

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	JPY
▼ 0.58%	▼ 0.41%	\$1,475.30 (per ounce)	\$66.14 (per barrel)	▲ 0.02%	▼ 0.20%	▲ 0.15%	▼ 0.40%	83.95	92.18	108.49	0.75
4,430.95	8,172.34			41,681.54	23,816.63	3,212.39	3,004.94	BUY TK	84.95	95.98	112.29
								SELL TK	84.95	95.98	112.29

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Real wages in fishery, construction falling despite faster GDP growth

SOHEL PARVEZ

Last fiscal year, Bangladesh's GDP grew at a record 8.15 percent, so it is natural to assume the real income of all would see some degree of increase with such a high level of economic expansion. And yet, fishermen and construction workers saw their real wages fall.

These two groups of labourers have continued to see their real wages fall owing to inflation rate exceeding the rise in their nominal wages for nearly one and a half years, according to data from the Bangladesh Bureau of Statistics (BBS).

Inflation, a measure of changes in prices of a basket of necessary goods and services, was at 5.48 percent in fiscal 2018-19 -- well above the growth rate of nominal wages for fishing (5.22 percent) and construction (5.19 percent) workers that year.

The two sectors accounted for one-tenth of the GDP in fiscal 2018-19.

In other words, the purchasing capacity of the workers in the two sectors, who tend to be low- and unskilled and poor, shrank in the last fiscal year despite the historically high GDP growth.

And their situation did not improve this fiscal year either, showed the BBS's consumer price index (CPI) and wage rate index (WRI).

For instance, in November inflation was 6.05 percent, which was 1.19 percentage points higher than the nominal wage growth rate in the same month in the fishery sector and 1.18 percentage points higher than that in the construction sector.

The trend in wage growth coincides with



STAR/FILE

People working in the fisheries sector have continued to see their real wages fall as inflation rate exceeds the rise in their nominal wages.

the declining pace of poverty reduction and widening inequality between the affluent and the poor, raising questions and concerns about the quality of Bangladesh's much-lauded GDP growth. The best performers in fiscal 2018-19 were manufacturing sector, followed by farming and service sectors. The real wages of workers in the sectors had been higher than the rates of inflation over the last one and a half years.

Real wage growth in agriculture was very small (0.54 percentage points) and it would be important to see if that can be sustained as a long-term trend in future, said Rizwanul Islam, a former special adviser of employment sector at the International Labour Office,

Geneva, in an email.

He cited his earlier work on longer-term trend in real wages that showed a rise from 2008-09 to 2010-11 and a fall from 2010-11 to 2015-16.

"The decline took place both in agriculture and manufacturing. Hence, the reversal of the trend for these two sectors comes as good news. However, rather than being complacent, one should note a few more points," he added.

The BBS has been producing the WRI since 1974 on a regular basis using 1969-70 as the base year. The WRI measures the movement of low-paid skilled and unskilled labour over time in three broad sectors of the economy: agriculture, industry and service. Later, the WRI was rebased to 2010-11.

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OMS onion now Tk 35/kg

STAR BUSINESS REPORT

The Trading Corporation of Bangladesh (TCB) has cut the price of onions under its open market sale (OMS) to Tk 35 per kilogramme from Tk 45.

The new price will come into effect from today and sales will continue till further orders, said a TCB press release yesterday.

"We have decided to cut the prices of the bulbs considering the downward trend in the market," said Md Humayun Kabir, the agency's spokesperson.

The state-run corporation started running the OMS on September 17 after prices reached record highs resulting from India banning exports to rein in the price in its domestic market.

Bangladesh annually imports roughly 10 lakh tonnes of the cooking ingredient as local production falls short of domestic requirement.

As imports and home-grown stocks

continued to decline, retail prices skyrocketed to an all-time high of Tk 250 per kg in the third week of November.

Hundreds of people started queuing behind the TCB's OMS trucks to purchase the bulbs at Tk 45 per kg.

The government faced criticism for failing to take timely action for increasing supplies and many consumers cut onion use in dishes.

