Steel sector has huge growth potential

Experts say at a summit in the port city

STAR

Participants and organisers of the third Steel Long Products Summit pose with crests, at Radisson Blu Chittagong Bay View in the port city yesterday.

STAFF CORRESPONDENT, *Chittagong*

The country's steel manufacturing sector has a huge growth potential thanks to the increasing construction activities and a good trade prospect in the neighbouring Seven Sister States of India, experts said.

Bangladesh currently consumes around 8 million tonnes of steel a year, which would reach 18 million tonnes by 2030 if the port's existing problems like the lack of infrastructure, power crisis and tariff barriers are addressed soon, they said.

Senior officials of different steel related industries from Bangladesh and India shared their views at the third Steel Long Products Summit held in Chittagong yesterday.

Steelgroup.co.in, a leading information and networking platform based in India, organised the programme at Radisson Blu Chittagong Bay View.

Representatives of different steel manufacturing and equipment suppliers from Bangladesh, India, Germany, Austria, Taiwan, China and Japan took part in the daylong event.

Indian Assistant High Commissioner Somnath Halder and PHP Group Chairman Md Mijanur Rahman jointly inaugurated the summit.

AS Firoz, chief economist (joint plant committee) of the Ministry of Steel of India, and Sachin Shetty, managing partner of Quesrow Consulting, were the keynote speakers in the inaugural session. A panel discussion on "Regional steel long products market: present and future challenges and solutions" also took place at the summit.

The challenges that Bangladesh's steel sector is facing now was experienced by the Indian steel producers 30 years back and they overcame those, VR Sharma, group CEO for steel and power at Abul Khair Group, said at the event as a panel discussant.

He forecasted that Bangladesh's steel market would be able to produce up to 18 million tonnes of steel a year within a decade as the country now generates very good engineers and what they need is training on handling of mega steel plants.

With increasing development and construction activities in the densely populated cities, this country of many rivers would also need many bridges for more connectivity in the coming years, for which more steel will be needed, he said.

He also emphasised considering the neighbouring Seven Sister States of India as the potential market for Bangladesh's steel sector. "Don't think that your market is of 17 crore people, rather it is a market of 30 crore."

M Firoze, head of marketing and product development at Bangladesh Steel Re-Rolling Mills (BSRM), said it is true that new investments are coming to the steel sector but it is basically in the long product sector.

BSRM is the largest group in Bangladesh's steel sector that produced 1.2 million tonnes of finished goods last year.

Bangladesh still lacks the infrastructure to turn up as a big steel maker since it does not have resources like coal mine or iron ore mine and has to depend on imports, he said.

Moreover, due to lack of facility in the port, ships bringing raw materials like scraps have to wait several weeks to be cleared, for which the steel makers count a loss of $20 per tonne, he added.

He also marked power outages and tariff barriers in import of raw materials like billets as obstacles for the country's steel sector.

Madani M Intiaz Hossain, executive director of GPH Ispat, stressed the need for incorporating new technology by the steel makers to produce high quality finished products.

PepsiCo's quarterly profit beats estimates

REUTERS

PepsiCo Inc's quarterly profit beat estimates as higher pricing of sodas and snack foods in North America paid off and as the company sold its minority stake in British bottler Britvic Plc.

PepsiCo said on Tuesday that sales in its North America beverage unit, the company's largest, rose 2 percent to $5.24 billion in the second quarter ended June 17. While volume sales were flat, net pricing was up 1 percent.

PepsiCo and rival Coca-Cola Co have focused on selling smaller, higher-margin packs in developed markets while pulling back on promoting large discount packs as they look to cushion the impact of falling demand for fizzy drinks.

Revenue from PepsiCo's Frito-Lay North America business rose 3 percent, helped by a 1 percent rise in volume and a 3 percent rise in net pricing.

The company said in May it would sell its 4.5 percent stake in British bottler Britvic for an undisclosed amount.

Net income attributable to PepsiCo rose to $2.11 billion, or $1.46 per share, from $2.01 billion, or $1.38 per share, a year earlier. Excluding items, the company earned $1.50 per share. Revenue rose 2.1 percent to $15.71 billion. Analysts on average had expected earnings of $1.40 per share on revenue of $15.60 billion.

10 firms provide 40pc of all VAT and SD

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In the face of opposition from many businesses, the government has shelved its plan to implement the much talked-about VAT and SD Act 2012 for two years.

