

US-Bangla’s new holiday packages to Thailand

STAR BUSINESS REPORT

Leading private carrier US-Bangla Airlines yesterday announced special holiday packages from Dhaka to Bangkok, Pattaya, Phuket and Krabi in Thailand for travels between January 11 to March 30.

The first package for two nights and three days in Bangkok starts at Tk 22,990 while the second package for a four nights and five days stay in Bangkok and Pattaya will cost a minimum of Tk 29,990.

People can also visit Bangkok and Phuket for four nights and five days at Tk 41,990 while a tour to Bangkok and Krabi of the same duration will cost Tk 42,990, the airliner said in a statement yesterday.

US-Bangla will use a Boeing 737-800 aircraft to serve the passengers who will

travel under the packages, according to the statement.

Groups of a minimum of two persons will be allowed to avail the offers, which include return air tickets, accommodation at three-star deluxe category hotels, breakfast and others. The airline, which launched its journey on July 17 in 2014, flies to Bangkok on every Mondays, Wednesdays, Fridays and Saturdays.

At present, the company has 15 international packages to fly to different destinations, including Kolkata, Chennai, Guangzhou, Kuala Lumpur and Singapore.

US-Bangla has also teamed up with various banks to offer discounts, three to six months’ equal monthly instalment facilities at zero interest along with gift vouchers for credit or debit cardholders.

Euro zone loan growth slows

REUTERS, Frankfurt

Growth in lending to the eurozone’s private sector slowed in November, the first month after the European Central Bank relaunched its controversial bond-buying scheme, data from the Frankfurt institution showed Friday.

Credit grew by 3.6 percent year-on-year in November, a pace 0.1 percentage points below October’s reading, the ECB said.

Growth in lending to businesses fell to 3.4 percent, while the rate of expansion in credit to households was at 3.5 percent.

Governors decided last year to relaunch their “quantitative easing” (QE) bond-buying scheme at 20 billion euros (\$22.3 billion) per month from November.



BANGLADESH HOUSE BUILDING FINANCE CORPORATION

Information Minister Hasan Mahmud, Habibun Nahar, deputy minister for environment, forest and climate change, and Md Salim Uddin, chairman of Bangladesh House Building Finance Corporation, attend a seminar on “Madrid Climate Conference: Review and Future Plan” organised by Bangladesh Climate Change Journalist Forum and the Institution of Diploma Engineers, Bangladesh on the latter’s premises in Dhaka last week.



Mahbubur Rahman

Jute Mills Assoc elects top brass

STAR BUSINESS DESK

Mohammed Mahbubur Rahman Patwari, a director of Alijan Jute Mills, has recently been elected chairman of Bangladesh Jute Mills Association for two years.

The association also elected Sk Akram Hossain, managing director Afil Jute Mills, as vice chairman, according to a statement.

Its executive committee members are Muhammad Shams-uz Zoha, MA Raihan, Md Harunoor Rashid, Mohammad Shahjahan, Giridhari Lal Modi, Bijoy Kumar Modi and Md Zahid Miah.

US factory sector in deepest slump in more than 10 years

REUTERS

The US manufacturing sector fell into its deepest slump in more than a decade in December as the US-China trade war kept a lid on factory output, orders and employment, although the long-awaited Phase 1 deal between Washington and Beijing could limit further downside.

The Institute for Supply Management (ISM) said its index of national factory activity fell to 47.2 last month from 48.1 in November. It was the lowest reading since June 2009 and, coupled with readings for both new orders and factory employment at multi-year lows, thwarted expectations for a levelling off in the pace of decline in a sector buffeted by trade tensions.

A reading below 50 indicates the sector is in contraction, and December’s reading marked the fifth straight month below that benchmark level. Economists polled by Reuters had been looking for an increase to 49.0. The manufacturing sector had been under pressure for much of the second half of 2019, as tit-for-tat tariffs by the United States and China slowed the flow of goods between the world’s two largest economies and contributed to a cooling in the pace of global economic growth.