Prices began falling from this month as supply increased through imports and early harvests.

Yesterday, retail prices hovered around Tk 60-120 per kg, down 11 percent from that a week ago, shows the TCB's market data.

Kabir said the TCB initially offered the subsidised onion in Dhaka city and later expanded to other cities and towns to cool down prices of the popular vegetable.

The TCB is using 175-180 trucks, including 50 in Dhaka, every day for the OMS of onions.

Invest in compliance

Experts, labour leaders urge owners of shipbreaking yards

STAR BUSINESS REPORT

The shipbreaking industry should improve working conditions at yards by following labour laws, ensuring minimum wages, and training up workers, said rights activists and government officials yesterday.

They also called for a change in the mindset of owners so that they invest to ensure compliance as well as adopt advanced technologies and raise safety awareness among the workers.

"The number of accidents in the shipbreaking sector has risen over the years, so preventive measures are needed," said Shib Nath Roy, inspector general of the Department of Inspection for Factories and Establishments (DIFE).

"Many industries don't follow labour

laws and safety issues for workers. We are trying to compel them to follow the laws but the labour laws are very weak," he said.

He said many government agencies are working to ensure decent work in the sector. However, there is a lack of coordination.

Roy was speaking at a roundtable at the Daily Star Centre in Dhaka. The Bangladesh Institute of Labour Studies (BILS) organised the roundtable styled "Ensuring decent work in shipbreaking industry: role of different stakeholders".

At present, 60-65 ship yards are active in Bangladesh and all of them are based in Chattogram. They bring scrap ships from abroad and break them and sell the scraps to steel millers, according to the BILS.

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REUTERS, Mumbai

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A farmer harvests damaged soybean crops at Kalamb village in Pune district in Maharashtra, India.

REUTERS/FILE



ICAB

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Facing industrial decline, Wales dreams of Silicon Valley

AFP, Newport

Wales is better known for its factory closures than high-tech achievements. But in Newport, a former bastion of the coal industry, a handful of semiconductor manufacturers dream of a new Silicon Valley.

"We want to be this technology centre like Silicon Valley, where we can attract whatever the big names of tomorrow are," said Chris Meadows, corporate systems manager at British firm IQE.

"Hopefully it will be whatever the 2030 version of Google is or a Facebook." IQE is one of a small group of local companies, also including SPIS or Newport Wafer Fab, which have formed an alliance with universities to create a compound semiconductor "cluster" in south Wales.

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compound semiconductors offer superior properties in terms of power, heat and shock resistance.

They are more complex and more expensive than silicon chips, but are more suitable for electric vehicles, laser devices or 5G telephony.

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"Our know-how, our edge comes from that particular way of working out and assembling wafers. It's our secret recipe." Working together, firms in the Newport "cluster" can offer custom-made products for chips used in devices by clients such as Philips or Raytheon, and maintain control over the production line.

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Meadows said, noting that this has benefited Asia. But now "it's more about machinery and intellectual property" -- and that brings high-skilled, well-paid jobs to a region that has suffered industrial decline.

Around 1,400 people work for the cluster, but it hopes to have 5,000 by 2023 thanks to the growth of a global market that last year was worth \$77 billion (70 billion euros).

The next step for Newport is to produce their own integrated circuits, and that will bring more jobs.

"We currently have three companies that we're working with, two in North America and one in China... they'll be assembling the electronic products using chips made within the cluster," Meadows said.

- Example of collaboration - In the cluster, manufacturers delegate research and innovation to the universities of Cardiff or Swansea. The prototypes are managed by government organisations that invest in new technologies, the so-called catapults.

Andy Sellars, chief business development officer at the compound semiconductor applications catapult, notes a project with McLaren worth around 20 million (around 23.5 million euros).

There is in total "about 300 million of investment in this region on the next generation of semiconductor material", he added.



An undated handout photo released by IQE Group shows a technician working in a cleanroom at IQE's plant in Cardiff, South Wales.

