

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES					
Week-on-week		As of Friday		Friday Closings				As on Thursday					
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	BUY TK	SELL TK	USD	EUR	GBP	CNY
▲ 0.98%	▲ 2.60%	\$1,951.51	\$39.45	▲ 1.34%	▲ 0.91%	▼ 0.38%	▼ 0.24%	83.95	84.95	97.45	107.83	111.63	12.44
4,942.12	8,536.46	(per ounce)	(per barrel)	41,893.06	24,325.23	2,578.68	3,312.16						

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## India's new customs rules to take toll on Bangladesh's exports

Government agencies say

REJAUL KARIM BYRON and SOHEL PARVEZ

A new rule framed by India on determining the country of origin of a product is going to hurt Bangladesh's exports to India and undermine the efforts to narrow large trade imbalance between the two neighbours, according to two government agencies.

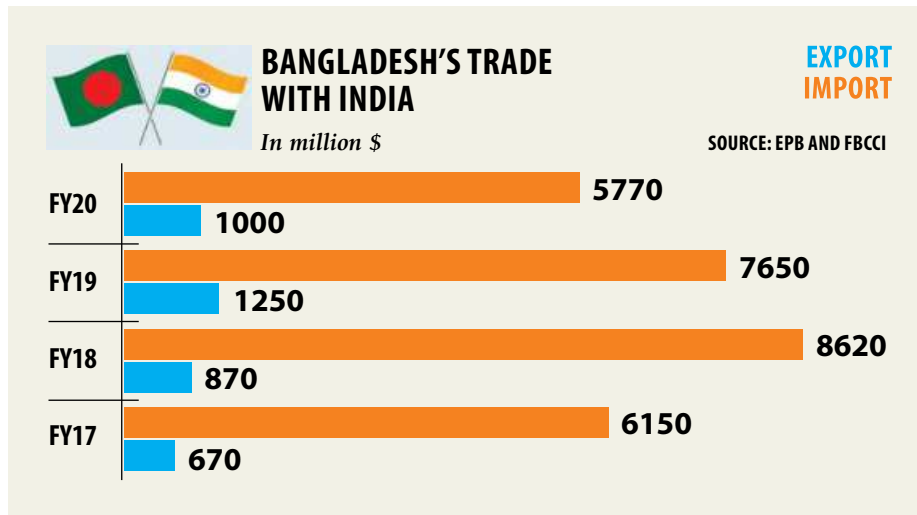
The views came after the Indian authority issued a notification termed Customs (Administration of Rules of Origin under Trade Agreements) Rules, 2020 in August.

Following the notification, the commerce ministry sought opinions from the Bangladesh Trade and Tariff Commission (BTTC) and the Export Promotion Bureau (EPB).

Both the agencies find that the new measure on rules of origin (RoO) are inconsistent with the trading agreements, particularly the treaty on the South Asian Free Trade Area (Safta).

The move would affect Bangladesh's exports to India, which enjoyed a \$4.68 billion surplus, they said.

It comes at a time when Bangladesh's



exports to the larger neighbour are gradually increasing.

Officials of the commerce ministry said the BTTC scrutinised the new rule in light of the Safta's RoO and the Operational Certification Procedures (OCP).

The BTTC found that some of the provisions contradict with those with the Safta RoO and OCP.

The Safta, comprising eight members of the Saarc, came into force in January 2006 to increase intra-regional trade in South Asia, which accounts for about 5 per cent of the total trade of the region.

Under the Safta, most of the exports from the least developed countries, including Bangladesh, get duty-free entry to India based on a document termed as the certificate of origin (CoO).

The certificate is issued by the state agencies of exporting countries confirming the country of origin of the products. In the case of Bangladesh, the EPB issues the CoO. India's new measures on the RoO allow its customs authorities to seek information to examine the certificate issued by the state authority of the exporting country.

Officials of the commerce ministry said as the CoO is issued by a designated agency of the exporting country, such mechanism and rejection of the CoO go against the trust.

"It is a matter of trust. It shows that there is a lack of trust," said BTTC Member Mostafa Abid Khan.

The BTTC, citing another provision of India's new rules, said customs officials could deny the claim of a preferential rate of duty if a CoO is produced whose validity has expired.

However, the BTTC said there is a provision in the Safta OCP that the certificate could still be accepted even after the expiry of the validity period if there is a cause that is beyond the control of exporters.

Another provision requires importers to possess information supporting document of the RoO for five years. The BTTC said most of the information sought is already in the CoO and the issuing authority of the exporting country and exporters possess some other information and supporting documents.

The tariff commission said there is a provision in the Safta RoO that requires the issuing authority to retain the application for CoO and all related documents for two years.

"Neither the Safta RoO nor the OCP requires the exporters or the issuing authority to send this information to the importers," said the BTTC in its report to the commerce ministry.