Last month, the two sides announced they had reached agreement on a Phase 1 deal, and US President Donald Trump this week said the accord would be signed on Jan. 15

in Washington, and talks to cement a wider Phase 2 deal would begin shortly.

“Global trade remains the most significant cross-industry issue, but there are signs that several industry sectors will improve as a result of the Phase 1 trade agreement,” Timothy Fiore, chair of ISM’s Manufacturing Business Survey Committee, said in a statement.

In addition to the drag from trade frictions, Boeing Co’s inability to get its 737 Max jetliner back in service may have been a factor, especially in the transportation equipment industry, which was the weakest of the six big industry sectors, according to Fiore. Boeing will cease production of the plane this month until regulators allow it to resume flying in the wake of two crashes, and that could be a headwind in the coming months that may counter improvements arising elsewhere from the trade deal.

While ISM’s overall measure of activity in December was the lowest in more than a decade, Fiore said on balance the contraction remains relatively shallow.

“It’s not super low,” he said on a conference call. “We’re still in that range of slight contraction to slight expansion.”

Typically the index would have to drop below 43 to signal the risk of a wider economic recession. Weakness in the manufacturing sector was one of the concerns that spurred the US Federal Reserve to cut interest rates three times last year, although the central bank appears to be

done with lowering borrowing costs for now, with officials like Fed Chair Jerome Powell satisfied the economy is in “a good place.”

Overall, the US economy did appear to be in relatively sound condition near the end of 2019, supported by low unemployment and healthy consumer spending, which accounts for roughly 70 percent of economic activity.

The housing sector also appears to be contributing to the growth picture after a prolonged run as a drag. In a separate report, the Commerce Department said US construction spending rose more than expected in November and builders also spent more in earlier months than previously estimated.

Construction spending increased 0.6 percent in November, beating analysts’ consensus forecast of a 0.3 percent gain. Data for October and September was revised to show increases in spending, a reversal from previous estimates of contractions in spending during those months.

The gain in November was driven by a 1.9 percent increase in private home-building, an indication the Fed’s rate cuts last year, which drove mortgage rates lower, were boosting the economy.

Meanwhile, several of the largest US automakers on Friday reported another year of stable sales of pickup trucks, fuelled by holiday season discounts and lower interest rates on vehicle loans, even as demand for passenger cars fell further.

Solar energy prospects getting dimmer

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One of the steps is to encourage people to set up solar energy on rooftops of industries and buildings and enable operators of the rooftop solar system to supply excess electricity to national grid at certain tariffs.

Industrial rooftops hold huge potential in Bangladesh and using rooftops of factories 1,000 MW of electricity can easily be generated, said Mahmood Malik, executive director and chief executive of Infrastructure Development Company, earlier in September.

Other initiatives of the Sreda include establishment of floating solar power plants and solar-based irrigation pumps to increase renewable energy generation.

“As a result, total renewable energy generation is increasing,” Helal said. Solar energy is the biggest source of clean energy in Bangladesh with 22,787 MW of power generation capacity. Total installed capacity of solar energy stood at 372 MW last year, Sreda data showed.

The government has set a target to produce 10 percent of electricity from renewable sources by 2020. Including solar, combined installed renewable energy capacity is nearly 3 percent of the total power generation capacity.

A higher number of solar panels were installed in on-grid areas compared to off-grid areas in the last two years, Sreda data showed.

Many people in rural areas are still installing solar home systems to cut electricity bills, said Dipal Barua, president of the Bangladesh Solar and Renewable Energy Association.

“This will increase because of rising electricity tariff.”

But given the ongoing international tension and the risk of price spiral of oil, Bangladesh needs to develop a solid base for renewable energy so that it can cut risks of higher power generation cost resulting from the spike in prices of fossil fuels.

An action plan with annual renewable energy target is needed, Barua said, while urging the government to provide land either on lease or on rental basis to encourage investors to establish solar power plants. Getting land to set up solar power plants is tough and land is one of the major constraints behind the sluggish pace of setting up power plants in the private sector, he added.