AFP

Invest in compliance

FROM PAGE B1

On an average, they dismantle more than 200 ships every year and meet 60 to 70 percent of the local demand for steels. They add Tk 8,000 crore to the economy.

The yards employ 20,000 to 25,000 workers, of which nearly 2,000 are permanent.

Begum Shaheen Akhter, deputy secretary of the labour and employment ministry, said the shipbreaking industry needs trained labour force and advanced technologies to reduce the number of accidents.

"To change the situation, the mindset of owners needs to be changed," she said, adding that the owners should be aware of the positive side of using advanced technologies.

Akhter also said the environment and the industries ministries need to work together so that owners can't bring in toxic ships, in order to ensure a decent workplace.

AM Nazimuddin, president of the Bangladesh Metal Federation, said workers are neglected in the sector and they become unproductive after spending 10-15 years.

So, their wage should be higher, but no yards follow the minimum wage of Tk 16,000, he said.

Tapan Dutta, convener of the Shipbreaking Workers' Trade Union Forum, said powerful and healthy trade unions can play a vital role in ensuring safety and decent workplace.

However, there is some legal obstacles to forming trade unions and getting registration for them, he added.

Pahari Bhattacharjee, a senior official of the BILS, said most of the workers do not get appointment letter, are forced to work 12-hour shift seven days a week, and work both shifts, day and night. Only permanent workers, who are not involved in breaking ships directly, enjoy weekend.

Union activities are limited and most of the workers are contractual, he said, while presenting a paper.

"The government should have a specific development plan for the sector and follow it," he recommended.

Md Al Amin, deputy inspector general of the DIFE, said industries still break ships manually but they need to introduce advanced technology.

Another problem is untrained workforce and if they are trained, the frequency of accidents would go down, he said, adding that owners of shipbreaking industries don't want to invest in compliance, but they should be made aware of the long-term benefits of following rules and regulations.

The DIFE has filed many cases against industrial units, Amin said. But the labour laws are weak and sometimes, a fine of only Tk 3,000 to Tk 4,000 is slapped on the owners.

"This is a very small amount," he said. The discussants called for profit-sharing. With the fund, a central welfare fund can be formed for the wellbeing of the workers.

They also emphasised ensuring group insurance, setting up a model shipyard, and making mandatory the use of personal protective equipment for workers.

West African nations rename common currency, sever links to France

AFP, Abidjan

Eight West African countries Saturday agreed to change the name of their common currency to Eco and severed the CFA franc's links to former colonial ruler France.

The CFA franc was initially pegged to the French franc and has been linked to the euro for about two decades.

Benin, Burkina Faso, Guinea-Bissau, Ivory Coast, Mali, Niger, Senegal and Togo currently use the currency. All the countries are former French colonies with the exception of Guinea-Bissau.

The announcement was made Saturday during a visit by French President Emmanuel Macron to Ivory Coast, the world's top cocoa producer and France's former main colony in West Africa.

Ivory Coast President Alassane Ouattara, speaking in the country's economic capital Abidjan, announced "three major changes".

These included "a change of name" of the currency, he said, adding that the others would be "stopping holding 50 percent of the reserves in the French Treasury" and the "withdrawal of French governance" in any aspect related to the currency.

Macron hailed it as a "historic reform", adding: "The Eco will see the light of day in 2020." The deal took six months in the making, a French source said.

The CFA franc's value was moored to the euro after its introduction two decades ago, at a fixed rate of 655.96 CFA francs to one euro.

The Bank of France holds half of the currency's total reserves, but France does not make money on its deposits stewardship, annually paying a ceiling interest rate of 0.75 percent to member states.

The arrangement guarantees unlimited convertibility of CFA francs into euros and facilitates inter-zone transfers.

CFA notes and coins are printed and minted at a Bank of France facility in the southern town of Chamalieres.

The CFA franc, created in 1945, was seen by many as a sign of French interference in its former African colonies even after the countries became independent.

The Economic Community of West African States

Britain gives US investor go-ahead to buy Cobham for \$5b

REUTERS, London

Britain has approved the purchase of British defence company Cobham by U.S. investor Advent International for \$5 billion after the private equity group made commitments to address national security concerns.

