New top brass for BCI

Mostafa Azad Chowdhury

STAR BUSINESS DESK

Bangladesh Chamber of Industries has recently elected Mostafa Azad Chowdhury as its president for 2017 to 2019.

The chamber also elected Ranjan Chowdhury as senior vice president and Jahangir Alam as vice president for the term, the trade body said in a statement yesterday.

Azad Chowdhury is the managing director of Motahar Group of Industries. Ranjan Chowdhury is the managing director of Nasa Group while Alam is the managing director of Matador Toothbrush Industries Ltd.

Higher oil prices to aid Gulf external balances: poll

REUTERS, *Dubai*

A rebound in oil prices over the past few months looks set to improve the external balances of rich Gulf Arab countries but economic growth will stay low, a quarterly Reuters poll of analysts found.

Brent crude is now trading around $55 a barrel, up from last year's average of about $45. If current prices hold, that will boost Gulf states' export revenues and ease pressure on their currency pegs to the U.S. dollar.

The poll of 17 private sector analysts expect the current account balances - which capture trade in goods and services - of Saudi Arabia, the United Arab Emirates and Qatar to improve in both 2017 and 2018 even more than forecast in the last poll conducted three months ago.

Saudi Arabia's current account deficit, for example, is forecast to shrink to a median 3.3 percent of gross domestic product this year from 8.0 percent in 2016. In the last poll, this year's deficit was projected at 3.9 percent.

For 2018, the Saudi current account deficit is now projected at 2.5 percent instead of 3.1 percent. In addition to higher oil prices, Riyadh's efforts to reduce its state budget shortfall are expected to improve its external balance.

"Ongoing fiscal reforms and higher oil prices could bring the current account deficit nearer to balance over the coming years as the external break-even oil price hovers around US$60 per barrel," Bank of America analysts said in a note to clients.

However, the Reuters poll found little improvement in the current account outlook for the least wealthy economies of the six-nation Gulf Cooperation Council, Oman and Bahrain. Oman is now expected to run a bigger deficit this year than was forecast in the last poll; Bahrain's forecast has deteriorated for both 2017 and 2018. That is partly because both countries have less scope to cut big state budget deficits, which are expected to be equivalent to at least 8 percent of GDP this year and next.

Higher oil prices will give little or no boost to economic growth in the Gulf as governments keep a tight rein on their spending, the poll found. Furthermore, the GCC countries plan to introduce a 5 percent value-added tax in 2018, which will weigh on private consumption.

GDP growth in all of the GCC countries is forecast to languish around 3 percent or below in 2017 and 2018, lower than average levels of about 4 percent or above during the boom years of the past decade, the poll showed.

BANK ASIA

Mohiuddin Ahmed, chairman of Sirajdikhan upazila; Adil Raihan, senior executive vice president of Bank Asia; Ahsan Ul Alam, vice president; and Md Moniruzzaman, head of alternative delivery channel, pose at a ceremony to celebrate the third anniversary of the bank's agent banking services in Bangladesh.

BGAPMEA

Commerce Minister Tofail Ahmed opens the 16th edition of the four-day Garmentech 2017 at the International Convention City Bashundhara in Dhaka yesterday.

Coca-Cola opens $60m bottling plant in Bhaluka

FROM PAGE B1

Irial Finan, executive vice president of Coca-Cola, said the opening of the plant and the accompanying investment represent tremendous momentum for Coca-Cola's business in Bangladesh.

"It is our hope that people view our presence as a representation of our strong belief in this country and optimism in creating a stronger future for our communities and businesses."

Venkatesh Kini, president of Coca-Cola for India and Southwest Asia, said Bangladesh is fast emerging as one of the world's most important growth markets for consumer product companies. T Krishnakumar, chief executive officer of Hindustan Coca-Cola Beverages Pvt Ltd, also spoke.

LNG to be imported from Qatar's RasGas

FROM PAGE B1

The government aims to set up four land-based LNG terminals and one or two floating storage and re-gasification units.

The demand for gas will stand at 8,000 MMCFD in 2041, according to an estimate of the Energy Division.

The government has already received proposals from 14 companies for setting up LNG terminals.

China Huanqiu Contracting & Engineering Corporation has proposed to set up an LNG plant in Moheshkhali, while KOGAS-MGCB-KSBL Consortium wants to set up a land-based terminal in Sonadia.

Besides, Singapore's Sembcorp Utilities Pte Ltd submitted a proposal for setting up a Gravifloat terminal and storage tank in the deep sea.

