

# Ominous signs from British firms, but euro zone loses momentum too

REUTERS, London

British companies are giving ominous signs about the economy, just as the government embarks on European Union divorce negotiations, data showed on Wednesday, although momentum in the euro zone has lost some momentum.

A survey published on Wednesday suggested Britain's economy probably expanded at a quarterly pace of 0.4 percent in April-June. But its business expectations component tumbled to levels not seen since just after the June 2016 vote to leave the EU.

The euro zone's economy, meanwhile, probably grew nearly twice as fast, by 0.7 percent, during the second quarter. Business expectations dipped, but remained strong.

"This shouldn't come as a surprise," said Peter Dixon at Commerzbank of the British findings. "The UK is suffering the fallout from the Brexit (vote) of last year ... and has clearly moved onto a slower growth path."

Disappointingly for some Bank of England officials who want to raise interest rates, IHS Markit's Purchasing Managers' Index showed business expectations not far off the lows last reached in late 2011, with growth in new orders, which tend to signal future activity, at a nine-month low.

"Following on from weaker man-



Flags are arranged at the EU headquarters in Brussels.

REUTERS/FILE

ufacturing and construction surveys, the softer services PMI points to an already-fragile economy faltering in June as heightened political and Brexit uncertainties fuel business and consumer caution," said Howard Archer at EY ITEM Club.

British Prime Minister Theresa May gambled away her parliamentary majority in a snap election in June and so far there has been little clarity as to how the Brexit negotiations will proceed.

In contrast, across the euro zone backlogs of work increased as new business during June came in at the second-fastest rate in over six years.

Suggesting businesses in the bloc's dominant services industry remained confident, they sped up hiring last month, taking on staff at the second fastest rate since early 2008.

In other upbeat news for policymakers at the European Central Bank, retail sales increased by more than expected in May, European statistics office Eurostat said on Wednesday.

Britain's economy barely grew in the first three months of the year as consumers faced both accelerating inflation, caused in large part by the fall in the pound since the Brexit vote, and slowing wage growth.

Some BoE officials say the consumer drag on the economy is likely to be offset by higher exports and investment. Last month, three of the Bank's eight monetary policymakers voted for a rate increase, although one of them has since left the BoE.

But the IHS Markit/CIPS UK Services PMI edged down to a four-month low of 53.4 in June from 53.8 in May, just shy of a forecast for 53.5 in a Reuters poll of economists.

"This weaker reading pours a degree of a cold water on the latest hawkish messages emanating from the Bank of England," said James Smith at ING.

The final composite PMI for the euro zone, seen as a good growth indicator, was 56.3 in June, down from May's 56.8 but comfortably beating a flash estimate of 55.7 and well into growth levels above 50.

Earlier PMIs from the bloc's big four economies of Germany, France, Spain and Italy showed faster growth in the second quarter as a whole. Britain's potential for being out of step can also be seen in monetary policy.

While the BoE is -- largely -- not expected to tinker with monetary policy anytime soon, the U.S. Federal Reserve is forecast to raise interest rates once more this year and European Central Bank chief Mario Draghi last week raised the prospect of policy-tightening.

## Mahbubur Rahman joins China's trade arbitration commission

STAR BUSINESS DESK

Mahbubur Rahman has recently been appointed as an arbitrator of the China International Economic and Trade Arbitration Commission.

Rahman, the founder chairman of Bangladesh International Arbitration Centre (BIAC), is the sole arbitrator appointed from Bangladesh by the commission, BIAC said in a statement yesterday.

The arbitration commission is one of the major permanent arbitration institutions in the world which resolves eco-



nomie and trade disputes by means of arbitration independently and impartially, according to the statement.

Rahman is also the president of International Chamber of Commerce Bangladesh, former president of the Federation of Bangladesh Chambers of Commerce and Industry founder vice president Saarc Chamber of Commerce

and Industry and vice chairman of Bangladesh Foreign Trade Institute.

He is also the chairman of ETBL Holdings Ltd and Eastland Insurance Company Ltd.

