

EYE ON 2014 Economy cast in gloom

MD FAZLUR RAHMAN

The economy looks set to be stretched to its limit in 2014 given the lingering volatile political state of affairs, economists said yesterday.

"The dismal picture is, there is no immediate light at the end of the tunnel on the political front," said Akbar Ali Khan, a former finance secretary, adding that it has become difficult to predict how the incoming year will pan out.

Mustafizur Rahman, executive director of the Centre for Policy Dialogue, said the economy has achieved resiliency over the last two decades. "But there is a limit to things."

He said the lingering of the current scenario will have an adverse impact -- both short- and medium-term -- on the economy from three sides: stagnation of the economy, paralysis in taking major policy decisions and missed opportunities.

"If the situation persists, the economy will become hostage to politics whereas the politics is supposed to create conducive environment for the economy to flourish."

"Altogether, the beginning of 2014 is not auspicious," Mirza AB Azizul Islam, a former finance adviser, said, while tipping the GDP growth to be between 5 percent and 5.5 percent, the lowest in the last four years.

Although the export situation is still under control, there are signs that orders are being cancelled and diverted to other countries, he said.

If the shipment uncertainties brought by the political crisis lingers then the export sector will not be able to retain the current growth.

There has already been negative growth in remittance flow amid failure to send more workers abroad to traditional markets and explore new ones, he said.

"If we cannot send new workers then there will not be significant growth on the remittance front, as current migrant workers are sending money home as per their maximum capacity and have little capacity to increase the remittance flow."

Islam said the government's revenue generation target would fall short of targets as the collection of value-added taxes will be squeezed amid a fall in trade and business activities and income taxes and corporate taxes will also fall due to fall in profits.

READ MORE ON B3

Unrest weighs on banks' profits

They made provisioning from incomes due to a rise in default loans

REJAUL KARIM BYRON

Most of the renowned banks saw their profits decline in 2013 due to political unrest and an increase in default loans.

For the first time in recent years, Islami Bank's profit witnessed a fall, by 12.5 percent, compared to 2012.

Islami Bank accounts for 10 percent of the total credit in 54 banks in Bangladesh.

Janata, Agrani, Rupali, National and Prime -- all suffered the same fate.

However, a few banks such as Pubali, Mutual Trust, Al Arafah Islami, Bank Asia and UCBL were an exception.

Most banks could not disburse credit properly due to political instability and their import-export business also suffered, leading to a decrease in their profits, bankers said.

Helal Ahmed Chowdhury, managing director of Pubali Bank, said default loans in many banks rose in 2013 due to various scams in the previous year, which caused a fall in their profits.

Chowdhury said banks usually witness dull business in any election year, but 2013 was an exception as political violence continued throughout the year.

However, he said some banks, whose loan portfolio management was good, fared quite well.

The Pubali Bank MD also said 2014 will be another

BANKS' OPERATING PROFIT IN CRORES OF TAKA

	Year 2012	Year 2013*
Agrani	1,315	1,300
Janata	1,490	1,485
Rupali	367	310
Pubali	651	815
IFIC	346	403
National	780	670
Islami	1,830	1,600
Basic	254	178
NCC	403	404
UCB	576	711
Southeast	543	680
Prime	975	850
Mercantile	340	425
Exim	533	510
Bank Asia	505	551
Mutual Trust	133	211
Social Investment	362	325
Al Arafah	438	470
Jamuna	311	312
Shahjalal	442	300
South Bangla	N/A	14
Union	N/A	25
NRB Commerce	N/A	10
NRB Ltd	N/A	2
Meghna	N/A	6
Farmers	N/A	3
Midland	N/A	4
Modhumoti	N/A	10

*Provisional data collected from banks

challenging year for the banks and also a year for showing resilience.

Mohammad Abdul Mannan, managing director of Islami Bank, said profits fell due to a slide in the non-investment income of the banks.

Violent political programmes such as shutdowns and blockades also dealt a blow, he said.

