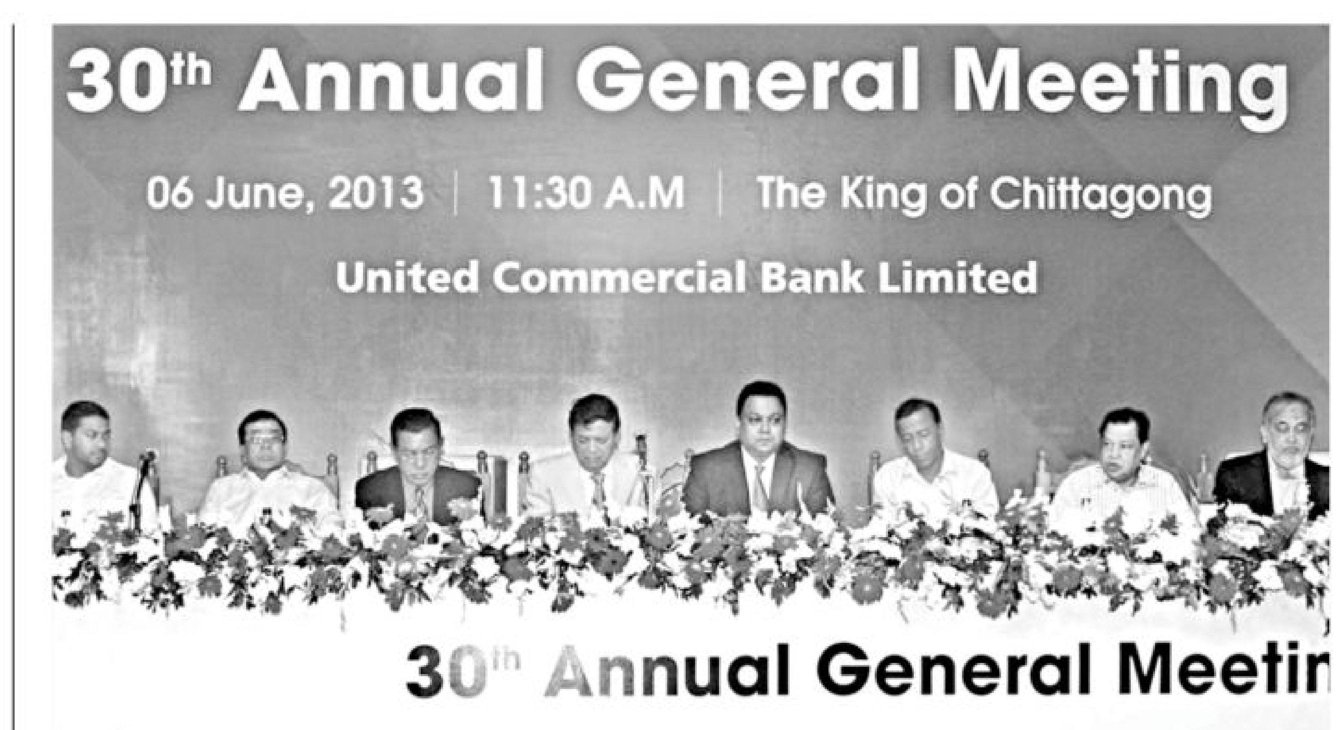
On May 11, Abdul Latif Siddique, textiles and jute minister, announced the formation of a new wage structure for the garment workers in the wake of labour unrest at Ashulia area over better pay.

The wage board will come into effect from May 1.

The third wage structure came into effect on November 1, 2010, when the minimum monthly salary of garment workers was increased to Tk 3,000 from Tk 1,662.50.

BRAC

Fazle Hasan Abed, chairperson of BRAC, along with his wife poses with Japan's Prime Minister Shinzo Abe and the first lady at a private dinner hosted by the Japanese premier in Tokyo recently.



UCB

Showkat Aziz Russell, vice chairman of United Commercial Bank (UCB), attends the bank's 30th annual general meeting in Chittagong yesterday. UCB announced 10 percent cash dividend for 2012. Muhammed Ali, managing director, was also present.

Bangladesh, a close friend and neighbour: China

DIPLOMATIC CORRESPONDENT

Terming Bangladesh a "close friend and neighbour", China has assured Bangladesh of providing further assistance and support in the days to come.

Ma Kai, vice premier of China, gave the assurance while visiting the Bangladesh pavilion in the first China South Asia Exposition at Kunming, the capital of Yunann province, in China yesterday.

Dilip Barua, industries minister, and Gowher Rizvi, an adviser to the prime minister for international relations, greeted Kai at the pavilion, the foreign ministry said in a statement.

The Chinese leader also congratulated Bangladesh for being the "Theme Country" of the expo, where Bangladeshi businesses took part occupying 150 booths.

The two-way trade between the two countries surpassed $8 billion in 2012, up from nearly $3 billion three years ago, Barua said while speaking at the eighth China-South Asia Business Forum yesterday.

"The figure may soon pass the $10 billion mark."