The Gravifloat technology allows the LNG terminal to be fully built and completed at a shipyard and installed in shallow waters to facilitate direct ship loading of LNG.

In December, Petrobangla signed an initial agreement with India's energy company Petronet to set up an LNG regasification terminal on Kutubdia Island and a pipeline at an estimated cost of $950 million.

The cabinet committee on economic affairs yesterday approved another floating LNG terminal to be set up on Moheshkhali Island in Cox's Bazar by Summit Group.

Summit Group signed an initial contract with Petrobangla on January 3.

Under the proposal, Summit LNG Terminal Company, a unit of Summit Group, will develop the floating facilities within 18 months of signing the final contract.

The LNG terminal company will supply 500 million cubic feet of gas per day, for which the government will pay a total of $1.56 billion in a year.

The terminal, which will cost Summit $500 million, will be set up on a build-own-operate and transfer basis. The tenure of the agreement will be 15 years.

State-run Petrobangla will pay $158,511 per day to Summit as fixed component fees, $30,500 daily as operating component fees and $30,500 for port service component fees.

Summit LNG Terminal Co will pay $20 million as performance bond to Petrobangla within 15 days of signing the agreement, according to the proposal.

Mobile industry accounts for 6.2pc of GDP

FROM PAGE B1

Bangladesh's proportion of 3G connections is 20 percent, which is more than India's but less than South Asia's figure of 21 percent.

In terms of public contribution, the mobile ecosystem generated about 10 percent of the government's revenue in 2015, valued at $2.42 billion through general taxation, mobile-specific taxes and spectrum licences.

The association organised a workshop at Pan Pacific Sonargaon Hotel in the city on spectrum allocation process and staged a mock spectrum auction.

"GSMA Intelligence findings clearly demonstrate the substantial contribution that mobile makes to the Bangladeshi economy," said Brett Tarnutzer, head of spectrum at GSMA.

"By systematically pursuing a policy framework that increases certainty, acknowledges market realities and removes regulatory barriers to investment and innovation, the Bangladesh government and its citizens stand to achieve so much in the coming years," he added.

By 2020, the mobile industry is expected to generate $17 billion of economic value.

They said this forecast relies on a favourable macroeconomic environment and on a moderate expansion in demand and supply in the mobile market.

Earlier, in a budget proposal presentation by the Association of Mobile Telecom Operators of Bangladesh, it was said the mobile industry contributed to 2.63 percent of the GDP in fiscal 2013-14. In fiscal 2012-13 it was 2.56 percent.

Employment opportunities are also set to expand from 780,000 jobs in 2016 to 850,000 jobs in 2020, an increase of about 9 percent during that period.

HSBC predicts risks to exports to major markets

FROM PAGE B1

"However, we expect exports to the US market to recover, growing 7 percent a year in 2016-20. Other markets such as China, India and Malaysia will also provide strong opportunities for export growth over the medium term, with potential for even stronger expansion in light of various free-trade agreements under discussion."

Germany follows closely behind the US with a 9 percent share in 2030, while the UK comes in third, accounting for 8 percent of total services exports in 2030. Following these three, India and China will be the next largest destinations for services exports among the countries covered in the HSBC Trade Forecast.

Regarding the outlook of the services trade in future, the report said as other economies such as Vietnam compete with Bangladesh for market share of garment exports, Bangladesh will need to diversify exports away from garment. To address these needs, the government adopted the Vision 2021 strategy, and the associated Outline Perspective Plan of Bangladesh 2010-2021.

In the Perspective Plan, Bangladesh recognised 'tourism' as one of the 'thrust sectors'. Moreover, to improve tourism exports, UNCTAD recommended Bangladesh take steps to attract investment and FDI in the sector and develop quality infrastructure and communication systems.

Unsurprisingly, tourism revenues are projected to grow at the fastest rate of 11 percent a year in 2016-30. Nonetheless, Bangladesh will still lag behind most other countries in South Asia in terms of both visitor numbers and tourism revenue.

Bangladesh is already becoming an active location for ICT services ranging from data entry to software development.

Having taken over from transport services exports in 2007, ICT will continue to dominate services exports, accounting for nearly 15 percent of total service exports in 2016-30. The sector is estimated to grow at an average of 7 percent between 2016 and 2030.

Bangladesh remains predominantly an exporter of clothing and apparel. In 2015, garment exports accounted for nearly 90 percent of total export revenues from Bangladesh.