Business minister Andrea Leadsom had put the deal on hold to review the sale of air-to-air refuelling equipment maker Cobham, which employs 10,000 people and also makes communications equipment for military vehicles.

"I am satisfied that the undertakings mitigate the national security risks identified to an acceptable level and have therefore accepted them and cleared the merger to proceed," Leadsom said in a statement <http://bit.ly/2PlzBkS> published on Friday.

Leadsom had said on Tuesday that Prime Minister Boris Johnson's new government of was minded to accept the deal after Advent put forward several legal undertakings, including having a number of British executives on Cobham's boards.

Advent will have to give prior notice to Britain's defence ministry if it plans to sell all or part of Cobham's business, and honour existing contracts with the government.

A member of the family which founded Cobham said the decision was deeply disappointing. "In Cobham, we stand to lose yet another great British defence manufacturer to foreign ownership," said Nadine Cobham, whose late husband was a son of the

company's founder.

"In one of its first major economic decisions, the government is not taking back control so much as handing it away," she said, adding that the announcement on the weekend before Christmas had been timed to avoid scrutiny. Johnson said the sale showed Britain - which is due to leave the European Union at the end of next month - was open to investment from around the world.

"It's very important that we should have an open and dynamic market economy," he told British broadcasters during a visit to Estonia. "A lot of checks have been gone through to make sure that, in that particular case, all the security issues that might be raised can be satisfied."

BSEC okays replacing two funds' asset manager

STAR BUSINESS REPORT

The Bangladesh Securities and Exchange Commission (BSEC) yesterday gave the go-ahead to change the asset manager of closed-end DBH First Mutual Fund and Green Delta Mutual Fund.

Closed-end mutual funds are investment tools that pool a fixed amount of money for a certain period from investors and re-invest it into stocks, bonds and other assets.

The funds are traded on the stock exchanges and investors can buy or sell the shares in the secondary market.

The approval came at a meeting of the stock market regulator on its Agargaon office premises. IDLC Asset Management was sought as a replacement for LR Global Bangladesh by two-thirds of the unitholders of the funds.

In figures, some 73 percent of the DBH unitholders and 70 percent of the Green Delta unitholders called for the change. Bangladesh General Insurance Company, trustee of the funds, sought the BSEC's views on it on October 31.

As per the BSEC mutual fund rules of 2001, any such replacement requires approval of two-thirds of a fund's unitholders. LR Global Bangladesh had gone to court to stop the process. The Supreme Court cleared the way on December 8.

Maharashtra to waive loans for struggling farmers

REUTERS, Mumbai

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IMF approves \$2.9b Ethiopia aid package

AFP, Washington

Ethiopia will receive \$2.9 billion in a three-year aid package to help economic reform, the International Monetary Fund has confirmed.

The country -- which has one of the fastest-growing economies in Africa -- will receive \$308.4 million immediately, the IMF said in a statement on Friday.

Trump says trade deal with China to be signed 'very shortly'

REUTERS, West Palm Beach, Florida

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Shah Mohd Abu Zafar, advisory council member of the BILS, chaired the event.

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The BBS estimates the average monthly wage rate of low-paid and unskilled labourers in 44 occupations: 11 from agriculture, 22 from industry and 11 from service.

The agency collects wage data from 64 districts by defining wage as money received either in cash or in kind in a day. Salary paid and high contract-based earnings were excluded from the WRI.

"The sustainability of the rise in wages in manufacturing is also an issue. The nominal wage in the sector tends to rise when there is a revision in minimum wages," Islam said, adding that the rise in nominal wage tends to fall behind the rise in inflation after one or two years.

The WRI showed that the nominal wage of workers in the manufacturing sector increased 8.38 percent in November this year, 2.33 percentage points higher than inflation rate in the same month.

The trend in real wages is extremely important not only from the point of view of the level of living standards of workers but also from the point of view of income distribution, he said.

