

Trade deficit narrows amid rise in exports

AKM ZAMIR UDDIN

Trade deficit narrowed 12 percent in the first five months of the fiscal year thanks to a rise in exports and a slowdown in imports.

At the end of November, trade deficit stood at \$6.65 billion, down from \$7.60 billion a year earlier, according to the central bank's latest data.

The development comes as a relief for the government, which has sufficient breathing space now to run the economy. Trade deficit hit an all-time high of \$18.25 billion last fiscal year.

While unveiling the monetary policy statement for the second half of 2018 the central bank projected that the trade gap may reach \$22.19 billion by the end of the fiscal year, suggesting a stringent state of affairs for the country's macroeconomy.

"But the pickup in remittance and exports is whopping the central bank projection," said a Bangladesh Bank official.

Export fetched \$16.77 billion in the first five months of the fiscal year, up 16.75 percent year-on-year.

"It is a good sign that export earnings are

maintaining an upward trend while import payments are posting moderate growth," said AB Mirza Azizul Islam, a former finance adviser to a caretaker government.

Between the months of July and November of 2018, imports rose 6.64 percent to \$23.43 billion.

The import of capital machinery has recently declined, which will not underpin the country's industrial sector, he said.

Islam went on to urge the government to give more importance to importing capital goods as it is the major ingredient for setting up new industrial units and retrofitting the existing ones.

The country's current account deficit also decreased 46 percent year-on-year to \$2.55 billion in the first five months of fiscal 2018-19.

"Bangladesh's current account deficit is not too much considering that it is a developing country," Islam added.

Mustafizur Rahman, distinguished fellow of the Centre for Policy Dialogue, however, said the current account deficit was still high considering the rising economic activities of the country.

"There is a ray of hope that remittance has bounced back in recent months, which will ease the large deficit of current account in the months to come," he said.

The foreign exchange reserve is now able to make import payments for five months, which is ideal for any economy, he said.

As of November 2018, the reserves stood at \$31.05 billion.

"But a year ago the reserves could



cover import payments for nine months. We have to keep a close eye on fluctuating reserves."

The overall balance of payment situation is also not sanguine as it has recently entered the negative territory, he said.

At the end of November, the deficit in overall balance stood at \$837 million, up from \$479 million a year earlier, according to data from the BB.

The export earnings, foreign direct investment and remittance should increase more for reducing the current and overall deficit, Rahman said.

If the deficit in the two accounts is brought down, the foreign exchange market will also cool down bypassing the existing depreciating trend of the taka against the dollar, he added.

Textile has room for Tk 50,000cr investment

Sector people say; textile machinery fair begins tomorrow

STAR BUSINESS REPORT

Bangladesh has the scope to invest a fresh Tk 50,000 crore in the primary textile sector (PTS) over the next five years as the demand for locally made fabrics has been rising in both the domestic and international markets.

The government should supply energy and industrial land at a reasonable price so that the spinners and weavers feel encouraged to invest in the sector, said Mohammad Ali Khokon, president of Bangladesh Textile Mills Association (BTMA).

Currently, the local spinners can supply 85 percent of the raw materials to the export-oriented knitwear sector and 35 to 40 percent to the woven sector.

"So, Bangladesh has the opening for fresh investment in woven fabrics production," Khokon said at a press conference at the BTMA office in Dhaka yesterday to announce the 16th Dhaka International Textile and Garment Machinery Exhibition (DTG) 2019.

The newly-elected BTMA president is hopeful that local weavers can supply 60 percent of the requirement for woven fabrics in the next five years, which will also reduce the dependence on imports, especially from China and India.

Bangladeshi garment makers use 12 billion metres of fabrics in a year for making the export-oriented garment items.

Of the quantity, domestic weavers can supply 3 billion metres of fabrics, with the rest imported from India and China.

The garment manufacturers have been spending billions of US dollars every year as the domestic textile millers cannot meet all the demand.

"So, we have a very good scope for further investment in this sector. We have already demanded a separate economic zone from the government to set up new industries," Khokon said, adding that total investment in the PTS at present is Tk 70,000 crore.

In the last one year, a total of Tk 6,896 crore was invested by entrepreneurs to set up 19 spinning mills, 23 fabrics mills and two dyeing printing mills, he said.

The main impediments for the sector are land and energy.

He demanded that the government fix the prices of liquefied natural gas at an affordable level so that the industries do not face any challenge.

The government has proposed to increase the LNG price to more than Tk 14 per unit, but the factory owners have been suggesting that the government fix a lower price.

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City Group gets licence for economic zone

STAR BUSINESS REPORT

City Group yesterday received a pre-qualification licence from the Bangladesh Economic Zones Authority (Beza) to set up an economic zone on 108 acres of land in Munshiganj's Gazaria.

The licence is one of the two government approvals required for opening such a zone. The Hosendi Economic Zone can be expanded to 200 acres in the future, Beza sources said.

City Group is expecting to generate around 15,000 direct employments through the zone in the next five years.

Industries expected to open plants in the zone include those of food and beverage and shipbuilding.

The government plans to set up 100 special economic zones to generate one crore jobs, earn over \$40 billion in additional exports and attract \$50 billion in foreign direct investment, all by 2030.

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More IPOs needed

Merchant banks fail to meet expectations in bringing new stocks

AHSAN HABIB

There are 61 merchant banks in the country but they were able to collectively bring in only 14 companies in the capital market last year, widening the gap between demand and supply of stocks.

