STOCKS Week-on-week
DSEX 2.66% 3,843.55
CSCX 2.95% 7,494.18

COMMODITIES As of Friday
Gold $1,290.30 (per ounce)
Oil $102.74 (per barrel)

ASIAN MARKETS Friday closings
MUMBAI 1.26% 20,528.59
TOKYO 1.48% 14,404.74
SINGAPORE 0.31% 3,179.71
SHANGHAI 1.7% 2,228.15

CURRENCIES As on Thursday STANDARD CHARTERED BANK

	USD	EUR	GBP	JPY
BUY TK	77.35	102.65	121.26	0.77
SELL TK	78.35	106.69	125.26	0.85

Star BUSINESS

DHAKA SUNDAY OCTOBER 13, 2013, e-mail:business@thedailystar.net

IMF to impose more conditions for loans

REJAUL KARIM BYRON

The International Monetary Fund is set to tag two new conditions for the release of the fifth instalment of its $1 billion extended credit facility.

One of the conditions stipulates that an international audit be conducted in three state enterprises -- Bangladesh Petroleum Corporation (BPC), Bangladesh Chemical Industries Corporation (BCIC) and Bangladesh Power Development Board (BPDB) -- while the other states that recapitalisation of the state banks must be linked to performance and done in phases.

The IMF mission that visited Dhaka between September 22 and October 6 decided to impose the conditions and would formally inform the government complete with a plan of action over the next couple of weeks, a finance ministry official said on condition of anonymity.

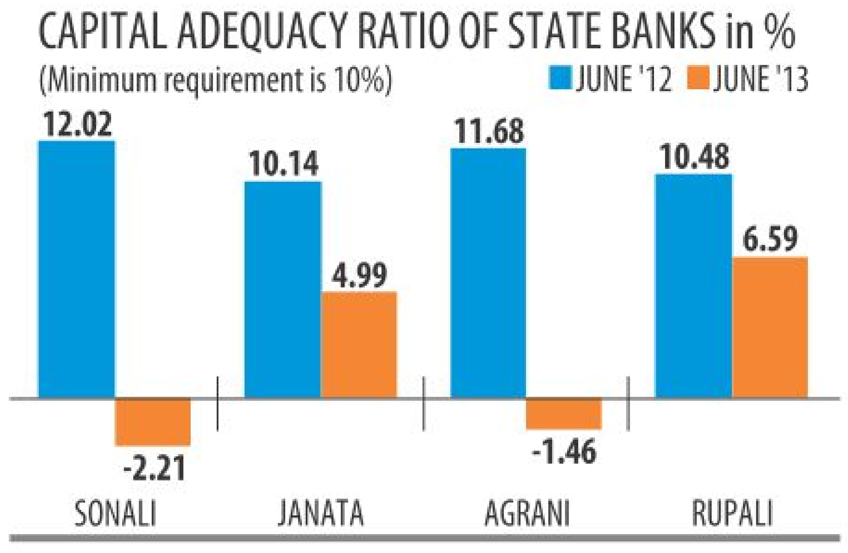
"In every budget a huge amount is given as subsidy to the state-owned enterprises and the IMF feels a huge amount of it is wasted," the official said.

Of the Tk 37,399 crore counted as subsidy in the revised budget for fiscal 2012-13, a major chunk was for petroleum products, fertilisers and electricity.

Although the government has already conducted a special audit in the three enterprises, the multilateral lender is sceptical that it gave out the true picture.

"Therefore, the IMF has proposed an audit by a reputed international accountancy firm," he said, adding that the government has primarily agreed to the audit of the BPC. The audits of BCIC and BPDB would be conducted at a later date.

As for the state banks, the IMF is disbelieving that the four banks' total classified loans come to between Tk 10,000 crore and Tk 17,200 crore. Bangladesh Bank statistics show the shortfall to be around Tk 10,000 crore, while the World Bank deduces it to be around Tk 17,200 crore.



"The IMF mission reviewed the financial indicators of the banks individually and estimated the shortfall to be even higher than the WB figure," the finance ministry official said.

To overcome the massive shortfall owing to various irregularities, the government has already set aside Tk 5,000 crore in the current budget to recapitalise four state banks.

The IMF mission stipulated that the amount be given in 2-3 instalments and not in one go, and that too after satisfactory performance in BB's quarterly reviews.

"Their line of reasoning being that the budgetary fund comes from public tax money and the government's ongoing practice of doling out people's money to state banks, who, in turn, squander the amount, cannot continue," the official added.