"It is well-known that the rate of poverty reduction has declined in recent years and income distribution has worsened. The failure of real wages to rise on a sustained basis and in line with the rise in productivity must have been an important reason for such unwelcome developments."

Hence, it is extremely important to ensure a sustained rise in real wages and in line with productivity, Islam added.

For the service sector, the situation neither improved nor worsened, said Zahid Hussain, former lead economist

of the World Bank's Dhaka office.

"From this, it appears that the benefits of high GDP growth are not trickling down to all. Wage is a key medium to distribute fruits of economic growth to labour."

What is evident is that because of higher real wages, people working in the production sector are coming out of poverty more than others.

The share of GDP growth that went to labourers dropped last fiscal year from a year earlier.

Of the 7.28 percent growth in economy in fiscal 2016-17, 1.65 percent went to the hands of workers and 5.6 percent to the pockets of the non-labour group, he said.

And less than one-fifth of the officially estimated 8.15 percent GDP growth in fiscal 2018-19 went to the hands of labourers, Hussain said.

"GDP growth has accelerated but who are getting the benefits out of it? Three-fourths of the growth are going to the pockets of a few although 85 percent of the population depend on labourer income."

Hussain suggested inflation control, particularly food prices, as the poor and low-income group spend 70-75 percent of their incomes on food.

"Food inflation has an adverse effect on them," he said. Efforts to curb price spirals through monetary management prove to be insufficient.

"Supply-side factors matter a lot here. We have a problem in the supply chain," Hussain said, citing transport disruption, bad crop, Indian policy and movement of oil and global commodity prices.

Ensuring fair competition, free flow of information, checking artificial price increase and manipulation are the jobs of the government, Hussain added.

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AFP, Abidjan

Eight West African countries Saturday agreed to change the name of their common currency to Eco and severed the CFA franc's links to former colonial ruler France.

The CFA franc was initially pegged to the French franc and has been linked to the euro for about two decades.

Benin, Burkina Faso, Guinea-Bissau, Ivory Coast, Mali, Niger, Senegal and Togo currently use the currency. All the countries are former French colonies with the exception of Guinea-Bissau.

The announcement was made Saturday during a visit by French President Emmanuel Macron to Ivory Coast, the world's top cocoa producer and France's former main colony in West Africa.

Ivory Coast President Alassane Ouattara, speaking in the country's economic capital Abidjan, announced "three major changes."

These included "a change of name" of the currency, he said, adding that the others would be "stopping holding 50 percent of the reserves in the French Treasury" and the "withdrawal of French governance" in any aspect related to the currency.

Macron hailed it as a "historic reform", adding: "The Eco will see the light of day in 2020." The deal took six months in the making, a French source said.

The CFA franc's value was moored to the euro after its introduction two decades ago, at a fixed rate of 655.96 CFA francs to one euro.



Mohammad Mejbahuddin, chairman of Bangladesh Development Bank Ltd, opens the bank's 46th branch at Tamaltola of Bagatipara upazila in Natore yesterday.

32 firms awarded for outstanding corporate governance

STAR BUSINESS REPORT

THE Institute of Chartered Secretaries of Bangladesh (ICSB) has awarded 32 companies for their outstanding corporate governance practices as well as transparency and accountability in overall management.

The 6th ICSB National Award for Corporate Governance Excellence, 2018 was presented to the winners at a programme at the Radisson Blu hotel in Dhaka on Saturday.

Bank Asia won the gold medal in the banking sector while Brac Bank secured silver and Eastern Bank bronze.

Delta Brac Housing Finance Corporation scooped the top award in the non-bank financial institutions category. IDLC Finance came second and IPDC Finance third.

In the insurance category, the gold medal went to Green Delta Insurance, the silver to Reliance Insurance and the bronze to Prime Insurance Company.

IBN SINA Pharmaceutical Industry took home the top honour in the pharmaceuticals category. Square Pharmaceuticals won silver and Orion Pharma bronze.

