

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
DXSE	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	JPY
▲ 1.01%	▲ 1.05%	\$1,200.80	\$55.33	▲ 0.18%	Closed	▼ 0.40%	▼ 0.32%	BUY TK 78.60	82.15	93.18	0.67
5,477.86	10,208.26	(per ounce)	(per barrel)	27,288.17		3,013.12	3,102.69	SELL TK 79.60	85.75	96.78	0.70

আপনার সংসার গুছিয়ে দিচ্ছি আমরা

এসআইবিএল ইসলামিক কনজুমার ফাইন্যান্স

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star BUSINESS

DHAKA TUESDAY JANUARY 17, 2017, MAGH 4, 1423 BS

Retailers concerned over labour unrest

REFAYET ULLAH MIRDHA

Twenty Western garment retailers have expressed concern over the recent labour unrest in Ashulia and called upon the government to form a new wage board for workers.

The buyers in a letter to the prime minister said the unrest may damage Bangladesh's reputation as a reliable sourcing market.

The major signatories in the joint letter sent last week are: H&M, C&A, Esprit, Gap, Next, VF Corporation, Primark, Inditex and Li&Fung.



Garment employees return to work in Ashulia after two weeks of labour unrest in December last year.

The retailers, who account for half of Bangladesh's total garment exports of about \$28 billion in a year, suggested that the root cause of the unrest should be addressed through social dialogue.

The retailers suggested the increased costs of living in Bangladesh might have contributed to the unrest and have subsequently urged the government to adopt a regular wage review mechanism.

"This would help create stability in the Bangladeshi garment sector,"

RETAILERS SAY

- Govt should form a new wage board for workers
- Unrest may damage Bangladesh's reputation as a reliable sourcing hub
- The root cause of unrest should be addressed through social dialogue
- Increased costs of living might have contributed to the unrest
- Govt should adopt a regular wage review mechanism

Financial sector reforms WB's prime focus

The lender to take up a three-year scheme of \$9b for Bangladesh

STAR BUSINESS REPORT

The World Bank has set its sights on financial sector reforms in Bangladesh in light of events in recent years such as the Hall-Mark scam and the Bangladesh Bank reserve heist.

For that end, a high-level team of the Washington-based multilateral lender yesterday offered the government \$500 million for this fiscal year.

From next fiscal year, a three-year programme involving \$9 billion will be offered, where financial sector reforms would take the spotlight.

A seven-member team led by Sebastian-A Molineus, director of the World Bank Group's finance and markets global practice, met with Finance Minister AMA Muhith at his secretariat office. Qimiao Fan, country director of the WB in Bangladesh, was also present.

The objective of the meeting was to discuss the government's financial sector reform priorities and explore how best the WB can support Bangladesh in furthering financial sector development, as per the lender's proposal.

After the meeting the finance minister told reporters that the WB earlier wanted to extend \$500 million as budget support.

But now, it has proposed to convert it into a development programme, the main

focus of which will be good governance in the financial sector, integrity and stability.

"I have told them to give a roadmap of what they want to do in the financial sector. They are likely to give it next week," Muhith said.

The programme will be finalised after discussions with other related parties, he added.

"We discussed with the finance minister the key challenges and the government reforms in the financial sector and how the World Bank can support the country's financial sector development," Fan told reporters after the meeting.

While replying to queries, he said there is a wide range of challenges in the financial sector, including banking sector supervision, non-performing loans of the banking sector and financial inclusion.

"The financial sector is a priority sector for World Bank Group support and we have a number of operations currently under implementation or under preparation for financial sector development."

Governance is one of the issues in the financial sector, which is dominated by commercial banks including the state-owned ones. "And clearly improving governance would be one of the key issues in the financial sector," he added.

Higher growth hinges on speedy projects: Citibank

STAR BUSINESS REPORT

Speedy implementation of infrastructure projects and business and investment-friendly regulations will determine whether Bangladesh would be able to attract more foreign investors and raise GDP growth to a new level, Citibank said in a report yesterday.

The US-based bank made the observation in its economic update on Bangladesh for 2016.

Bangladesh's economy grew at an impressive rate of 7.11 percent in fiscal 2015-16, which signifies strong macroeconomic fundamentals, the bank said.

There were promising signs as private investment's share in gross domestic product increased to 23 percent in the last fiscal year from 22.1 percent in fiscal 2014-15 along with stable public investment.

For fiscal 2016-17, the government has set the GDP growth target at 7.2 percent.

Easing business setup and investment regulations and rapid execution of infrastructure projects will be the driving factors that will decide whether Bangladesh can increase foreign direct investment to \$9.6 billion by 2020 and GDP growth rate to 8 percent.

At present, foreign direct investment is \$2.2 billion.

"Some progress has been made by the government in helping to ease doing business. However, there is still some way to go if the country is to attract large investment from local and foreign investors."

The government is working on creating 100 special economic zones in the country and has also classified a number of mega development projects into fast-track category to ensure rapid completion.

