

Star BUSINESS

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Govt's cost of debt to double

REJAUL KARIM BYRON

Government borrowing through savings instruments in fiscal 2015-16 is most likely to be nearly double the budgetary target, an exercise that will push up debt servicing cost or interest payment.

Net borrowing from savings instruments stood at Tk 30,093 crore during the July-May period of last fiscal year, whereas the initial budgetary target was Tk 15,000 crore, according to central bank statistics.

In the revised budget, the amount was increased to Tk 28,000 crore.

The full-year net borrowing from savings instruments may cross Tk 35,000 crore, said a finance ministry official.

"The government is in a tricky situation with domestic debt management because of an increase in high-cost borrowing from savings instruments."

On the other hand, bank borrowing by the government as per Bangladesh Bank's preliminary estimate was Tk 4,807 crore against the target of Tk 31,675 crore in the revised budget.

In the revised budget, the target for bank borrowing was cut from the original budget, but the government was not required to borrow even that amount in the end as sales of savings instruments shot up.

"When the actual counting will be made, the government's borrowing from the savings instruments will go up and bank borrowing will go down."

For example, in fiscal 2014-15, the target for borrowing from the banking system was Tk 31,714 crore, but the eventual lending was only Tk 514 crore.

On the other hand, the borrowing target

for savings instruments was Tk 21,000 crore, which at final count was Tk 28,705 crore.

Since the government does not have direct control on savings instruments, borrowing from this source have increased by the day, according to the finance ministry's Medium Term Macroeconomic Policy Statement released last month.

In recent times, the rate of interest on savings instrument saw cuts but it is still higher than on bank borrowing, said the finance ministry official.

The rate of interest on the government's bank borrowing is within 3.89 percent to 5.17 percent, while that on savings instrument is from 11 percent to 12 percent.

The government has been considering making the rate of interest on savings instrument market-based.

Finance Minister AMA Muhith on several occasions had said steps will be taken to make the rate market-based.

But the official said there has been opposition from ministers and top bureaucrats over this.

They put forward the argument that the rate of interest on deposits in banks has drastically fallen and the share market is not performing well either, so the small savers do not have many opportunities to make investment.

Agriculture Minister Matia Chowdhury is also opposed to the idea of lowering the rate of interest on savings instruments.

"A huge sale of savings scheme with administratively determined high rate of interest is obstacle to reduction to the cost of borrowing," said the Medium Term policy statement.

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Rahimafrooz, Japanese firm launch 'easy bike' batteries

STAR BUSINESS REPORT

A Japan-Bangladesh joint venture yesterday launched batteries for electric vehicles, locally known as easy bikes, to cater to a market with Tk 1,000 crore in annual sales.

"We want to improve the economic situation and livelihood of drivers of electric vehicles by providing them with good-quality batteries," Akihiro Ueda, business development manager of Terra Motors, Japan's electric vehicle maker, said at a media briefing.

The press meet was organised to unveil the 50:50 partnership between Terra Motors and Rahimafrooz to make batteries for the electric bikes that have emerged as a major mode of public transport in towns and suburbs. Currently, about 450,000 easy bikes are plying throughout the country and the market for such vehicles is expanding by 30,000 units a year.

The sector requires 12 lakh pieces of battery a year, which is mostly supplied by Chinese makers, according to officials of Rahimafrooz.

The joint venture Terra-Rahimafrooz Ltd said it would sell its battery for easy bikes under the name Fujiyama.

Ueda cited the recent terror attack in Dhaka's upscale area Gulshan that claimed the lives of seven Japanese nationals and said his company is going to stay here to be part of the development of Bangladesh.

He said some companies initially decided to leave but later changed their minds.

"People are not willing to leave this country," said Ueda, who is also the sales and marketing director of Runner Terra EV Ltd, another joint venture between Terra and local motorcycle manufacturer Runner Automobile Ltd.

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ADB poll identifies key skills for Asian youth

MD FAZLUR RAHMAN

Youths in Asia and the Pacific should learn skills in four key areas -- communication, technical, leadership and ICT knowledge -- to get them ready for the labour market.

This skills set is the result of a recent poll on the Asian Development Bank (ADB) blog and was published just days ahead of the World Youth Skills Day.

World Youth Skills Day was on July 15 and the United Nations observed the day with a special event under the theme 'Skills Development to Improve Youth Employment'. In a blog poll in June, the ADB asked its readers what they believe are the top skills that the youth of Asia and the Pacific need to find jobs today.