In the textile and garment company category, Matin



AB Mirza Azizul Islam, a former adviser to a caretaker government, and Mozaffar Ahmed, president of the ICSB, pose with the representatives of the winners of the 6th ICSB National Award for Corporate Governance Excellence 2018 at the Radisson Blu hotel in Dhaka on Saturday.

Spinning Mills bagged the gold medal, Paramount Textile got silver and Shasha Denims the bronze medal.

Golden Harvest Agro Industries, Gemini Sea Food and Aman Feed won gold, silver and bronze respectively in the food and allied company category.

In the IT and telecom category, state-run Bangladesh Submarine Cable Company secured the top honour while Grameenphone won silver and BDCOM Online the bronze award.

Singer Bangladesh got the gold medal in the engineering category, BSRM Steels silver and BBS Cables bronze.

British American Tobacco Bangladesh, RAK Ceramics and Premier Cement Mills won the gold, silver and bronze medals respectively in the manufacturing category.

In the fuel and power company category, MJL Bangladesh secured gold, Linde Bangladesh the silver medal and Summit Power received the

bronze award.

Eastern Housing won the top honour in the service company category while Unique Hotel & Resorts came second.

AB Mirza Azizul Islam, former adviser to a caretaker government, handed over the awards to the winners.

Speaking at the event, he urged the corporate sector to treat all stakeholders equally and continuously improve upon their current level of efficiency and governance.

He said fair treatment for all stakeholders was required to ensure corporate governance.

"It is the responsibility of the corporate sector to contribute to achieving the Sustainable Development Goals," the former adviser said.

He said government intervention was required when the market fails. The government also needs to ensure that corporate houses follow rules and regulations properly.

ICSB President Mozaffar Ahmed said good governance in the corporate sector was the need of the hour.

"The practice of good governance boosts the morale of staff and enhances productivity, which is needed to achieve long-term targets of business firms," he said.

Ahmed said the Corporate Governance Code 2018 introduced by the Bangladesh Securities and Exchange Commission was a bold and time-befitting initiative aimed at aiding the establishment of corporate good governance in listed business firms.

Md Abdul Karim, a former principal secretary to the Prime Minister's Office, and Akhter Matin Chaudhury, chairman of the ICSB corporate governance committee, also spoke.

Tesco suspends Chinese supplier after prisoner labour report

REUTERS, London

British supermarket giant Tesco suspended a Chinese supplier of Christmas cards on Sunday after a press report said a customer found a message written inside a card that said it had been packed by foreign prisoners who were victims of forced labour.

"We abhor the use of prison labour and would never allow it in our supply chain," a Tesco spokesman said on Sunday. "We were shocked by these allegations and immediately suspended the factory where these cards are produced and launched an investigation." Tesco donates 300,000 pounds (\$390,000) a year from the sale of the cards to the charities British Heart Foundation, Cancer Research UK and Diabetes UK.

The Sunday Times said the message inside the card read: "We are foreign prisoners in Shanghai Qingpu Prison China. Forced to work against our will. Please help us and notify human rights organisation."

"Use the link to contact Mr Peter Humphrey." Peter Humphrey is a British former journalist and corporate fraud investigator.

Humphrey and his American wife Yu Yingzeng were both sentenced in China in 2014 for illegally obtaining private records of Chinese citizens and selling the information to clients including drugmaker GlaxoSmithKline. The couple were deported from China in June 2015 after their jail terms were reduced.

The message inside the card was found by a 6-year-old girl, Florence Widdicombe, in London, the Sunday Times said. Her father contacted Humphrey via the LinkedIn social network.

Writing in the Sunday Times, Humphrey said he did not know the identities or the nationalities of the prisoners who put the note into the card, but he "had no doubt they are Qingpu prisoners who knew me before my release in June 2015 from the suburban prison where I spent 23 months".

Tesco, Britain's biggest retailer, said it had a comprehensive auditing process in place.

Housing fair begins tomorrow

STAR BUSINESS REPORT

A five-day housing fair is beginning in the city tomorrow with a view to showcasing flats and plots that are within the buying capacity of customers.