## Revenue target hard to achieve: Muhith

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But, it would be tough to meet the VAT collection target of Tk 91,254 crore for the fiscal year, which is 33 percent higher than the outgoing year's receipts, they said.

The revenue authority registered 20 percent growth in collections last fiscal year -- the highest since fiscal 2013-14, according to NBR data.

"We are preparing a work plan to achieve the target through administrative measures, including curbing evasion and realising arrears," said a senior VAT official.

About Tk 11,000 crore of extra revenue would come for the steady economic growth, domestic demand and the price spiral of goods and services, he said.

More revenue will come as the price slabs for cigarettes and tobacco products were reworked. "We expect to get Tk 5,000 crore

more revenue from cigarettes, bidi and other tobacco products."

The NBR collected Tk 20,000 crore as VAT and supplementary duty from this category last fiscal year.

The small and medium traders will continue to pay package VAT this fiscal year, but the NBR doubled the amounts. For instance, the package VAT for traders in Dhaka and Chittagong city corporation areas was raised to Tk 28,000 a year from Tk 14,000.

The package VAT system brings the revenue authority less than Tk 20 crore a year. "The collection efforts will be intensified this time." Besides, they would look to tap into new areas to achieve the annual collection target. However, even if the new VAT law came in to effect from this year it would have taken two-three years to reap its full benefits, he added.

## China firms to carry out feasibility study on LNG terminal

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The companies that were appointed are China Huanqiu Contracting & Engineering Corporation and China CAMC Engineering Co Ltd.

On June 14, the committee gave the go-ahead to another proposal of a Japanese firm, Tokyo Gas Engineering Solution Corporation, to conduct a feasibility study on various sites for Tk 58 crore.

The government aims to set up four land-based liquefied natural gas (LNG) terminals and one or two floating storage and re-gasification units as part of efforts to alleviate the country's energy shortage.

The sites being considered for the land-based terminals are located in Kutubdia, Moheshkhali, Payra and two other places.

Each terminal will supply 1,000 million cubic feet (MMCFD) of gas per day, according to an energy ministry official.

Earlier, the government approved two floating LNG terminals, each of which will supply 500 MMCFD of gas.

Bangladesh is looking outside to alleviate its energy shortage, largely caused by depletion of domestic reserves and rising demand. Gas supply stands at about 2,700 MMCFD per day against a demand for 3,300 MMCFD.

The cabinet committee yesterday also approved a proposal for setting up two power plants. One of the plants, a 100-megawatt petroleum-based plant at Sikalbaha in Chittagong, will be set up by Karnaphuli Power Ltd.

The government will purchase power from the company at Tk 8.29 a kilowatt-hour unit for 15 years.

A 50-MW solar power plant will be set up in Panchagarh by 8minutenergy Singapore Holdings Pte Ltd. Each unit will cost the government Tk 10.64.

The committee also extended the tenure of two rental power plants by five years.

One of them is a 50-MW plant set up at Katakhal in Rajshahi by Northern Power Solution Ltd. The government will buy power from the company at Tk 11.40 per unit for the extended period, up from Tk 7.78 at present.

Sinha Power Generation Co Ltd's 50-MW power plant in Chapainawabganj is the other company that got the extension. Each unit will cost the government Tk 11.16 during the extended period.



SHAHJALAL ISLAMI BANK

Towhidur Rahman, chairman of Shahjalal Islami Bank, presides over the bank's 16th annual general meeting at Raowa Convention Hall in Dhaka yesterday. The bank declared 10 percent cash and 5 percent stock dividends for 2016. Farman R Chowdhury, managing director, was also present.

## Credit growth dips in May after five months

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Of the total excess liquidity, about 57 percent, or Tk 63,460 crore, belongs to state banks. Private commercial banks have Tk 35,520 crore.

Although the demand for credit is rising, the growth rate will remain within the monetary target of 16.5 percent set for June, said a senior executive of the central bank.