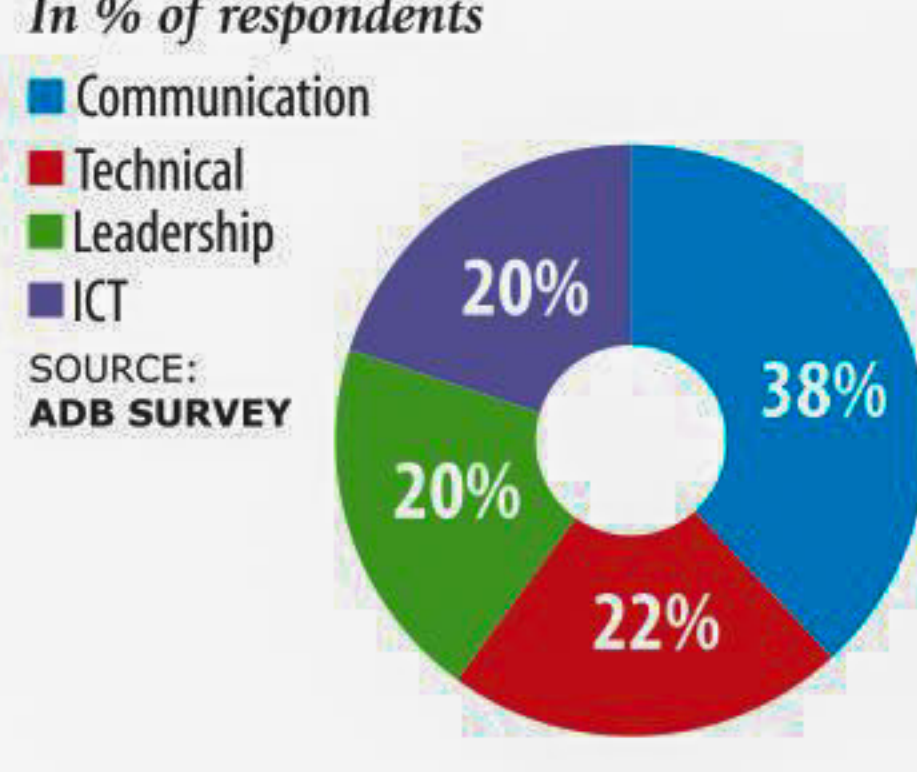
This was not the case before, as most education systems in developing Asia were able to meet the skills required for employment, but global trends have altered the picture. Traditional learning methods, according to a World Economic Forum report released earlier this year, cannot keep up with the current employer demands.

The blog said skills alignment is crucial for the future of 754 million young people in Asia and the Pacific, where a skills mismatch can result in wasted economic potential for regional inclusive development.

"It is, therefore, interesting to know what skills our readers perceive are most necessary for youth to acquire," wrote Richeline Tan Mascarinas, communications consultant at ADB's Sustainable Development and Climate Change Department, on the development agency's blog site.

Communication and language skills took

SKILLS THAT ASIAN YOUTH NEED



the top spot as 38 percent of the respondents favoured the skills, according to the poll.

"This is not surprising, since cognitive skills have always been considered as general requirements for employment, regardless of type of occupation," wrote Mascarinas.

Also, as Asian countries become more integrated and globalised, a young person's level of skills in effective communication undoubtedly impacts his/her chance in landing a job.

Running second is technical skills at 22 percent. These skills are occupation-specific; young people have to be adept at current trends and meet the needs of their dream jobs. Schools then should know what the demands of the changing workplace are so they can better equip young people with the necessary technical skills.

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Buying houses express concern after Gulshan attack

STAR BUSINESS REPORT

Garment buying house leaders yesterday expressed concern over the terrorist attack in Gulshan, as they fear work orders from international retailers may fall.

"The attack will have a negative impact on the garment sector as many foreign retailers are thinking of shrinking their purchase volume from Bangladesh on security ground," said KI Hossain, president of the Bangladesh Garment Buying House Association (BGBA).

Last week, major American retailers pledged not to turn their backs on Bangladesh's crucial garment industry, despite the series of deadly attacks by Islamist extremists.

Moreover, in reply to an e-mail from The Daily Star, some international retailers like H&M said they will continue sourcing garment items despite the Gulshan attack.

Buying houses act as sourcing companies between the garment makers and retailers. The international buyers depend on the buying houses as they always cannot source all the required items from their selected few factories.

Currently, BGBA has 450 members, but the total number of such apparel sourcing companies is upwards of 700, according to the chief of BGBA.

"We are worried because the months of July and August months are when the retailers place their work orders," Hossain said. The Gulshan attack, which was targeted at foreigners, took place on July 1.

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Trade deficit in services widens

STAR BUSINESS REPORT

Bangladesh's trade deficit in services widened to \$4.63 billion in 2015 from \$4.10 billion a year ago, according to central bank data.

The deficit in trade in services that include financial service, insurance and tourism was \$3.16 billion in 2013.

"The gap is widening with the pace of rising export and import," said a senior official of Bangladesh Bank. Launch of more oceangoing ships by Bangladeshi entrepreneurs could reduce the gap, he said.

BB data shows Bangladesh received \$3.02 billion in services trade last year against payments worth \$7.65 billion, which was one-fourth of the country's exports for the just concluded fiscal year.

The country paid \$7.21 billion in 2014.

This gap in services trade was also caused by rising spending by Bangladeshis who spent more abroad than foreign tourists did in Bangladesh, according to BB data.

Such higher trade in services deficit pushed down the current account balance to \$2.93 billion at the end of April this year from \$3.14 billion a year ago.