The Real Estate and Housing Association of Bangladesh (REHAB) is organising the winter edition of the event at the Bangabandhu International Conference Centre.

Co-sponsored by 27 realtors, the fair will feature 230 stalls and the participants will include 20 building material manufacturers and 14 financial institutions.

It was disclosed at a press

conference organised by the REHAB at the Sundarban Hotel in Dhaka yesterday.

Addressing the event, REHAB President Alamgir Shamsul Alamin said the sector has got a shot in the arm after the central bank raised the ceiling on home loans by banks to Tk 2 crore from Tk 1.20 crore previously.

The recent decision of the central bank and the loan facilities for government employees are helping the sector recover from the crisis, he said.

"We expect at least 9 percent growth in 2019 after a dull 2018." The sector would get a further

boost if the bank interest rate comes down to single digits, he said, adding that the construction sector accounts for around 15 percent of the country's gross domestic product.

Liaquat Ali Bhuiyan, first vice-president of the association, said the high interest rate on home loans and a lack of access to long-term finance for all segments of the society were the main barriers to resolving the housing crisis in Bangladesh.

The fair will be open to visitors from 10am to 9pm. However, on the opening day, the visitors will be allowed to enter the venue after 2pm.

The entry fee is Tk 50 for one time and Tk 100 for a maximum of five.



Alamgir Shamsul Alamin, president of the Real Estate and Housing Association of Bangladesh, speaks at a press conference to announce its five-day winter fair at the Sundarban Hotel in the city yesterday.

Economic issues not a factor in 737 MAX's safety review

US transport chief says

REUTERS, Washington

THE economic impact of Boeing Co's planned halt of 737 MAX production will not be considered by US regulators in their ongoing review of when to end the grounding of a plane involved in two major fatal crashes, US Transportation Secretary Elaine Chao said on Friday.

In an interview with Reuters, Chao said the White House has not pressured the Federal Aviation Administration (FAA) to speed up its review.

Chao also said the White House Council of Economic Advisers had conducted a study of the economic impact of the grounding, which forced Boeing - a critical American manufacturing company - to halt deliveries in March, and assessed that it would cause around a 0.4 percent reduction in US gross domestic product.

"Regardless as to what the impact on GDP is, our responsibility is to ensure that the 737 MAX must be safe before it is ungrounded," Chao said, adding that "my job is protect" the FAA from any pressure the agency might face.

The 737 MAX has been grounded worldwide since March after two crashes involving Boeing's fastest-selling jet in Indonesia and Ethiopia killed 346 people within five months, costing the plane manufacturer more

than \$9 billion so far.

On Friday, United Airlines said it is extending cancellations of Boeing 737 MAX flights from early March until June. United's announcement is the longest that any US carrier has scheduled for the grounded aircraft, after American Airlines and Southwest Airlines Co canceled flights into early April.



US Transport Secretary Elaine Chao

Chao said her directive to FAA Administrator Steve Dickson is clear: "ensure that he finds out what happened, correct the problem and do not unground until FAA feels that it is safe."

President Donald Trump, who has touted the strength of the US economy as he seeks re-election in 2020, called Boeing Chief Executive Dennis Muilenburg on Sunday to ask about the status of 737 MAX production, citing two people briefed on the matter confirmed.

Muilenburg assured Trump that the planned production halt was temporary and that the company would not be laying off any workers, the sources said. The production halt, set to begin in January, was announced by Boeing on Monday.

Reuters reported this week the FAA is not expected to end the grounding until at least February. Chao said of Boeing: "They've got a tough challenge ahead of them and they owe it to the American people to ensure that their airplane is safe. And I think they want that, too."

Boeing said on Friday it continues "to follow the lead of the FAA and global regulators, as they will determine the timeline for certification so the MAX can safely return to service."

Chao said reforms to the FAA's longstanding process of delegating some certification tasks to Boeing should be not be adopted until a number of reviews are completed.

"Let's wait to see what the reports say before we act too quickly," Chao said.

