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10% TAX WAIVER ON CSR SPENDING

The government has approved the long-awaited proposal for the tax exemption facility at the rate of 10% on a part of the corporate income to be spent on complying with Corporate Social Responsibility (CSR).

The exemption facility is aimed at encouraging private companies to be involved more in CSR practices. According to the tax exemption plan, economic, environmental and social development activities will be brought within CSR purview.

Agricultural production and processing, crop diversification, employment generation, education and training will be considered as economic activities. Global warming, ecological balance, pure water management, carbon emission, sea water level, forestry, city beautification and waste water management will be placed under environmental activities.

Under social development, companies investing for women rights issues, extending donations to HIV-AIDS campaign agencies, welfare activities for disabled, donations for public universities, relief activities after natural calamities, welfare activities for grassroots children and acid victims will be eligible for the tax waiver facility.

WORLD BANK REVIEW – MAJOR CREDIT CRUNCH UNLIKELY IN BANGLADESH

The external shocks stemming from the global financial storm are unlikely to spell a major credit crunch in Bangladesh as its financial leverage remains low, according to the World Bank.

The Bank said that Bangladesh's economy could shrink to 5.7% in the FY2009 on the back of lower remittances inflow as the crisis envelops the oil-rich Gulf economies. Remittances from Middle-Eastern countries account for around 63% of the country's total remittances.

The World Bank has said that Bangladesh's resilience to the global economic woes lies in large part on its relative insulation from international capital market and a paltry foreign portfolio investment.

OVERSEAS EMPLOYMENT HEADS FOR BAD DAYS

Bangladesh is likely to experience a sharp fall in overseas employment from February due to a slow-down in the construction industry in the United Arab Emirates (UAE) and other Middle Eastern countries following the sharp price fall of oil.

The decline in overseas jobs is likely to be acute as Bangladesh's traditional major labor markets – Saudi Arabia, Bahrain, Malaysia and Kuwait – have already significantly reduced the job visas.

Although according to the Bureau of Manpower Employment and Training the decline in the number of workers going abroad is not yet evident, they predict this will become clear from February.



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EXPORTS POST 30% RISE

In spite of slowing growth, Bangladesh has posted a 30.68% export growth in the July-Oct 2008 period, earning USD 5.2 billion against USD 4.0 billion in the same period of the previous fiscal year.

In the same period, exports posted a 1.29% surplus over its strategic target, with remarkable growth in knitwear, woven garments and frozen foods, according to the data by the Export Promotion Bureau.

But export earning dipped 7.48% in Oct from the same month last year due to probable fall out from the global financial crisis according to the exporters.

ROUGH RIDE FOR LEATHER EXPORTERS

Local leather exporters are facing turbulent times because of a fall in both exports and prices of their products in the international markets that might threaten the growth of the local tannery industry.

The price of leather was USD 4.95/sqf in FY2006-07, which declined to USD 4.70/sqf last fiscal year, converting to a 5% rate of decline, according to Bangladesh Bank data.

Industry people predict the global economic crisis will further take a toll on this industry and reduce consumption and eventually price.

ASIA'S "BIGGEST" MALL LAUNCHES SALES CAMPAIGN

Jamuna Future Park (JFP), which is said to be the biggest shopping mall and entertainment complex in Asia, kicked off its sales campaign in December. It plans to open its doors by July 2010.

According to the Chairman of the Park, one of the key objectives of the establishment of the park is to reduce the number of people going abroad for shopping and treatment. It would also attract foreign businessmen and tourists to Bangladesh.

The park's projected annual turnover is 4.2 billion euro.

The JFP will house over 4000 shops, a food court with a capacity for 3000 people, a spacious exhibition hall, cinemas and an amusement park. A five-star hotel and a hospital will be built on the JFP premises.

RENATA ENTERS UK PHARMA MARKET

Renata Limited, the country's second pharmaceutical company that obtained go-ahead to manufacture medicine for the European market, has sent its first consignment to the UK in November 2008.

Last year the UK Medicines and Healthcare Products Regulatory Agency (MHRA) recognized Renata's newly built USD 3 million Potent Product Facility. Renata is the second pharmaceutical company in Bangladesh to gain MHRA approval.



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BETTER BUSINESS CLIMATE IN FOCUS – FIRST GERMAN TRADE SHOW IN BANGLADESH

For the first time a German trade fair was organized in Dhaka in November 2008. The fair conveyed a message that increased investment from largest economy in Europe would pour in to Bangladesh if a political climate congenial to trade would come into existence in the post-election days.

About 70 companies from various sectors like pharmaceuticals, chemical, automobiles, machinery, manufacturing, leather goods and footwear, shipbuilding, and garments participated in the show.

The Trade Show was organized by the Bangladesh-German Chamber of Commerce and Industry with the support of GTZ.

As a follow up to the fair, a trade delegation from Germany will visit Bangladesh in April 2009 to further assess trade and investment opportunities.

MELTDOWN TAKES A TOLL ON FROZEN FOOD EXPORT

The country's frozen food exporters are feeling the squeeze as major American and European buyers, finding themselves in trouble because of the global financial meltdown, are demanding price-cuts and delaying fresh orders.