With its place between two emerging economic blocs, Asean on the east and Saarc on the west, Bangladesh has great potential for itself and its neighbours, he said.

He said the Chittagong port has emerged as one of the most important outlets to the sea.

Barua also underscored the need for opening communication channels between south and south-west China and Bangladesh, through Myanmar, without further delay.

Not just Bangladesh, garment makers pressured in Cambodia as well

REUTERS, *Phnom Penh*

As investment in Cambodia's textile industry surges, so is labour unrest, putting pressure on suppliers to the world's big garment brands to raise wages and improve sometimes grim conditions in one of the last bastions of low-cost factories.

Hundreds of angry workers rampaged this week through a textile plant in Cambodia that supplies US sportswear company Nike Inc, clashing with police over their demands for a pay hike.

The violence came just weeks after over 1,100 workers were killed in the collapse of a building housing garment factories in Bangladesh, another impoverished Asian nation where mass-produced textiles are the biggest export earner.

Cambodia is considered one of the better locations in the world for low-cost garment manufacturing with the International Labour Organisation (ILO) monitoring pay and working conditions at many factories.

But strikes and sometimes violent protests have been on the rise as unions emboldened by a shortage of skilled workers press complaints that companies have failed to raise wages enough or improve safety.

Strikes by the country's more than 300,000 garment workers nearly quadrupled last year to 134, according to the Garment Manufacturers Association of Cambodia, the main industry body. The 48 strikes so far this year are already more than in the whole of 2010 or 2011.

"Supply of skilled workers is a problem," said Kaing Monika, a business development manager at the Garment Manufacturers Association of Cambodia (GMAC), the main industry body.

"Most existing factories are running at full capacity."

Nike was the latest big brand to face protest action at its Cambodia-based suppliers in recent months, joining H&M Hennes and Mauritz AB, Wal-Mart Stores Inc, Gap Inc, and Puma SE among others.

No more black money in stocks

FROM PAGE B1

It has also announced tax removal on share premium, tax rebate on private sector mutual fund investments, withdrawal of tax at source on income from bond sale and continuation of tax exemption on capital gains of individual investors.

The budgetary measures, as seen by analysts, are a small effort to please investors, not to stabilise the market.

"The increase in tax-free dividend income may only leave a psychological impact. It will not have any impact on the market," said Faruq Ahmad Siddiqi, a former chairman of Bangladesh Securities and Exchange Commission.

Since the market crashed in early 2011, no steps, including stimulus packages, have been effective in perking up the market. Rather, the continuous fall reminded everyone of the1996 share scam, when the Awami League was in power the last time.

Despite government efforts, the market could not be kept stable from 2011, Finance Minister AMA Muhith said yesterday.

The refinance scheme of Tk 900 crore will be utilised through merchant banks and stockbrokers at a reduced interest rate of 10 percent so that they waive interests of small investors who incurred losses during the fall of the market.

But, analysts have said, using public money to vibrate the stockmarket is ethically "wrong".

Public money is meant for public welfare, not for rescuing a group of people who have bet on gambling and at the end lost their money due to manipulation, said Ahsan H Mansur, executive director of Policy Research Institute.

Commenting on the refinance scheme, he said no stockmarkets in the world, including those of Bangladesh, could be stabilised by any financial assistance or stimulus package.

"The government in previous times provided hundreds of crores of taka for the stockmarket, but what have we achieved? Nothing. The adjustment period was longer and painful; the outcome was the same and we lost public money," Mansur said, adding that maybe a handful of people got relief.

"If I win, the profit is mine. If I lose, the responsibility goes to the government -- it cannot be. In economics what we call this is moral hazards."

However, he praised the proposal to withdraw the 3 percent tax on share premium as he said it would motivate new companies to enter the capital market. "It will help increase the supply side."

And the proposed tax rebate for investments in private sector mutual funds will augment the growth of the industry and bring more investable funds under the asset management companies, said Moin Al Kashem, managing director of Prime Finance Asset Management Company.

EMIRATES

Daisuke Matsunaga, consul general of Japan; Salem Obaidalla, Emirates' senior vice president of Commercial Operation Far East and Australasia; and Ravishankar Mirle, Emirates' vice president for cargo commercial, pose before the inaugural departure of a flight of the airline to Haneda in Japan on Monday.

High bank borrowing target worries businesses

FROM PAGE B1

Nesar Maksud Khan, acting president of Dhaka Chamber of Commerce and Industry, said the targeted 7.2 percent GDP growth is unlikely to be met.

"Implementation of the budget will also be difficult as it would be done by three governments including the present, interim and the next elected one," he said.

Khan said the government should have widened the scope for amnesty to black money by including the capital market and industrial sector.

Mohammad Hatem, vice-president of Bangladesh Knitwear Manufacturers and Exporters Association, welcomed the proposals for zero import duty on fire extinguishers, reduction of duty by 1 percent on capital goods and 2 percent duty on intermediate goods.

He said the government should go for a cluster allocation to help relocate vulnerable garment factories from Dhaka city to other areas. "I did not see any stimulus package for the garment sector, either."