The tariff commission said the rule of the OCP provides for exchange of information upon request by importers. And there is also a provision that seeks to ensure that the exchange shall be confidential.

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## Wage rate ticking up

But still lower than pre-pandemic level

REJAUL KARIM BYRON and MD FAZLUR RAHMAN

Workers in Bangladesh are still making do with lower wages compared to the pre-pandemic level as the ongoing economic growth has not translated into higher incomes for them in a major way.

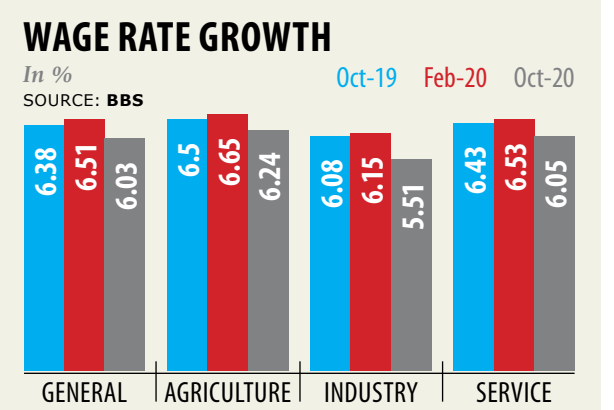
Wages grew 6.03 per cent year-on-year in October this year, according to the Wage Rate Index of the Bangladesh Bureau of Statistics (BBS). This is up from September's 5.95 per cent and August's 5.91 per cent.

However, October's rate was lower than the pre-pandemic level of 6.51 per cent in February and 35 basis points below that in the same month a year ago.

In the agriculture sector, where a vast majority of the workforce is employed, wage growth stood at 6.24 per cent in October. It was 6.65 per cent in February this year and 6.5 per cent in October last year.

Industrial sector workers saw the slowest increase among the three broad sectors: it was up 5.51 per cent, down from 6.51 per cent in February and 6.08 per cent in October in 2019.

This reflects that the country's industrial sector is still struggling to overcome the impacts of the crisis in terms of sales drop.



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## Economists, businesses for second round of stimulus

STAR BUSINESS REPORT

Economists and businesspeople yesterday suggested that the government float a second set of stimulus packages, reasoning that the country's economic recovery from the fallouts of the novel coronavirus pandemic was still going slow.

The first set of packages, designed as low-interest loans, had significant effects, all except for the one meant for cottage, micro, small and medium enterprises for its low rate of disbursement, they said.

Therefore a second set, especially one for the small-scale businesses, is required so as to be availed and utilised by those in need to stay afloat in this time of crisis, said Ahsan H Mansur, executive director of Policy Research Institute (PRI).

However, the government should also follow in the footsteps of China, replicating its application of technological tools to expedite disbursements among the small firms, which are all in dire need of money, he said.

The packages might be mistaken for grants by many of the small loan seekers, irrespective of their financial inclusion status, thereby the government should duly devise innovative disbursement strategies, said the private think tank's researcher.

It might not be possible for financial institutions, including banks, to reach the loans to the over 8.8 million small companies present in Bangladesh but adoption of technological tools will ensure that a maximum number of entities has been reached, he said.

Mansur was addressing a virtual panel discussion on "Covid-19 and Business Confidence: Towards Economic Recovery" organised by the South Asian Network on Economic Modelling (Sanem) in collaboration with The Asia Foundation.

A second Business Confidence Index (BCI)-centric survey carried out by Sanem for the October-December quarter deciphered the slow pace of the country's economic recovery, said Selim Raihan, executive director of Sanem.

The survey numerically represents the confidence of entities to do business.

It was stated to be at 55.24 per cent this time around in the survey, conducted among top officials of 502 companies of manufacturing and services sectors on October 12-25.

It was 51.06 per cent in the first survey, meant for the preceding July-September quarter.

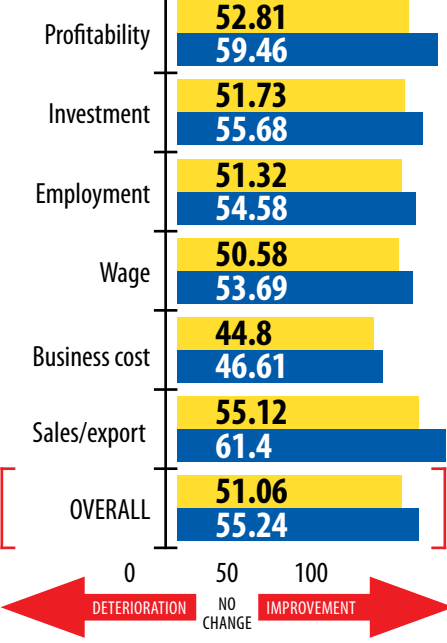
Though improvement was visible in all

### BUSINESS CONFIDENCE INDEX (BCI) IN TWO ROUNDS

■ JUL-SEP OVER APR-JUN

■ OCT-DEC OVER JUL-SEP

SOURCE: SANEM



sub-components of the BCI, when it came to sectors, leather still ranked less than 50, meaning in the range of low confidence. Other sectors placed between 50 and 60.