Why is private sector credit growth sinking?

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“As a result, credit growth is nosediving,” Huq added.

A Chattogram-based mid-range entrepreneur, on condition of anonymity, said he has been trying to get both working capital and term loans from banks in the last few years but failed.

“Banks seek excessive collateral against their financing although I have a good track record with banks. I have been importing raw materials for years and adjust the LCs [letters of credit] on time,” said the entrepreneur, who owns a small garment factory and also imports equipment for the construction sector.

There is no scope to get finance in line with the banks’ requirement for collateral, he said.

“As a result, I am unable to expand my business,” he added.

At least four mid-level officials of banks who work in the credit department said lenders typically reject loan applications if businesses fail to provide at least 80 percent collateral against their proposed loans.

Banks earlier offered loans by taking 40 percent or 50 percent collateral if businesses showed a good

track record, they said.

Bangladesh’s ease of doing business index is far from ideal and that has hit private sector credit growth, said Fahmida Khatun, executive director of the Centre for Policy Dialogue.

“Although Bangladesh advanced 8 notches in the World Bank’s ease of doing business ranking to 168 out of 190 countries, this is not enough to give a boost to businesses.”

Inadequate infrastructure, corruption and bureaucratic complexities discourage businesses from going for expansion by taking bank loans, Khatun said.

Private sector credit growth might face more challenges in the days ahead because of the excessive government borrowing from banks, said Syed Mahbubur Rahman, managing director of Mutual Trust Bank.

As of November 21, it borrowed 90 percent (Tk 42,607 crore) of the target set for this fiscal year.

If the credit demand from the private sector goes up now, banks will face some problems entertaining their applications, he added.

The government has recently asked banks to fix the interest rate for lending at 9 percent, which will force lenders

to take on a cautious stance in giving out fresh loans, said Rahman, also the immediate past chairman of the Association of Bankers, Bangladesh, a forum of managing directors of banks.

“Banks may not enjoy any profit from retail lending if they impose 9 percent interest rate,” he added.

Ahsan H Mansur, executive director of the Policy Research Institute, echoed the same. Banks will be unable to disburse loans to the small- and medium-sized enterprises (SME) sector if the 9 percent interest rate is implemented, he said.

Lenders’ cost of supervisory and monitoring on SME loans is higher than that of their other credit products, said Mansur, also the chairman of Brac Bank, whose speciality is this segment.

“So banks will not disburse loans to the SME sector as per requirement.”

The declining credit growth will ultimately hit GDP growth in the days to come, he said.

“Credit growth will pick up only if default loans can be recovered,” he said, adding that the government should not intervene in banks’ operations if it wants to ensure a sound financial sector.

German jobless count holds steady at turn of year

AFP, Frankfurt

The unemployment rate in Europe’s top economy Germany held steady close to historic lows in December, official data showed Friday, a relief after a second successive year squeaking by recession.

While the number of workers out of a job increased by 8,000, that

was not enough to shift the jobless rate higher than its long-held 5.0 percent, the BA federal labour agency said in seasonally-adjusted figures.

Continued labour market strength has buttressed German domestic demand even as the export-oriented industrial sector suffered the effects of US-led trade wars in recent months.

“The labour market again looked overwhelmingly stable at the end of the year,” said BA chief Detlef Scheele, “but signs of the weak phase for economic activity can be seen.” In absolute figures, less indicative of underlying trends but widely used in public debate, the unemployed count grew by 47,000, to more than 2.2 million people.



FIRST SECURITY ISLAMI BANK

Bangladesh Bank Governor Fazle Kabir and Syed Waseque Md Ali, managing director of First Security Islami Bank, attend the latter’s ceremony at Radisson Blu Chattogram Bay View yesterday for handing over investment funds to SME, agriculture and women entrepreneurs.

