

Turmoil may lower credit rating: Moody's

REJAUL KARIM BYRON

The dragging political turmoil and its negative impact on exports, investment and economic growth will most definitely weigh down Bangladesh's credit outlook, the leading ratings agency Moody's said yesterday.

At present, Moody's rating for Bangladesh is a stable Ba3.

The renewed political tensions are "credit negative" for Bangladesh because it is weighing on export performance, investment activity and headline growth, the ratings agency said in its most recent credit outlook.

Moody's mentioned that political tensions have historically flared up in the run-up to elections, marked by frequent street protests that receded afterwards and thus had a limited effect on economic activity.

"This time, however, protests have been marred by violent outbreaks, and have per-

MAJOR RISKS

Political tensions are credit negative

Unrest weighs on investment and growth

Exports have begun to weaken

Turmoil risks undermining reform progress

Effects will be huge as protests persist for a prolonged time

sisted for a prolonged time."

Export growth, which had been immune to political turmoil in the past, has begun to weaken since the start of the current fiscal year, it said.

In the first seven months of fiscal 2014-15, exports grew by just 2.1 percent year-on-year, in contrast to 15.1 percent recorded by the Export Promotion Bureau for the same period of the previous fiscal year.

It particularly highlighted the contracting garment exports, which account for 84 percent of the country's total export earnings.

Labour and safety standards in the industry have been under scrutiny by global textile purchasers since 2012, and efforts to comply with more stringent standards have likely contributed to a decline in orders, Moody's said.

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Regulator to inspect HSBC's local office

STAR BUSINESS REPORT

The central bank plans to inspect HSBC's local office after the publication of reports linked to 34 client accounts of Bangladeshis in the banking giant's tax leaks.

Inspectors will check whether the client accounts associated with Bangladesh are legal, Mahfuzur Rahman, executive director of Bangladesh Bank and deputy head of the Financial Intelligence Unit (FIU), told reporters yesterday.

The BB summoned HSBC's officials in Dhaka to the central bank headquarters.

"We will also write to the FIU of Switzerland seeking details of the Bangladeshis who were named in the report."

Leaked documents show that 34 accounts associated with Bangladesh had a total of \$13 million in HSBC Suisse, which has been accused of abetting affluent tax-dodgers across the world.

"We will cooperate with the central bank in every possible way," said Talukdar Noman Anwar, head of communications at HSBC's Bangladesh office.

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FACEBOOK TO UNLEASH POWER OF INTERNET

Facebook aims to launch free basic internet services for agriculture, health, education and jobs in Bangladesh through its internet.org app. It is a Mark Zuckerberg-led initiative under which the internet is being provided for free to mobile users in developing countries, where his company partners with telecom service providers.

Facebook has already launched such service in India and five other high-population countries and plans to introduce it in Bangladesh soon, said Akhi Das, public policy head at Facebook India. Das attended a seminar of Digital World 2015 in Dhaka yesterday.

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MARK ZUCKERBERG CEO, Facebook

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Bangladesh is very important for us as it has a huge population. Facebook is carrying out a study on the Bangladesh market to launch the service.

”

AKHI DAS

Public policy head at Facebook India

RESEARCH: SARWAR A CHOWDHURY, SUMAN SAHA

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Internet users in % of total population: 27.27

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The government wants to bring all people into internet coverage by 2021. We would like to welcome the internet.org initiative due to its socio-economic benefits.

”

ZUNAID AHMED PALAK

State Minister for ICT

Bangladesh unlikely to lose out to India, Vietnam in garment trade

Analysts dispel fears as they speak at a seminar at BGMEA

STAR BUSINESS REPORT

The proposed signing of the EU-India free trade agreement and Vietnam's joining the Trans Pacific Partnership are unlikely to have any negative impact on Bangladesh's garment exports, trade analysts said yesterday.

At present, India and Vietnam are no challengers to Bangladesh in garment trade, Zillul Hye Razi, trade adviser of the European Union, said.

The two countries operate close to the high-end segment of the market, while Bangladesh mostly occupies the low end of the spectrum. Besides, they are shifting their focus from textiles and clothing and are now more interested in other products.