The legislation, which was framed to increase domestic revenue collection by tapping all areas of the economy, bring transparency and accountability in revenue administration and curb evasion, was planned to take effect from this month.

Revenue collection would rise if the commissioners at field offices curb evasion and collect VAT properly, said a senior NBR official.

"There are hundreds of businesses that escape payment of actual amount of VAT because of corruption among a section of revenue officials."

Subsequently, the official suggested strengthening the VAT intelligence office to curb evasion.

A major chunk of revenue usually comes from large firms in every country, said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

"For this reason, the LTU was formed -- to closely monitor the big firms."

The implementation of the new law did not take off because of opposition of small firms, who now pay package VAT, which is essentially a discounted form of VAT, he said.

"These firms will not pay tax easily," Mansur said, adding that they should be brought under the net gradually by insisting that they keep records of their transactions.

Like Hussain, Mansur also said the dependence on few firms and on a select few sectors to collect a big portion of VAT and SD is not healthy.

The top VAT and tax providers of every sector should be brought under the LTU through periodic surveys by the NBR, he said, citing the establishment of many hotels and resorts in recent years.

The contribution of gas, power, tobacco and mobile operators would be at best 15 percent of GDP, although they account for more than one-third of VAT and SD collected from domestic production in a year, said Towfiqul Islam Khan, a research fellow of the Centre for Policy Dialogue.

"It means that there is untapped potential for revenue mobilisation," he said, adding that the leakages must be stopped.

Khan suggested reforms, digitisation of the revenue systems and expansion of revenue administration throughout the country to widen the tax base.

Current account deficit hits $2.1b

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On the other hand, imports rose 10.68 percent to $40.25 billion in the July-May period compared to $36.37 billion in the same period a year ago.

The slowdown in remittance is also responsible for the current account deficit.

Remittance inflow in 2016-17 was the lowest in six years, declining 14.47 percent year-on-year to $12.77 billion.

Thanks to the slowing exports and remittance and the rise in imports, the foreign exchange reserves decreased to $32.40 billion on July 5, which was $33.39 billion in June, according to the central bank.

Bangladesh to benefit from China's belt, road initiative: MCCI

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The plan was unveiled in 2013. The MCCI said, "Trade and investment will increase naturally out of the OBOR initiative and Bangladesh can become a force to reckon with if opportunities offered by the initiative in future are not wasted by incongruent policies."

The chamber said the OBOR initiative is an ideal union of resource rich and resource poor countries, and once the project is fully completed, it can be expected to trigger collective growth.

"The project will not only benefit China because of its access to strategically important geopolitical locations but also other countries in the region."

It said once the investments flow in, all countries party to the agreement will experience enhanced infrastructure levels and high infrastructure-led growth.

"Demand will increase which will act as catalyst for trade and investment expansion."

The OBOR is a welcoming initiative and came at a time when the rise of protectionism and anti-globalisation is sweeping through the developed world.

"Bangladesh must take the opportunity to become a key player in the OBOR project, which may allow the country to pursue an infrastructure-led growth," said the MCCI.

The chamber said while participating in a lofty initiative like the OBOR, good governance and law and order situation will need to be ensured since the land and sea routes in the new situation will be filled up by additional international traffic along with local ones.

Bangladesh's economy has doubled during the last decade, and with rising investments from China, the country can brace for phenomenal growth in the future.

"Development and prosperity go hand in hand and, and the advantage accruing out of Bangladesh's unique geographical location can't be allowed to fritter away."

The chamber said a great boon for Bangladesh is China's moving away from low-tech, low-margin industries to high-tech, high margin industries.

Relocating many such manufacturing industries to countries like Bangladesh would greatly help them in lowering their labour costs. This would keep Bangladesh on the forefront of the OBOR project, the trade body said.

Bangladesh will also benefit from increased bilateral trade, said the chamber.

At present, Bangladesh imports $12 billion-worth of goods annually from China but exports goods worth only $1 billion to the country.

"This huge trade gap can be expected to narrow down a bit if free access to the large Chinese market could be ensured."

Bangladesh has already requested China to allow duty-free access for 22 more products.

"If granted, this concession would somewhat reduce the trade deficit. To achieve success in that regard, however, serious efforts will be needed to diversify exports outside the garment sector."

Inflation creeps up to 5.72pc

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The reason for the switch to quarterly reporting put forward by Kamal was the veracity of the monthly data: the Bangladesh Bureau of Statistics is unable to capture the monthly changes in the Consumer Price Index timely.