Mannan, also the vice chairman of Association of Bankers-Bangladesh, a platform of chief executives of banks, said the banks could not earn much through foreign currency transaction, which is a major reason behind the fall in profits.

The amount of default loans at banks was Tk 56,720 crore as in September 2013, up from Tk 42,725 crore on December 31, 2012, according to Bangladesh Bank.

The banks had to make provisioning from their incomes due to the huge rise in the amount of default loans -- around Tk 14,000 crore in nine months.

Meanwhile, banks' overall credit growth slowed to 8.01 percent in the first eleven months of 2013, while at least 16 banks saw their credit fall

due to political uncertainty. Bank officials said blockades and shutdowns are hindering banking activities as businesspeople cannot carry on their normal business leading to a fall in the demand for loans.

READ MORE ON B3

Slogging through political turmoil

REJAUL KARIM BYRON

Given the strong performances in past years in the face of a global slowdown, 2013 promised great things for the economy, only to be marred by the protracted political turmoil.

Still, the economy made significant progress in key areas: forex reserves reached a new high, underlying inflation has steadily eased and public debt has declined.

Progress has been made in lowering poorly targeted subsidies, raising development spending, laying the foundation for tax revenue increases, improving public financial and debt management and strengthening financial supervision.

The two-decade trend of poverty reduction continued and good progress has been made towards the country's Millennium Development Goals.

Propelled by a steady increase in remittance, foreign currency reserves hit the \$18 billion-mark in December, making it the second highest in South Asia after India.

The rule of thumb is that the minimum reserves should equal three months' import bill, whereas at present the reserve is equal to six months' import bill.

Though the reserves increased, the central bank tactfully managed the exchange rate so that the exporters and expatriate Bangladeshis were not adversely affected and the price of imported goods did not advance and in turn affect inflation.

Inflation in November stood at 7.15 percent, up slightly from 7.14 percent in December 2012, according to data from Bangladesh Bureau of Statistics.

Private sector credit growth, however, marked a historical fall, as political uncertainties curbed the demand for investment, contributing to ample systemic liquidity.

Exports, too, registered a rise in 2013, but of note is the double-digit growth the garment sector registered despite being hit by several setbacks in the course of the year.

The capital market managed to buck the downward trend of the past two years, to end in the black: DSEX, the key index of the Dhaka Stock Exchange, closed off the year



Applicants for share credit to get one more month

STAR BUSINESS REPORT

Retail investors, who had lost money in stockmarket downswings in 2011, will get one more month to apply for share credit from the government's Tk 900 crore refinancing scheme.

Under the new deadline, retail investors will have to apply by January 31, said a member of the surveillance committee of the refinancing scheme. A guideline for the scheme was approved by the finance ministry in August 2013.

As per the previous timeframe, investors were permitted to apply for share credit under the refinancing scheme till yesterday.

But the surveillance committee extended the deadline by another month, considering the overall situation, said Saifur Rahman, a committee member and executive director of Bangladesh Securities and Exchange Commission.

The panel, comprising representatives from the central bank, BSEC and Investment Corporation of Bangladesh, is also responsible for monitoring the scheme operations and submitting a report to the finance ministry every quarter.

The affected retail investors, with smaller than Tk 10 lakh in exposure from January 2009 to November 2011, are eligible for the fund.

As of yesterday, around 12,600 retail investors applied for share credit worth Tk 346 crore through 35 merchant banks and stockbrokers.

READ MORE ON B3

2013: growth year for cash dividends

GAZI TOWHID AHMED

Listed companies with strong fundamentals announced healthy cash dividends for shareholders in 2013, maintaining profit growth.

A total of nine firms declared more than 100 percent dividends for investors in 2013, against seven companies in 2012, according to Dhaka Stock Exchange data.