Jahangir Alamin, president of Bangladesh Textile Mills Association, said the interest rate on bank loans will not go down for higher bank borrowing by the government.

"Otherwise, I welcome the budget, as the government has proposed reduction of duty on import of acrylic yarn, raw materials and intermediate goods," he said.

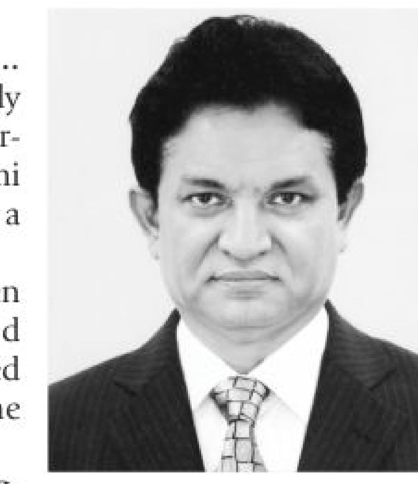
Abdus Salam Murshedy, president of Exporters Association of Bangladesh, too, welcomed this government move, together with the allocation of Tk 2,592 crore incentives for export purposes.

MENZ BANGLADESH

Parvin Shultana, chairperson of Menz Bangladesh, attends the re-launch of the men's premium salon at Sonargaon Hotel in Dhaka on Monday. Emon, actor and brand ambassador of the salon, was also present.

SJIBL elects chairman

STAR BUSINESS DESK



AK Azad

AK Azad has recently been elected as the chairman of Shahjalal Islami Bank, the bank said in a statement yesterday.

Syed Nurul Arefeen and Mohammed Faruque were elected vice chairmen at the same time.

Azad is the managing director of Ha-Meem Group of Industries and Channel 24 and a past president of the Federation of Bangladesh Chambers of Commerce and Industry and a sponsor shareholder of Sonar Bangla Insurance Ltd.

Arefeen is a sponsor shareholder of Shahjalal Islami Bank. He is the distributor of Birla Tyres of India and owner of Solar Trading Co, Solar Precured Tyre Retreading Co, and Solar Transport Co.

Faruque also serves as managing director of a property investment company in UK. He is also a founder president of North East (of England), Bangladesh Conscious Citizen Association.

Air Arabia to expand Bangladesh operations

STAR BUSINESS DESK

Air Arabia will increase the number of its flights on the Sharjah-Dhaka and Sharjah-Chittagong route soon, the airliner said in a statement yesterday.

The airline currently operates 14 flights per week on the Sharjah-Dhaka route and 11 flights on the Sharjah-Chittagong route.

GDP growth target unrealistic: analysts

FROM PAGE B1

The investment to GDP ratio was set at 29 percent to achieve the 7.2 percent growth, but in reality, it lags by 3 percentage points at around 26 percent this year.

Mujeri said it will not be possible under the present business climate for the government to increase the investment-GDP ratio to 30 percent.

"There must be a qualitative change in the business and investment climate to achieve the target."

According to provisional estimates of Bangladesh Bureau of Statistics, GDP grew by 6.03 percent in the current fiscal year. Though Finance Minister AMA Muhith said the growth will finally be 6.3 percent, the rate is still down by around 1 percentage point than the target.

Analysts said the finance minister is least bothered about the investment required to achieve a 7 percent plus growth rate. To achieve 7 percent growth, Bangladesh needs to boost investment to the tune of 30 percent of GDP, they added.

Salehuddin Ahmed, a former governor of Bangladesh Bank, said the GDP growth target is wild and unrealistic.

"A huge boost in investment is required to attain a 7.2 percent growth," Ahmed said, adding that he is doubtful about a significant increase in investment this year.

The former governor said he is also concerned about the performance of the banking sector, which he regards as one of the main factors to supporting business activities.

Ahmed said a better business climate can be achieved by maintaining a relatively stable political climate, which is unlikely to happen in the coming months.

In its economic review, the Centre for Policy Dialogue said analysts had earlier projected that the GDP growth rate would be around 6 percent.

"This is certainly a setback for the present government's plan to move the economy to higher growth," the CPD said in its analytical review of Bangladesh's macroeconomic performance for 2012-13.

In addition to domestic factors, the analysts said there are global issues linked to the country's economic growth. They said a recovery in Bangladesh's main export destinations -- the US, the EU and Japan -- is needed to achieve the higher growth rate.

Time to reflect on budget

FROM PAGE B4

In terms of sectoral allocation the reduction in allocation for agriculture, both in terms of volume and as percentage of total budget is confusing since the objective is to make the country self sufficient. Health, an important sector for human development saw an increase of only Tk 340. As a share of total budget, the share of health sector has declined in the proposed budget. Similarly, in case of social safety net programme (SSNPs), there is a decline in allocation for SSNPs in fiscal 2014 in terms of its share both in total budget and in total GDP. This is contradictory to the overarching goal of the budget: poverty eradication.

Dr Fahmida Khatun is the research director of Centre for Policy Dialogue.