Supported by increased global demand for low cost garments, we estimate the garment sector to record growth of 9 percent a year between 2016 and 2020, contributing more than three quarters of the increase in total exports. Textile and wood manufactures sector contribute another 12 percent to the increase in exports over that period. Moving up the value chain, the government hopes to boost revenues from ICT exports to $1 billion by 2018.

In 2015, Bangladesh's top export destinations were US, Germany and the UK (among the 24 trade partners in the HSBC Trade Forecast) and these continue to be the largest export partners in 2030.

The export sector has benefited from the rise in global demand for affordable clothing. With a large population and low labour costs, Bangladesh will retain its position as one of the world's top exporters of garment. Clothing and apparel will continue to make the largest contribution to the projected increase in overall goods exports over the medium term.

Bangladesh has been surprisingly resilient, despite the uncertain global economy. Boosted by exports and domestic consumption, the economy grew by 7 percent in 2015.

"We expect annual output growth to remain around the 7 percent level in the coming years, supported by healthy private consumption, exports and investments."

Central bank initiatives such as the Financial Sector Support Project are also helping to support the financing of projects in the manufacturing sector. Such initiatives will help to strengthen the efficient provision of credit in the economy, supporting investment and creating new sources of employment.

Meanwhile, to achieve the vision of the country reaching middle income economy status by 2021, the government has identified 32 thrust sectors, which will get preferential policy support to harness their high growth potential. "Against this backdrop, we expect Bangladesh to continue to record healthy growth through 2030." The World Bank has identified job creation as Bangladesh's top development priority to achieve the goal of becoming a middle-income country by 2021.

But to do so, it will need to remove the barriers to faster growth posed by many structural factors including poor transportation infrastructure.

Underscoring the need for investment in infrastructure, in the latest WEF Global Competitiveness Report, Bangladesh ranks at 106 out of 138 economies.

As a result of these infrastructure needs, HSBC expects industrial machinery to contribute 15 percent of the increase in imports in 2021-30 and transport equipment to account for 7 percent.

Olympic to shell out Tk 70cr on expansion

FROM PAGE B1

Olympic is a leading manufacturer of biscuits, cookies, chocolate and bread. It also manufactures dry-cell batteries.

In line with the latest business expansion plans, it will also import snacks manufacturing machinery from India and China at an estimated cost of Tk 7.7 crore.

"This unit will have an estimated annual production capacity of 3,700 tonnes," the company said.

In addition, Olympic will import a carton manufacturing line, complete with corrugation and printing machinery, from China at an estimated cost of Tk 12 crore. The unit will have an estimated annual production capacity of 6.6 crore cartons.

It will also import a tunnel oven and ancillary machines from India and China at an estimated cost of Tk 7.2 crore.

"This machinery will increase the company's annual production capacity of bakery products by 1,800 tonnes."

Olympic will start construction of an 88,000 square feet building and power substation at its Kutubpur factory that will cost around Tk 25 crore.

Olympic came to the stockmarket in 1989. Its net profit stood at Tk 162.37 crore last year, up from Tk 109.43 crore a year ago.

On the premier bourse yesterday, each Olympic share traded between Tk 315 and Tk 325, before closing at Tk 315.7.

Sponsors hold a 28.92 percent stake in Olympic, institutions 12 percent, foreign investors 42.88 percent and general public the rest 16.19 percent, according to DSE data.

French firm signs deal to boost Eastern Refinery's capacity

FROM PAGE B1

Technip built the country's first refinery in Chittagong in 1968. It will now prepare the design and relevant documents in six months. In line with the engineering design, BPC which owns ERL will begin negotiations with Technip for engineering, procurement and construction of the new unit.

At the press briefing, Nasrul Hamid, state minister for power and energy, said the cost of construction of the second unit has been estimated at Tk 16,739 crore ($2.1 billion). ERL will implement the project and operate the refinery.

At present, the country's annual demand for crude and finished oil is 5.5 million tonnes. Now, ERL supplies 1.2 million to 1.3 million tonnes of petroleum products per year after refining crude oil. Another 3.5 million tonnes of refined products are imported at higher rates to meet the demand.

Once completed in 2018, the second unit will help the country save $220 million a year, according to the BPC, which will provide the entire funding for the project from the sales of fuels in the local market.

India to consider Apple's request for incentives: minister

REUTERS

India will consider Apple's request for incentives to invest in the country with an "open mind", Information Technology Minister Ravi Shankar Prasad told reporters on Wednesday.

"We will very much like Apple to come and have a base in India," Prasad said. Apple has sent a list of demands to the Indian government, seeking tax concessions and several other policy exceptions, as necessary pre-requisites before it starts production of its iPhones in India.