The FAA's practice of delegating some certification tasks to Boeing has come under criticism from lawmakers and in some official reports, including the FAA's failure to more closely evaluate a key safety system involved in both fatal crashes. The FAA is not delegating any tasks in the ongoing review.

Lone Star to buy BASF construction chemicals unit for \$3.5b

REUTERS

Private equity firm Lone Star has entered a deal to buy BASF's construction chemicals business for 3.17 billion euros (\$3.5 billion) on a cash and debt-free basis, the German chemicals company said on Saturday as it seeks to focus on more profitable operations.

The deal, which has immediate effect upon BASF's reporting, is expected to close in the third quarter of 2020, according to the statement.

Reuters reported last month that Lone Star was in negotiations to buy the BASF unit.

The private equity firm vied with a consortium comprising buyout groups Cinven - which owns peer Chyso - and Bain for the world's largest maker of chemical additives for concrete, sources told Reuters in November.

Lone Star had previously walked away from the bidding but was invited back to the negotiating table.

BASF's construction chemicals unit is the world's largest maker of additives for concrete. It also offers a range of substances including concrete repair fillers, grouts and sealants under a business dubbed Construction Systems, where BASF is the No. 4 player globally.

BASF purchased the construction chemicals business from Degussa in 2006 for 2.7 billion euros including debt.

Global wave of debt is largest, fastest in 50 years

STAR BUSINESS DESK

DEBT in emerging and developing economies (EMDEs) climbed to a record \$55 trillion in 2018, marking an eight-year surge that has been the largest, fastest, and most broad-based in nearly five decades, according to a new World Bank Group study.

The analysis is contained in Global Waves of Debt, a comprehensive study of the four major episodes of debt accumulation that have occurred in more than 100 countries since 1970. It found that the debt-to-GDP ratio of developing countries has climbed 54 percentage points to 168 percent since the debt buildup began in 2010.

On average, that ratio has risen by about seven percentage points a year—nearly three times as fast it did during the Latin America debt crisis of the 1970s. The increase, moreover, has been exceptionally broad-based—involving government as well as private debt, and observable in virtually all regions across the world.

"The size, speed, and breadth of the latest debt wave should concern us all," said World Bank Group President David Malpass in a statement.

"It underscores why debt management and transparency need to be top priorities for policymakers—so they can increase growth and investment and ensure that the debt they take on contributes to better development outcomes for the people."

According to the report, the prevalence of historically low global interest rates mitigates the risk of a crisis for now. But the record of the past 50 years highlights the dangers: Since 1970, about half of the 521 national episodes of rapid debt growth in developing countries have been accompanied by financial crises that significantly weakened per-capita income

and investment.

"History shows that large debt surges often coincide with financial crises in developing countries, at great cost to the population," said Ceyla Pazarbasioglu, the World Bank Group's Vice President for Equitable Growth, Finance, and Institutions.

"Policymakers should act promptly to

enhance debt sustainability and reduce exposure to economic shocks."

The analysis found that this latest wave is different from the previous three in several ways: it involves a simultaneous buildup in both public and private debt; it involves new types of creditors; and it is not limited to one or two regions.

Some of the increase in debt has been driven by China, whose debt-to-GDP ratio has risen 72 points to 255 percent since 2010. But debt is substantially higher in developing countries even if China is excluded from the analysis. Among EMDEs, it is twice the nominal level reached in 2007.

Those characteristics pose challenges that policymakers haven't had to tackle before. For example, nonresident investors today account for 50 percent of the government debt of EMDEs, considerably more than in 2010. For low-income countries, much of this debt has been on non-concessional terms, and outside the debt-resolution framework of the Paris Club.

"Under the circumstances, policymakers should develop mechanisms to facilitate debt resolution when it becomes necessary," according to the report. Greater debt transparency would also help.

The study urges policymakers to act promptly to strengthen their economic policies and make them less vulnerable to financial shocks.



Euro, Hong Kong dollar, US dollar, Japanese yen, pound and Chinese yuan banknotes are seen in the picture illustration.