According to the Bangladesh Frozen Foods Exporters' Association, USA and European major importers such as Eastern Fish Company of USA, Nordic Seafood of

Europe and Kyo Kuyo Company of Japan, have asked for a reduction in prices from the existing rate.

The USA consumes 35% of the total BD export of frozen food products, while EU countries consume 52%. The remaining 13% is consumed by Japan and other countries.

Bangladesh exported frozen food worth of USD 574 million in FY2008-09.

INFLATION COMES DOWN TO 22- MONTHS LOW

The point to point inflation dipped a 22-months low at 6.12% in last November, thanks to falling prices of commodity items in international and local markets.

The food inflation was recorded at 6.68% in November, down by 1.20% from October 2008

According to the Bureau of Statistics, the caretaker government lowered prices of petroleum products by almost 10% whose impact was seen in the inflation table.

Inflationary pressure was reverse in November 2007 as it marked 11.21%.

COMMUNICATION IN DIGITAL FORMAT – DANISH IT FIRM ENTERS INTO DEAL WITH LOCAL COMPANY

A new IT partnership between Capevo A/S of Denmark and Leadsoft Bangladesh Ltd. was signed recently for developing internet



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based systems for sophisticated digital forms.

In many countries, customer and citizen service requirements are increasingly handled in digital format through the internet when dealing with organisations such as governmental departments, municipalities, banks, insurance companies etc.

This partnership with Capevo will enable the local software professionals to acquire newer skills as well as take Bangladesh forward in becoming an outsourcing location in software and service sector.

The planned knowledge transfer will be supported by the DANIDA B2B programme

GOVT APPROVES RENEWABLE ENERGY POLICY

The Government approved the renewable energy policy to woo private sector investments, tap the country's huge electricity generation potentials and ease the nagging electricity crisis across the country.

The policy aims at exploring the renewable energy resources for meeting 5% of the total electricity demand by 2010 and 10% by 2015 next.

As per the new policy, entrepreneurs of the renewable energy project have been exempted from corporate income tax for a period of 15-years and will be allowed to get fiscal incentives.

GOVT REJECTS TO OFFLOAD 20% STAKES IN UNILEVER THROUGH STOCK EXCHANGE

The government has rejected the proposal for off-loading its stakes in the Unilever Bangladesh Limited as the Anglo-Dutch company will not sell its own shares in the stock market.

According to the Unilever proposal, the government should offload 20% of Unilever shares in the capital market under direct listing regulations. The rest of the government shares in the company should be handed over to its parent company Uniliver Overseas Holdings BV at the average weighted price of the first month's trading on the bourses.

According to the Ministry of Finance, government has taken a strong stance in favour of an earlier proposal for off-loading 5% of the shares by both the government and Unilever, but the board of Unilever Bangladesh rejected this proposal.

The government holds 39.25% of the shares of Unilever Bangladesh Limited.

DUTCH-BANGLA JOINT VENTURE TO BUILD \$21 MILLION ICD

A Dutch-Bangla joint venture group will set up a private inland container depot (ICD) at Sitakunda, Chittagong. The Chittagong based BM Container Depot Ltd has partnered with Pronk Participatie BV, a Dutch company, to build the ICD, budgeted at USD 21 million.



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The ICD, to be located 21 km of the country's premier sea port, is expected to be ready for operation in July 2009.

With the growth rate at 12% a year, Bangladesh's port logistics business especially that of container handling, has been maintaining a white-hot growth for several years.

According to the BM Container, the proposed logistic facility would be equipped to handle 11,000 TEUs (Twenty foot Equivalent Units) a month- of them 5000 TEUs for export cargo.

FROZEN FOOD EXPORTERS ADVISED TO COMPLY WITH EC SAFETY STANDARD

Visiting Bangladesh in November 2008, the European Union (EU) inspection team has expressed satisfaction over significant improvement in food safety measures in the past two years although it has found the compliance level not equivalent to EU standard.

According to official sources, the EU will not impose a ban on export of frozen foods, but it has advised both the government and exporters to comply with the EC food safety standard by February 2009. The team has also suggested to install new testing machines for anti-biotic test.

BANGLADESH TO EXPORT 12 SHIPS TO EUROPE

Western Marine Shipyard Limited, a local shipbuilding company, will export 12 Multipurpose Ice-Class Vessels (capacity

5200 DWT) by 2011 for a Dutch buyer MK Shipping B.V. Both parties concluded the deal worth USD 120 million approximately in October 2008.

CAPITAL MACHINERY IMPORT GROWS 28% IN Q1

Import of industrial raw material and capital machinery grew 28% during the first quarter of FY2008-09.

According to central bank statistics, import of industrial raw materials registered a growth of 40.36%, and that of capital machinery 15.5%, compared to last year. Raw cotton, different types of fabrics, yarn and accessories for garment and textile industries, raw materials and capital machinery for pharmaceutical and plastic industries were imported during the period.

The impressive growth in capital machinery and raw materials could be a sign that the business confidence in the country has been revived.

Local apparel manufacturers had taken an ambitious annual export target of USD 25 billion and creation of additional 2 million jobs over in next five years, keeping in mind the impact of a lingering global financial crisis.