Ministry discards Jubok's loan plea

SAJJADUR RAHMAN

The finance ministry has rejected an application for soft loans of Tk 1,000 crore of Jubo Karmasangsthan Society to repay the liabilities of its members, a top official of the ministry said.

Jubok sent the letter to the finance minister on October 2.

"We are not considering Jubok's demand. They (Jubok) send letters to us quite often," M Aslam Alam, secretary of Bank and Financial Institutions Division, told The Daily Star on Thursday.

Rather, the ministry has been working on the outcome and recommendations of the report on Jubok, which a permanent commission formed to probe into the firm's irregularities has recently submitted, he said.

Jubok's operations were suspended and bank accounts frozen in 2006, on charges of illegal banking.

Jubok took deposits worth around Tk 3,000 crore from thousands of its members offering hefty returns.

Jubok had set up over a dozen subsidiaries, including telecommunication, real estate development, tourism, private universities, health and agriculture.

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Tanners announce rawhide prices

STAR BUSINESS REPORT

Tanners yesterday announced the purchase rates for rawhides during Eid-ul-Azha in a bid to prevent the traders from gaining a windfall at their expense.

Bangladesh Finished Leather, Leathergoods and Footwear Exporters' Association, Bangladesh Tanners Association (BTA) and Bangladesh Hide and Skin Merchants Association (BHSMA) jointly announced that they would buy per square feet of salted cowhide for Tk 85-95 in Dhaka and Tk 75-80 elsewhere, goatskin for Tk 50-55 and buffalo skin for Tk 40-45.

"We will buy hides only at these prices at the factory level. We will not pay any higher than the declared rates," said Belal Hossain, chairman of the exporters' association.

But the prices at which the traders would procure the rawhides from households are most likely to be lower than the rates quoted by the tanneries.

He said traders, including the seasonal ones, last year bought hides from people on the cheap and sold at higher prices to tanneries.

"It created an untoward situation and we had to face the blame," he said, adding that such a situation occurred because of non-declaration of any price by the industry ahead of Eid-ul-Azha, a religious festival which enables the tanneries to land half of their annual supply of rawhides.

The prices were fixed taking into account the leather prices on the international market and the number of orders received during various leather-related fairs this year.

"The biggest buyers of Bangladesh's leather are Italy and China, but prices are declining there in line with the international market. Plus, the international leather fairs this year did not bring in our expected level of orders."

"We do not know where the market will be in the next six months. So we have declared an average price considering various factors," said Ali Hossain, chairman of BHSMA.

At present, the price of cowhide in Dhaka is Tk 90-95 per sft, he said.

The previous Eid fetched the tanneries 55 lakh pieces of rawhide, but this time they are expecting 65 lakh pieces, said Md Shaheen Ahamed, chairman of BTA.

"We expect more animals to be slaughtered this Eid because it is an election year."

The leather and leather goods industry earned over half a billion in exports in fiscal 2012-13, according to Export Promotion Bureau.

Vietnam: a close competitor to Bangladesh RMG

REFAYET ULLAH MIRDHA

Vietnamese garment makers are strengthening their foothold in key markets, putting new pressure on the Bangladesh apparel sector.

Competition will further intensify if the United States awards Vietnam the generalised system of preferences (GSP), a trade privilege scheme, as negotiations are currently underway for garment products.

Bangladesh exported nearly $18 billion in the nine months to September, with Vietnam trailing behind. With its robust growth, the Southeast Asian nation exported about $13.15 billion of garments, registering an 18 percent rise year-on-year in the same period.

Vietnam's garment exports grew 9.98 percent to $14.1 billion in 2012 from $12.82 billion in 2011, according to data from Bangladesh Garment Manufacturers and Exporters Associaiton.

BANGLADESH

Fiscal year	Export in billion $	Growth in %
2010-11	17.91	43.24
2011-12	19.9	6.97
2012-13	21.51	12.69

VIETNAM

Calendar year	Export in billion $	Growth in %
2010	10.12	21.34
2011	12.82	26.67
2012	14.1	9.98

SOURCE: BGMEA AND EPB

Vietnam is surely a major competitor for Bangladesh in the global readymade garments business as its performance is going strong, said Sadiq Ahmed, vice-chairman of the Policy Research Institute.

"It will be worrisome for Bangladesh if the garment items are included in the GSP scheme for Vietnam," Ahmed told The Daily Star.

Still, Bangladesh is in an advantageous position compared to Vietnam, thanks to lower labour costs.

Vietnam's textiles and garments industry has developed rapidly in recent years and has become a vital activity within the country's economy, Ahmed said. It could attract large sums of foreign direct investment, mainly from China and South Korea, as the nation has flexible policies and good infrastructure, he said.