Bangladesh's imports were worth nearly \$36.2 billion in the first 11 months till May of the last fiscal year against full year's exports of \$34.24 billion.

On the other hand, wage earners' remittance fell 2.55 percent to \$14.9 billion last fiscal year.



Abdul Matlub Ahmad, president of the Federation of Bangladesh Chambers of Commerce and Industry, opens a three-day fair—BBIN Business Forum & Expo—at Shiliguri in West Bengal of India on Friday.

BBIN trade fair in Shiliguri

OUR CORRESPONDENTS, Thakurgaon and Kolkata

A three-day trade fair—BBIN Business Forum & Expo—with participants from Bangladesh, Bhutan, India and Nepal kicked off at Shiliguri in the Indian state of West Bengal on Friday.

The Indian Chamber of Commerce and Industries (ICC) and the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) jointly organised the event with an aim to boost regional trade among the four countries.

FBCCI President Abdul Matlub Ahmad opened the event in presence of business leaders from the four countries. Bangladeshi companies are showcasing their products in 20 stalls while those from Bhutan and India in 40 stalls.

Meanwhile, top chambers of the four countries have launched the BBIN Business Forum in Kolkata on the same day. The FBCCI, the Bhutan Chamber of Commerce, the Federation of Nepal Chamber of Commerce and Industry and the ICC initiated the new forum.

Mashiur Rahman, economic affairs adviser to the prime minister of Bangladesh, and Gowher Rizvi, international affairs adviser, were also present at the event in Kolkata.

Despite its inception in early 1980s, the South Asian Association for Regional Cooperation (Saarc) has failed to generate desired level of trade activities in the member countries. But forum leaders have not expressed dissatisfaction in public.

"We don't want to be involved in any dispute with the Saarc or other organisations," said Ahmad.

"After the signing of the BBIN agreement it appeared to us that we need a forum to boost trade relations."

After the inauguration of the fair, a discussion took place where speakers said the business fair was organised to boost regional trade. Shiliguri was chosen for the BBIN fair as it is in a geographically important position for all the countries, organisers said.

The business leaders said the fair would help enhance interaction among the business communities of the four countries and know about each other's products.

They called upon all parties involved to come forward cordially so the business communities of the four nations reap the benefit of the agreement.

The business leaders said they want to see an industrial zone in Biratnagar, as it is also close to Biratnagar in Nepal, Phuntsholing in Bhutan, and Shiliguri.

The entrepreneurs of the four countries will be allowed to invest in the economic zone and workers from the countries would be eligible for jobs there, said business leaders.

In June last year, Bangladesh, Bhutan, India, and Nepal signed the motor vehicles agreement, a game-changing pact that allows passenger vehicles and freight vehicles to cross swiftly and easily from one country to another.

The deal will help improve the efficiency of transport and trade facilitation in the sub-region. "This could potentially increase intraregional trade within South Asia by almost 60 percent and with the rest of the world by over 30 percent," according to a World Bank study.

All the four countries have ratified the agreement.

Regulator asks ISPs to cut internet prices

MUHAMMAD ZAHIDUL ISLAM

The telecom regulator recently directed internet service providers, including mobile phone and WiMax operators, to reduce the cost of internet for end-users.

Bangladesh Telecommunication Regulatory Commission, in a letter to all operators, said the government has reduced the cost of raw materials of different internet products and the end-users should be benefited by it.

The telecom regulator also wants feedback from the operators on the steps they took to reduce internet prices.

Operators said they have already cut prices at the end-users' level and increased speed as well.

Analysts said this kind of a letter from the telecom watchdog shows that they have no control over the market.

BTRC officials said they do not have any cost model for internet pricing, nor any tool to determine what the actual price should be.

A few years back, BTRC conducted a cost modelling study on the voice call segment, which determined the upper and lower levels of prices. However, BTRC never took any initiative on internet pricing, said a senior official of the regulator.

The government reduced bandwidth prices, which is only 6 percent of their total operational costs, according to Internet Service Providers Association Bangladesh (ISPAB).

About 35 percent of their expenses go to the two NNTN (Nationwide Telecommunication Transmission Network) operators, even though they cannot provide full network support. Also, 30 percent of expenses go to staff salaries, 22 percent to revenue sharing at different layers, including the government, and 7 percent goes for office space and other payments, they added.

"Without cutting NNTN charges, end-users' costs will not be impacted," MA Hakim, president of ISPAB, said in a letter to the regulator.

To get optimum benefits, the government should withdraw VAT and other taxes and stop taking a share of the revenue from it, the letter added.

The NNTN charge that was fixed in 2009 has never been revised, Hakim said, when contacted.

As of May, there are 6.33 crore active internet connections in the country, according to a report by the telecom regulator.

Internet service providers gave only 33.7 lakh internet connections at the household level, although they consume a huge volume of internet bandwidth, around 50 percent.

The number of active WiMax connections stands at 1.18 lakh as of May, and it is declining every month.



INTERNET BANKING



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