"If data is released every month, in many cases the data is not accurate," he said.

The switch in reporting frequency comes at a time when inflation, a measure of changes in the prices of a basket of goods and services, is on the rise owing to a spiral in the prices of rise, Bangladesh's staple food.

For instance, inflation stood at 5.03 percent in December last year, which crept up to 5.15 percent, 5.31 percent and 5.39 percent in the succeeding three months respectively.

"The decision to switch from monthly to quarterly CPI is a step in the wrong direction," said Zahid Hussain, lead economist of the World Bank's Dhaka office.

The government move makes it the work of analysts and policymakers much harder, as they will need to base their inferences, forecasts and economic decision-making on hard and current data.

Almost everything that the government and the Bangladesh Bank decide is justified by how the data are moving lately.

And those decisions are viewed by the public and other stakeholders -- including the multilateral financial institutions, investment banks, rating agencies, development partners, and civil society -- against the underlying data, he said.

The importance of sound and accurate early estimates of economic trends is of utmost importance to national economic authorities for the decision-making process.

"All over the world, an increasing number of countries are producing high frequency economic data. Why BBS is moving in the opposite direction is hard to fathom," he added.

Kamal had earlier said the BBS will continue to prepare data on a monthly basis, which will be made available on the statistical agency's website. As of 6pm yesterday, no monthly data past the month of March was available.

Between the months of April and June this year, both food and non-food inflation went up, according to the planning ministry data.

In the last quarter of fiscal 2016-17, food inflation stood at 7.27 percent, up from 6.74 percent in the previous quarter. A year earlier, it was 3.96 percent.

Non-food inflation during the quarter stood at 3.47 percent, in contrast to 3.12 percent the preceding three months.

Inflation rose mainly due to the increase in prices of rice, whose stock in government warehouses is on the decline and production too was hampered due to natural calamity. On July 9, the stock of rice stood at 1.67 lakh tonne.

The government took various steps to increase the stock but the rice price did not come down. Coarse rice is still selling at nearly Tk 48.

Meanwhile, inflation stood at 5.44 percent last fiscal year, down from 5.92 percent logged in for fiscal 2015-16.

Food inflation was 6.01 percent last fiscal year, up from 4.90 percent a year earlier. Non-food inflation was 4.61 percent, down substantially from fiscal 2015-16's 7.43 percent.

The overall inflation declined in fiscal 2016-17 from a year earlier because of a significant decline in non-food inflation, Hussain said. "But the decline masks the steep rise in food inflation."

The aggregate demand growth slowed in fiscal 2016-17 due to 15 percent decline in remittances and depressed earnings in garments. Monetary restraint also helped, he said. The rise in food inflation reflects mostly rice price increases due to cost push factors such as high tariffs on rice imports as well as production shortfalls due to early floods and blast outbreak and a decline in public stocks.

Measures taken recently by the government such as reduction of duties, allowing zero-rated letters of credit margin requirements for rice imports and the government-to-government procurement of rice from Vietnam should help ease rice prices in the immediate future.

The BB should maintain continuity in its forthcoming monetary policy statement so that the success achieved in reducing food inflation is sustained, Hussain added.

Oil, gas investment set to recover slightly

AFP, *Istanbul*

Investment in the oil and gas industry will see a tentative recovery in 2017 after an "unprecedented contraction" in 2016 and 2015 in face of stubbornly low energy prices, the International Energy Agency said in a report on Tuesday.

The IEA said upstream oil and gas investment -- such as in exploration and production facilities -- fell 26 percent in 2016 in nominal terms to $434 billion, similar to the decline seen in 2015.

IEA executive director Fatih Birol told AFP: "We do not expect a major rebound, as many hoped, in order to make up the difference."

Total global energy investment fell by 12 percent in 2016.

DSE turnover hits 4-month high

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It recovered the lost ground in the last half of the session to end the day in the black.

Banks, cement, foods and allied, and telecommunication were the only major sectors with positive returns, registering 0.87 percent, 0.35 percent, 0.10 percent and 0.08 percent gains respectively.

At the DSE, 107 securities advanced, 195 declined and 29 remained unchanged. The DS30 and DSES indices were up 4.45 and 2.17 points respectively.

Beximco Ltd topped the turnover list followed by Keya Cosmetics and Islami Bank.