Vietnam has been enjoying a lower tariff rate on apparel exports to the US since 2001 when the American government gave Vietnam the Most Favoured Nation status.

On the other hand, Bangladesh has been paying a 15.3 percent duty on apparel exports to the US as the country has been kept away from any duty-benefit.

In 2012, Bangladeshi garment makers paid $746 million to US customs as duty for exporting garment items worth a little over $5 billion.

Despite hectic negotiations, Bangladeshi garment items were not included in the US GSP scheme, which was suspended on June 27, citing poor labour rights and shortcomings in safety measures in the factories.

In addition, according to a recent survey by McKinsey & Company, a US-based consulting firm, Vietnam will continue as the second top sourcing country after Bangladesh to the international retailers for the next five years.

Garment exports from Bangladesh grew 12.69 percent to $21.51 billion in 2012-13 from the previous year, while it grew 6.97 percent to $19.9 billion in 2011-12 from 2010-11, according to BGMEA data.

Bangladesh exported garment items worth $17.91 billion in 2010-11 and $12.5 billion in the year before that.

At present, the number of garment factories in Bangladesh is 5,000 and 2,000 in Vietnam, according to the McKinsey report.

However, Tipu Munshi, a former BGMEA president, said: "Bangladesh will not be affected, even if Vietnam is awarded the GSP status by the US."

"We should pay attention to solving domestic problems."

Munshi is rather upbeat that Bangladesh is also receiving a significant portion of the orders that shifted from China. "Vietnam or Myanmar might go stronger in garment business in future, but Bangladesh will not be affected by this."

Vietnam pays entry-level garment workers $80 in minimum wage a month, compared with $40 in Bangladesh.

Bangladesh will remain more competitive than Vietnam even if the salary is hiked, said Sirajul Islam Rony, workers' representative on the wage board for garment workers formed in June. The board is likely to announce the fresh wage hike this month, Rony said.

"The living standards of garment workers are higher in Vietnam than in Bangladesh," said Rony, who visited some garment factories in Vietnam to take decisions on the minimum wage.

Garment workers in Vietnam also get government subsidies in different forms, mainly on house rents, he said. The only relief for Bangladesh workers is that, the prices of basic commodities are lower here

AMRAN HOSSAIN

Vendors sell banknotes on a sidewalk at Fulbaria in Dhaka yesterday. The demand for new notes goes up before major religious festivals.

Apparel makers call for political peace

STAR BUSINESS REPORT

Garment makers yesterday called for political peace and stability in the country to support apparel export growth to fully exploit the country's opportunities.

They spoke of fear of political chaos ahead of the next general election, which could hamper exports of the main foreign currency earning RMG sector.

"We are urging a consensus among the political parties," said Atiqul Islam, president of Bangladesh Garment Manufactures and Exporters Association, at the closing of Bangladesh Apparel and Textile Exposition, at Sonargaon Hotel in Dhaka.

"We expect political parties will not use the garment industry and its workers as a political tool," Islam said in a statement.

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IDRA likely to hike premiums for garment insurance

GAZI TOWHID AHMED

Garment manufacturers are unlikely to enjoy low premium rates for long as the Insurance Development and Regulatory Authority (IDRA) looks set to hike rates for fire, marine and miscellaneous insurances for them.

Since 2004, the members of Bangladesh Garment Manufacturers and Exporters Association and Bangladesh Knitwear Manufacturers and Exporters Association have been paying Tk 0.17 and Tk 0.19 as monthly premium on every Tk 100 for fire and marine insurance respectively.

In contrast, the members of the Bangladesh Textile Mills Association pay Tk 0.29 and Tk 0.30 respectively.

A rise in premium will have an adverse effect on the garment industry: Atiqul Islam, chief of BGMEA

"It will take a couple of months to review the premium rates of all kinds of insurance," M Shefaq Ahmed, president of IDRA, said, adding that not all premium rates would be increased.

Atiqul Islam, president of BGMEA, said the rise in premium would have an adverse effect on the garment industry, seeing the industry is going through a bad time.

He urged the IDRA to negotiate with the BGMEA before taking any decision.

Jahangir Alamin, president of BTMA, demanded premium rates for textile firms be brought down to the same level as garment firms.

"Our textile mills work as a backward linkage to garments firm affiliated with BGMEA and BKMEA. So the IDRA should give us the same facilities."

BTMA has 1,370 members with investment of Tk 30,000 crore, according to Alamin.

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