Razi's comments came at a seminar on the possible implication of the EU-India FTA and EU-Vietnam FTA on Bangladesh's exports, jointly organised by Bangladesh Foreign Trade Institute and Bangladesh Garment Manufacturers and Exporters Association.



Tofail Ahmed, commerce minister; Shahriar Alam, state minister for foreign affairs; and Atiqul Islam, president of Bangladesh Garment Manufacturers and Exporters Association, attend a seminar on the impact of EU-India and EU-Vietnam free trade agreements on Bangladesh, at the BGMEA office in Dhaka yesterday.

Standard Chartered in a report said Vietnam's joining the TPP, a US-led pact involving 12 Pacific Rim nations that account for 40 percent of world GDP, will make its apparel exports to the US more competitive at the expense of Bangladesh and Sri Lanka.

The extent of the impact will depend on how sourcing requirements are structured, the report said, adding that flexible sourcing rules could enable Vietnam to overtake Bangladesh in apparel trade by 2024.

Razi said: "Every time Bangladesh's garment sector has been affected, it is due to internal factors like poor safety and labour rights. I have never considered external factors as threats."

He said the country's garment exports will continue to grow to two major destinations - the EU and the US -- if issues such as adequate supply of gas and power, enhanced worker productivity improvement and political stability could be ensured.

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Diversify products to raise exports to Canada: analyst

STAR BUSINESS REPORT

Bangladesh should identify new sectors to increase exports to Canada as imports of the North American nation are on the rise, said Zaki Munshi, project manager for Asia at the Trade Facilitation Office (TFO) Canada.

TFO, a trade promotion body, facilitates access to Canadian market and shares trade expertise of the country with the exporters of developing nations.

Imports account for 32 percent of Canada's gross domestic product, growing at 7 percent a year for the last five years, Munshi said.

Canada is the 13th largest import market in the world and is actively seeking to diversify its trading partners; this is an opportunity and an invitation to exporters of Bangladesh, he said.

Munshi spoke at a seminar co-organised by Metropolitan Chamber of Commerce and Industry, and TFO Canada at the MCCI office in Dhaka yesterday.

Canada's total import was worth \$476 billion in 2013. Bangladesh has a 0.5 percent market share in Canada's footwear imports worth \$2.37 billion in 2013, followed by 0.4 percent in fish and seafood worth \$2.1 billion, 0.1 percent in furniture worth \$9.26 billion and 0.1 percent in ceramic worth \$1.12 billion, according to TFO.

Apparel exporters should diversify their products to bag more export orders from Canada, Munshi said. "Bangladesh faces emerging competition from Cambodia and Vietnam."

Canada is Bangladesh's sixth largest export market, accounting for 4.1 percent of its total exports, he

said, adding that Bangladesh's major exports to Canada largely comprise textiles and knitwear.

A lot of research is needed to determine the potential sectors for increasing exports to Canada, he said. "This includes knowing the demand, trends, and competition for your products in the market."

"We are often asked how to know about Canadian importers. The government of Canada has made a database of importers. You can access this important tool via the TFO website."

Exports to Canada from least developed countries in Asia are still small -- only 0.5 percent of its total imports in 2013, Munshi said.

Canada offers duty-free and quota-free market access to Bangladeshi exporters under the generalised system of preferences, said Syed Nasim Manzur, president of MCCI.

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Stocks rise for eighth day

STAR BUSINESS REPORT

Stocks gained for the eighth day yesterday as investors bought into large- and mid-cap companies.

DSEX, the benchmark general index of Dhaka Stock Exchange, closed at 4,841.72, after gaining 31.18 points or 0.64 percent.

DSES, the shariah index of the Dhaka bourse, went up 4.55 points or 0.39 points, to close at 1,149.98.

It was another good day for stocks in Dhaka as most of the large- and mid-cap stocks extended gains, LankaBangla Securities said.

Market sentiments improved significantly in the last few days, said IDLC Investments.

Turnover, the most important indicator of the market declined 5.8 percent to Tk 326 crore, compared to the previous day.

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