MA Halim Chowdhury, managing director of Pubali Bank, attributed the fall in credit growth to the banks' increased emphasis on loan recovery instead of disbursement. Increased SME loan and consumer financing contributed mostly to the surge in credit growth in the last few months, said Mohammed Nurul Amin, managing director of Meghna Bank.

SME loan disbursement increased about 22 percent to Tk 141,935 crore from a year earlier.

As of December last year, consumer financing stood at Tk 55,971 crore, up 14.2 percent year-on-year.

Consumer loan saw a faster growth due to the falling lending rate, said a senior official of a private bank.

In April, the weighted average lending rate came down to 9.52 percent, according to data from the Bangladesh Bank.

Industrial term loan registered a 9.8 percent year-on-year growth to Tk 19,575 crore in the October-December period of last year.

## Dispute over SIM tax crops up again

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About the tribunal's decision, a top executive of a mobile operator said: "What they did is not right. We will definitely go to the High Court and the court will decide the matter."

"We want to run our business following all the government regulations. But when there were no regulations, we conducted the business our way and now the tax regulator is charging us for that. It is not logical and justified," he added.

The government has been collecting tax on new SIMs for more than a decade, beginning with Tk 800 for each SIM sold.

Currently, Tk 100 tax is payable for both new and replacement SIMs. But until fiscal 2014-15, no tax was payable for SIM issued to old users as replacement for lost, stolen or damaged SIMs.

And as per a rule framed in 2005, no tax was payable for replacement SIMs on the condition that the operators keep records of replaced SIMs and submit a list of the replaced SIMs along with VAT returns regularly.

"The operators could not prove that they have issued the SIMs as replacement to old users," the LTU official said.

On the latest verdict of the VAT Appellate Tribunal, LTU VAT Commissioner Matiur Rahman said his office will take steps as per law.

The operators will have to pay tax along with interest and penalty as per the order of the Appellate Tribunal, he added.

## Pharma sector to grow at 15pc a year: study

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"While most of the emerging markets in the low and middle income countries are dominated by multinational pharmaceutical companies, Bangladesh companies have the capacity to penetrate these markets."

Since the beginning of the decade, the pharmaceutical industry in Bangladesh has experienced double-digit growth driven by large consumer base, improved health consciousness and a supportive regulatory framework.

Two effective policies have accelerated the growth of the sector. One was the Drug Control Ordinance 1982, which banned foreign companies from selling imported pharmaceutical products in the country.

The other was the relaxation of the World Trade Organisation's agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), which permitted Bangladesh to reverse engineer patented generic drugs. The relaxation of TRIPS for least-developed countries has been extended to 2032.

In fiscal 2015-16, the annual sales of pharmaceutical products stood at Tk 15,600 crore. "This is a huge jump for the sector as the industry size was only Tk 170 crore in 1982."

Exports of pharmaceutical products registered 14.6 percent growth

in 2011-2016, while the industry is expected to log in receipts of \$90.3 million for fiscal 2016-17.

"In one sentence, the pharmaceutical sector is the most successful sector in Bangladesh," said Rizvi Ul Kabir, director for marketing of Beximco Pharmaceuticals, adding that it did not compromise on quality to get to its current position.

In line with the growth of the market, everybody has invested in quality, lab equipment and human resources to raise the standard to international level, which enabled local firms to enter developed and highly regulated markets, he said.

For instance, Beximco Pharmaceuticals has already started exporting to the US, one of the most regulated drug markets in the world, from last year. It shipped Carvedilol, a prescription drug for hypertension.

Bangladesh's pharmaceutical industry is dominated by local players. Square Pharmaceuticals leads the charge, commanding an 18.8 percent market share, followed by Incepta at 10.2 percent, Beximco 8.5 percent, Opsonin 5.6 percent, Renata 5.1 percent and Eskayef 4.5 percent, according to the study.

Multinational companies such as Radiant, Sanofi and Novo Nordisk enjoy a 10.5 percent market share

and are focused on some specialised products. At present, oncology drugs are imported but some of the local players like Renata and Acme have heavily invested in the segment, according to the analysis.