Bangladesh economy to be 25th largest in 15 years

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“The biggest surprise is how well the US economy has managed to do, reaching its highest share of world GDP for 12 years,” CEBR Deputy Chairman Douglas McWilliams said in a statement.

“Though our view is that it has reached its high water mark and moving forward the deficit and its trade disputes will start to hold it back. Still, this is a remarkable performance for an old world economy.”

“The battle for the top spots in the WELT league table remains fiercely contested,” Kay Daniel Neufeld, head of macroeconomics at the CEBR, said.

Despite the rapid ascent of countries such as India and Indonesia, it is striking how little an impact this will have on the US and China’s dominant roles in the global economy, Pablo Shah, senior economist at the CEBR, said.

“Indeed, their share of world GDP is forecast to rise to 42 percent by 2034. The

2020s are set to be a decade marked by continued tensions between the US and China on multiple fronts ranging from trade to tech, which will cast a long shadow over the rest of the global economy.”

According to the CEBR, the world in 2033 is likely to be very different from that in 2019. The emerging economies will have largely emerged; the biggest element of trade will be down phone lines; and many aspects of the physical trade between Asia and Europe will be transported by land rather than by sea.

“Technology will transform business and we run the risk that income inequality will be much higher than it is now. The environmental challenge will remain and one of the key determinants of growth will be how well we deal with this.”

“The key to making the next 15 years successful and prosperous for as many as possible will be how we as a society cope with these challenges.”

Concord excited about govt move to phase out clay bricks

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Finally, overall cost of construction is much cheaper. If hollow blocks are used, total construction cost falls almost 10 times, he said.

“This is environmentally much superior and has a lot of advantage.”

Despite the obvious advantages, it was not easy for Concord to popularise hollow blocks: one company is not sufficient to bring a complete shift in an industry without government’s support and direction.

“We tried. But it was difficult to make people aware of the environmental issues, which will affect them later.” It was also difficult to educate people about the use of blocks. Plus, masons were not trained to use the materials.

“Now, that awareness has grown and the government has taken some visionary steps we are hoping that there will be a positive result in the near future.”

Today, 50-60 private firms make blocks, according to Kamal.

Concord is one of the biggest makers of hollow blocks, and it has the capacity to make 45,000 units of hollow blocks, 60,000 uni-pavers and 2,000 parking tiles daily.

After the realtor began making blocks it used

them to construct more than 200 buildings.

“It saved a lot of topsoil. Several developers are also using blocks now.”

The demand for block is growing slowly but it is still negligible.

The main reason behind this is the lack of awareness,” he said, adding that the government’s step to completely come out from clay bricks for construction would increase the demand for blocks.

“Definitely, this will create a lot of demand but we should know the experiences of our neighbouring countries including India and Pakistan,” he said, adding that China began the process of shifting from bricks 30 years ago and India began with its last 15-year plan.

They took short-term, medium term and long-term goals to come out from firebricks to alternative, environment friendly bricks and blocks.

There are a number of environment friendly alternative materials for construction in those countries and they term the materials as resource-efficient bricks, he said.

For Bangladesh, Kamal said the government should strictly enforce policies regarding brick kilns to control pollution and phase-out highly

pollutant brick kilns.

In addition, emphasis should be given on research and development to identify resource-efficient bricks and building materials for Bangladesh, awareness creation on the use of environment friendly blocks and bricks.

A long-term policy or roadmap should be framed focusing on: research, strengthening the Housing & Building Research Institute, establishing mason training institute, reducing pollution and making brick kilns efficient, and giving incentives to brick field owners so that they themselves switch away from clay bricks and towards green bricks or blocks.

Providing financial incentives will also encourage investment for making resource-efficient blocks or other green products, he said.

More private entrepreneurs will come to this field if the government provides soft terms and tax benefit.

And because of entry of big companies, there will be competition in the segment.

“So the prices of blocks will drop and the quality will improve.”

Huge investment would be needed to meet the demand for blocks in the coming years following the government decision, Kamal said.