This meant it took an average 4.35 merchant banks to introduce one single IPO (initial public offering) in the stockmarket.

The 14 companies raised Tk 601 crore in total by offloading shares to the public and institutions, up 141 percent from that the previous year when eight companies raised Tk 249 crore.

"We are disappointed with merchant banks' work," said a senior official of the Bangladesh Securities and Exchange Commission (BSEC).

He said the BSEC had allowed many merchant banks to operate in order to increase the supply of stocks through the IPOs of shares of different companies.

"But merchant banks are not focused on IPOs," he said, adding that some merchant banks submit IPO documents only to fulfill conditions to retain licence.

According to the BSEC rules, a merchant bank has to submit at least one IPO proposal to the regulator every two years.

Listing of new companies, however, grew

year-on-year in 2018 but the number is still lower compared to previous years because of lower-than-expected performance of merchant banks.

Merchant banks are responsible for bringing in new companies in the stockmarket, but most of them failed to introduce any firm last year.

Merchant bankers, however, blame the slow approval on the part of the regulator and comparatively small amount of fees they

get in return of helping a company get listed on the market for the lower number of new companies.

"IPO procedure is very lengthy, so issue managers can't afford the operational cost of their IPO department if they fail to bring in many companies a year," said Khairul Bashar Abu Taher Mohammed, secretary general of Bangladesh Merchant Bankers Association.

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Mercer predicts 10pc pay hike across industries

STAR BUSINESS REPORT

Companies across industries in Bangladesh are likely to give a 10 percent salary hike as they had done in 2017 and 2018, according to Mercer's 2018 Bangladesh Total Remuneration Survey (TRS).

The report also found that overall hiring outlook in Bangladesh was positive with close to 38 percent of companies looking to increase their headcount this year.

Mercer is a global consulting leader in advancing health, wealth and careers and a wholly owned subsidiary of Marsh & McLennan Companies.

More than 90 organisations took part in the survey across industries focused on consumer goods, life sciences, chemical manufacturing, hi-tech sectors, retail and wholesale and banking and financial services.

Consumer goods and life sciences gave the highest salary hikes of 18 percent and 14 percent respectively in 2018 while retail and wholesale the lowest 9 percent, according to a statement. Shanthi Naresh, leader - Career, and Regional Practice Leader, Workforce Rewards - AMEA at Mercer, said, "A strong and consistent GDP growth of 7 percent per year over the last three years has led to expanded employment opportunities."

bproperty.com buys Lamudi Bangladesh

MUHAMMAD ZAHIDUL ISLAM

Real estate marketplace bproperty.com has bought Lamudi.com.bd, another portal for buying, selling and renting property, a move which is expected to give them supremacy in the business.

Mark Nosworthy, CEO of

alongside business plans.

Bproperty.com is a new kind of business venture that provides all legal and banking support to the purchasers and gives marketing support to the real estate and land developers in a single place.

It is a part of Emerging Markets

urbanisation.

Nosworthy, also chief financial officer of the EMPG, told The Daily Star that they had a complete view of the real estate market.

He said they are very committed to improving Bangladesh's real estate industry and could work for mutual benefit.

Opening up in Bangladesh in 2016, bproperty.com said to have thoroughly surveyed and validated over 119,000 buildings in Dhaka and currently has nearly 24,000 properties for sale and rent on their portal.

An official of Lamudi Bangladesh said their managing director, Anne Maria Hermans, had already left having informed of the development. Their Dhaka office also stopped all communication and contact as Lamudi Bangladesh since last month, he said.

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bproperty.com, confirmed the deal but declined to reveal the amount they paid. "We are not disclosing the amount under confidentiality with Lamudi Bangladesh."

Nosworthy's company is scheduled to hold a press conference today to disclose the new development

Property Group (EMPG), which also owns top UAE property portal bayut.com and Pakistan's largest property portal Zameen.com.

The business runs in Bangladesh under a commission model, which is 5 to 15 percent based on the property's location, utility services and

New finance minister sets sights on boosting revenue

STAR BUSINESS REPORT

The new finance minister AHM Mustafa Kamal yesterday stressed on increasing revenue collection.

Kamal went straight to the ministry after taking oath as finance minister at Bangabhaban yesterday and held a meeting with officials.

The country has about 4 crore middle-income people, who have the means to pay Tk 10,000 to Tk 15,000 tax in a year. But the total number of people submitting tax returns at present is 17 to 18 lakh.

"The NBR staff will have to be rough and tough," he said, while instructing the revenue authority to increase its manpower by 50,000 persons such that every shop, upazila and growth centre can be reached.

He also called upon the National Board of Revenue to supply the electronic transaction register to every shop so that tax collection is done properly.

About the implementation of new VAT law, he said it would not work if the rate is fixed at 15 percent.

The rate needs to be tolerable and the full amount of VAT must be realised at the rate fixed.

"Scanners have to be installed so that none can take cash incentives by exporting earth," he added.

NBR Chairman Mosharraf Hossain Bhuiyan was also present at the meeting. The finance minister asked how much revenue he can collect this fiscal year.

The NBR chairman assured the minister that Tk 250,000 crore can be collected. The revenue target for this fiscal year is Tk 296,201 crore.

Kamal yesterday held another meeting with the banking division.

At the meeting, he said the financial sector in Bangladesh is in a much better shape. "The bad things prevailing in the sector are also there in many other countries."

Kamal will sit with all the sector's stakeholders for taking necessary steps to remove the faults.

He also touched upon the non-performing loans in the banking sector. "It is too high and has to be brought down."



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