While public investment is crucial for building private investment, revenue mobilisation is the most important aspect that will drive public investment in coming years, according to the report.

At present, the revenue-GDP ratio is only 9.9 percent and the government has a target to increase the ratio to 16.10 percent by 2020.

"Broadening the taxpayer's base and revenue sources as well as focusing on income from service providers and self-employed are the primary challenges in attaining the target."

The successful rollout of the new Value Added Tax and Supplementary Duty Act 2012 will determine the success of revenue mobilisation to a large extent.

The implementation of the law has been set for July 2017. The act will introduce an integrated online system for VAT registration, return submission, refund and payment.

The analysis said growth in imports is partly attributed to increased imports for expediting different infrastructure projects of the government as well as capital machinery and raw materials imports, which could be a boon for the country's economic progress.

Capital machinery import growth has come from all sectors including apparel, leather, pharmaceuticals and power and energy.

The apparel sector has been importing the bulk of machineries as part of their expansion and modernisation phase.

As the rapid completion of the fast-track mega development projects is being emphasised by the government, capital machinery imports could see further growth in the coming months, according to the analysis.

It also touched upon external challenges confronting Bangladesh.

With major changes in the global geopolitical scenario including the Brexit, the rising trend in trade protectionism, uncertainty regarding US trade policies and Bangladesh's graduation from the least-developed countries status, the policymakers would need to be proactive and cautious at the same time to identify and strike favourable trade agreements.

About the fall in remittance flow,

Citibank said as slowdown in money sent by migrant workers can have undesirable implications concerning foreign currency reserves and financing development projects.

"Immediate measures are required to bring the overseas remitters into the formal channel."

The bank called for setting up training institutes and information centres to build and export skilled workforce, which would reap the benefits in the medium- and long-term through building a more sustainable remitter base.

The economic update said higher foreign direct investment, portfolio investment and higher net foreign borrowing resulted in a surplus in the financial account.

Although the FDI is increasing, it still comprises only 0.9 percent of GDP, which is crucial to creating jobs and building sustainable foreign currency reserves, it said.

Citibank said there are encouraging signs as investment registration with the Bangladesh Investment Development Authority has increased substantially to \$14 billion during the July-November period, which is higher than the total amount of proposed investment registered in fiscal 2015-16.

There are increasing demands of better utilisation of foreign currency reserves to check on inflationary pressure and growth in reserve money.

The bank said as all major currencies except Japanese yen and emerging market currencies have depreciated significantly against the dollar recently, the taka has appreciated against them in real terms.

"Prudent exchange rate management is required to strike the right balance to help protect export competitiveness and boost wage earners remittance inflow and at the same time encouraging investors to import more capital machinery to enhance the country's productive capacity."

Optimism rises among consumers

Mastercard says in a survey

STAR BUSINESS REPORT

Bangladesh's consumers are among the most optimistic in Asia Pacific thanks to their bullish outlook on the country's economy, quality of life and stockmarket, according to a survey by Mastercard.

The country recorded the largest gain of 11.2 points to hit 82.8 points in Mastercard Index of Consumer Confidence in the second half of 2016 – a significant improvement in the overall consumer confidence.

A score above 80 points classifies a country as 'very optimistic' and a 90-plus score categorises a country as 'extremely optimistic'.

India, with a score of 95.3, tops the index as the most optimistic market in Asia Pacific, with Myanmar, Vietnam, the Philippines and Bangladesh rounding off the top five, it said yesterday.

Fitch warns of currency risks to exports

STAR BUSINESS REPORT

Bangladesh's exports gained momentum in most of 2016, but a stronger taka against a basket of other currencies may hurt shipments this year, according to global credit rating agency Fitch.

"In 2017, this sector may feel the pinch of further real effective exchange rate appreciation, although Bangladeshi labour costs are still relatively low," the New York-based company said yesterday.

An increase in 'real effective exchange rate appreciation' or REER implies that exports become more expensive and imports become cheaper; an increase indicates a loss in trade competitiveness.

Fitch said Bangladeshi apparel exports continued to be strong, accounting for 81

percent of total exports and earning the country \$26.1 billion in the first 11 months of last year, which was \$24.6 billion in 2015.

Political and safety risks remain substantial in Bangladesh, Fitch said.

"Security incidents or political turmoil could inflict long-term economic harm if it deters foreign investors and buyers of Bangladeshi goods, especially readymade garments, from doing business in Bangladesh."

Calm has returned after political violence that erupted in 2014 and 2015, but continued strong political polarisation could again lead to widespread violence and blockades, especially nearer to parliamentary elections, which are to be held no later than January 2019.

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IMF boosts US growth estimate

AFP, Washington

The International Monetary Fund on Monday boosted its estimates for US growth on expected stimulus spending by the incoming Trump administration, but kept the forecast for global growth unchanged.

The IMF's quarterly World Economic Outlook (WEO) however said the forecasts for 2017 and 2018 are beset by uncertainty and risk, including signs of rising protectionism.

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