Moreover, cost of business is said to have increased.

Corruption, poor trade logistics, an unfavourable tax system, lack of access to finance, and ineffective management of the Covid-19 health crisis appear to be the major challenges, it said.

The second survey also found that some 72 per cent of its respondents did not get any stimulus package loan. It was 55 per cent in the first survey. The increase was blamed on disbursement delays, especially among the small firms.

Of those surveyed, only 8 per cent of micro and small units got the loan while it was 20 per cent for medium and 41 per cent for large units.

Sectors are recovering at varying paces. It is fast for garments, textile, pharmaceuticals, food processing, retail, restaurants, financial sector and information and communication technology, said Raihan.

The tempo is slower in leather, light engineering, wholesale, transport and real estate sectors, he said.

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Despite the reopening of the economy since June, the services sector, which accounts for more than 50 per cent of the gross domestic product, has not received the momentum as the deadly flu is still causing significant infections and killing people albeit at a lower rate.

Workers in the sectors saw their wages go up by 6.05 per cent in October, down from 6.53 per cent in February and 6.43 per cent in October last year.

"People's real income has gone down because of higher inflation," said Zaid Bakht, a former research director of the Bangladesh Institute of Development Studies.

Inflation rose to 6.44 per cent in October, the highest in at least five years, driven by a sharp increase in the price of food items, data from the state-run BBS showed on Wednesday. Within the industrial sector, the wage growth in the construction sub-sector slowed to 4.53 per cent from 4.80 per cent in February.

Similarly, it was 7.25 per cent in the manufacturing sector, down from 8.46 per cent in February this year and 8.32 per cent in October last year.

"There has been no demand for workers in the informal sector as well," said Bakht, currently the chairman of Agrani Bank. Of the total workforce in Bangladesh, 85 per cent operate in the informal economy.

Many families in Dhaka city have stopped employing housemaids since the pandemic hit the country in March to avoid catching the virus.

One of them is Manjurul Karim, who lives in the city's Azimpur area. "I can't take the risk as both my wife and I am diabetic," said the 55-year-old private sector employee.

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## Frozen food industry emerges as a bright spot amid pandemic gloom

Producers expect increased demand in the coming years

SOHEL PARVEZ

The ongoing Covid-19 pandemic has forced the world to adjust to a new reality. Many consumers who love to spend time at restaurants and cafes or even just enjoy traditional snacks, such as samosas and fuchka from roadside vendors, have had to think otherwise.

To satisfy their cravings, a fair number of urban residents, particularly those in Dhaka, have opted to stock up on frozen or ready-to-eat meals in a bid to avoid going outside amid the current crisis.

This shift has fuelled the demand for frozen and ready-to-eat snacks, raising hopes among producers that they will enjoy good business in the coming years.

"This industry is going to grow. The pandemic has changed a lot of our habits, we do not act the same as we did in February as Covid-19 created awareness about hygiene," said Ahmed Rajeeb Samdani, managing director of Golden Harvest Agro Industries, a leading frozen food manufacturer.

The demand for ready-to-eat chicken and beef products has grown over the past several years as the middle-class and working families increasingly seek convenience.

Encouraged by the rising demand, around

30 companies signed up to make frozen foods and snacks.

As a result, rapid growth took place over the last three to four years, Samdani said.

Golden Harvest began its journey back in 2006, when there were only two other firms operating in the industry.

According to the managing director, the overall market for frozen foods, including meat products, currently stands at about Tk 1,000-1,200 crore thanks to 20 per cent annual growth on average for the past five years.

But this figure is likely to double to Tk 2,500 crore by 2025, he said.

This forecast comes at a time when many urban residents have opted to stay at home to steer clear of the contagious coronavirus.

As the government eventually relaxed its lockdown measures, restaurants across the country slowly started to reopen from the beginning of June.

Still though, those who once loved to dine out now prefer to cook for themselves at home.

Tanvir Haider Chaudhury, chief executive officer of Kazi Food Industries, said the leading frozen food maker has 150 franchisees and quick-service restaurants.

Sales at these outlets, which account for more than one third of the company's total sales, suffered at the beginning of the



The shift in people's eating habits has fuelled the demand for frozen and ready-to-eat snacks, raising hopes among producers that they will enjoy good business in the coming years. The photo was taken from Gulshan 1 in the capital yesterday.

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