CASH DIVIDENDS IN %	2012	2013
Above 100	7	9
Above 50, up to 100	4	3
Above 30, up to 50	12	16
Above 20, up to 30	13	12
Above 10, up to 20	61	68
Below 10	19	20

SOURCE: DSE

British American Tobacco Bangladesh, Marico Bangladesh Ltd and Bata Shoe Company declared dividends ranging between 45 percent and 500 percent, DSE data showed.

British American Tobacco has reported net profits of Tk 344 crore with earnings per share of Tk 57.38 for in the nine months to September. The company saw profit growth of 16.22 percent, compared to the same period of the previous year.

Bata Shoe Company's net profits rose

12.5 percent to Tk 54 crore in the nine months to September from a year ago.

Most multinational companies (MNC) listed on the DSE also maintained a steady growth trend in dividends, said Md Moniruzzaman, managing director of IDLC Investments.

The MNCs have strong management and predictability in business, Moniruzzaman said.

Investors should focus on cash dividends, he added. "Investors will not benefit from stock dividends if announced in a bear market."

"We can realise companies' strengths, such as cash flow and earnings, through cash dividend declarations."

Cash dividends become more attractive in a downward market as dividend yield goes up when share prices fall, said Mohammed Rahmat Pasha, managing director of BRAC-EPL, a leading stockbrokerage.

The higher dividend yield is likely to hedge against a fall in market prices for a company with consistent cash dividend payout, Pasha said.

"Because of the benefits associated with cash dividends, we have seen foreign investors invest in companies that focus on sharing profits with investors, that is, mostly multinational companies that pay out steady cash dividends."

READ MORE ON B3

Some garment makers may delay new worker wage as troubles linger

REFAYET ULLAH MIRDHA

Many garment owners may not be able to pay workers under the new wage structure from January as money flow in the sector has been squeezed by the ongoing political impasse, industry insiders said yesterday.

Garment makers plan to delay implementation of the new salary structure by 15-20 days, as they will not be able to implement it in one go.

"I think 60 percent garment factories may be able to implement the new salary scale timely and the remaining 40 percent may fall behind," said Shahidullah Azim, vice-president of Bangladesh Garment Manufacturers and Exporters Association.

More than 3.5 million workers are employed in nearly 4,000 active garment units, according to data from BGMEA.

"But the garment makers must implement the salary structure, even if there is a

delay, as it was finalised by the government," he said.

The flow of work orders also began declining as political chaos is scaring off international retailers, he said. "The volume of orders has been declining since March."

"We hoped we would implement the new salary scale with increasing prices from the retailers. But the retailers are now reluctant to increase prices," he said.

According to a government decision, garment makers will have to implement the salary structure from December, meaning, most workers will receive the salary by January 7.

The wage board headed by Judge AK Roy finalised the minimum wage for garment workers at Tk 5,300 a month, raising it from Tk 3,000. In addition, workers have been divided into seven grades under the new structure.

READ MORE ON B3

Book The Daily Star state-of-the-art CONFERENCE HALLS with modern amenities

Avail the unique facilities at The Daily Star Centre to host your:

- Board Meetings
- Seminars
- Discussions
- Roundtables
- Press Conferences
- Launching Ceremonies

Conference room: @ TK 25,000/- for half day

Approximate seating capacity: 70

Seminar Room 1: @ TK 20,000/- for half day

Approximate seating capacity: 120

Seminar Room 2: @ TK 15,000/- for half day

Approximate seating capacity: 80

Facilities include:

- 4 high speed elevators.
- Automatic backup generators.
- Centrally air conditioned.
- PA System (including recording).
- Multimedia projector.
- 3 basement car parking facilities accommodating approximately 60 cars.
- Lunch and snacks catering service from our own cafeteria.
- Separate washrooms for gents, ladies and physically challenged.

For details please contact:

The General Manager (Admin) 01711623919 or Assistant Manager (Stores) 01711582703

The Daily Star

64-65, Kazi Nazrul Islam Avenue, Dhaka-1215.

Phone: 9144330 (Hunting), between 11am-5pm