"Given the fact that local companies can manufacture quality products at affordable price, oncology segment will emerge as an attractive growth segment in future."

Bangladesh, however, relies on imports for raw materials.

More than 90 percent of Tk 4,700 crore worth of raw materials are imported every year. As a result, the industry is vulnerable to external shocks, according to the report.

To address the issue, the government has started the process of constructing an active pharmaceutical ingredient industrial park in Munshiganj. At least half of the companies that got plots in the API park are expected to go into operation by 2018.

Once the API park is completed, Bangladeshi companies would be able to source at least half of their raw materials from the complex, reducing reliance on imports, said a senior executive of a pharmaceutical company.

The report said the park can open up the international API market to Bangladesh.



NATIONAL BANK

Choudhury Moshtaq Ahmed, managing director (current charge) of National Bank, and Mohd Habibur Rahman, acting CEO of UCEP Bangladesh, exchange the signed documents of a deal at a programme yesterday. The bank and the nongovernmental organisation in a cost sharing programme will train underprivileged and unemployed Santal youths of Rajshahi region on industrial sewing operation to help them eliminate poverty.

## Beanpole crosses revenue earning target

OUR CORRESPONDENT, Benapole

Benapole customs collected Tk 3,805.7 crore in revenue in the last fiscal year, up by Tk 45.4 crore from its target of Tk 3,760.3 crore thanks to the crackdowns on tax dodgers by the NBR officials.

In 2015-16, the National Board of Revenue set the target for Benapole customs at Tk 3,143 crore, which was later fixed at Tk 2,850 crore. The customs house's collection surpassed the target by Tk 90 crore that year. The timely steps taken by Benapole customs house against the tax dodgers helped it in successfully reaching the revenue earning target, said Shaikat Hossain, commissioner of Benapole customs.

## No headway in hiring boiler inspectors

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Before Monday's incident, at least 17 lives were lost in three incidents of boiler blasts alone this year. Thirteen of them died in a single incident in Dinaipur in April.

Besides, 41 workers were killed in a devastating fire at Tampaco Foils Ltd at Tongi in Gazipur in September last year. The fire originated from a boiler explosion.

The boiler explosion at Multifabs, a garment factory in Gazipur, was caused for high pressure of gas and errors in operations, according to Mannan.

The boiler at Multifabs was set up in 2005 but it was not replaced although the officials from the Department of Boiler inspected it every year, said Mahiuddin Faruqui, chairman and managing director of the garment company.

Faruqui said he did not feel the urgency of replacing the old boiler as the lifespan of such equipment is more than 25 years. Multifabs purchased the boiler from a German company.

Faruqui said his factory was certified by the Accord, the inspection, remediation and monitoring agency of more than 200 European retailers and brands, in January this year.

"Multifabs Ltd is an Accord-covered factory. It was initially inspected for fire safety on April 9, 2014," said Rob Wayss, executive director and acting chief safety inspector of the Accord in an email to The Daily Star on Tuesday.

He said, "On the day of the boiler explosion, 77 percent of the required fire safety remediation items had been verified by the Accord as completed, and 82 percent of the overall remediation items had been verified as completed."

He said the factory had completed boiler related remediation and this was verified by Accord in 2016.

Wayss also said from the Accord fire safety inspection, boiler rooms at the factory need to be fire separated.

"Please note that the fire separation is to contain a fire in the event one occurs in the room the boiler is located. A fire separation (construction to contain fires with fully protected and sealed openings) does not address the issue of a boiler explosion," Wayss said. He said the Accord would continue to work with Multifabs and the signatories to fully remediate the factory's facility. After the incident on Monday, the owners of Multifabs announced the closure of the factory for an indefinite period. Some 6,000 workers were employed at the factory.

Multifabs, set up in 1992, exports mainly knit items worth \$70 million a year. German's Aldi is the main customer of the exporter, Faruqui said.