STOCKS	Week on week	COMMODITIES		As of Friday	ASIAN MARKETS			Friday Closings
DSEX	CSCX	Gold	Oil		MUMBAI	TOKYO	SINGAPORE	SHANGHAI
0.02%	0.17%	$1,503.70 (per ounce)	$62.02 (per barrel)		0.10%	0.22%	0.53%	0.48%
4,772.00	8,832.51				39,058.06	22,799.81	3,185.53	2,954.93

CURRENCIES — As on Thursday, STANDARD CHARTERED BANK

	$USD	€EUR	£GBP	¥JPY
BUY TK	83.75	92.45	107.53	0.75
SELL TK	84.75	96.25	111.33	0.79

Star BUSINESS

DHAKA SUNDAY OCTOBER 27, 2019, *KARTIK 11, 1426 BS* starbusiness@thedailystar.net

LONDON STOCK EXCHANGE

$1b taka bond debuts Nov 11

REJAUL KARIM BYRON

A $1 billion taka-linked bond is set to be floated on the London Stock Exchange on November 11 as the government looks to mobilise the hordes of expatriate Bangladeshis the world over towards nation building and also draw in foreign investors.

The disclosure was made by Finance Minister AHM Mustafa Kamal at a programme held at the Bangladesh high commission in London on Thursday, according to a statement from the finance ministry.

The bond will be backed by the International Finance Corporation (IFC), which has been working with the government for four years.

A successful implementation of the bond issuance will signal the confidence offshore investors have in the stability of the Bangladesh economy and the taka, the IFC said in its proposal on April 2015.

Positive investor and media responses to an inaugural IFC issuance could potentially catalyse further investments and dollar inflows into Bangladesh.

Many investors tend to invest in AA-rated bonds and stay away from Baa3/BBB-/BB+ rated Bangladesh government bonds even if they wish to gain exposure to the taka.

These investors will, however, be able to invest in IFC's AAA rated bonds, the IFC said, adding that sovereign wealth funds and foreign central banks are likely to be attracted to the taka-linked bonds.

While initial feedback from investors has signalled appetite for shorter tenures (2-5 years), the IFC's intent is to build a longer yield curve over time.

"Based on our experience in other countries such as China and India, as the market matures, investors will gain more comfort with taking risk for longer tenures."

For instance, in India the IFC successfully created an offshore rupee yield curve starting with three-year issuances of benchmark sizes and gradually extending to longer maturities of five, seven and 10 years by regularly tapping into the market over a one year period.

Proceeds from longer tenure bonds could be utilised in infrastructure projects within Bangladesh, it said.

By establishing the programme, the IFC can provide a successful benchmark for other issuers from Bangladesh, who could then access the offshore investor base.

Potential exists for such issuers to be able to source funding for longer tenures and larger sizes (given the more diversified investor base) than would be possible in the domestic capital markets, the IFC said.

The World Bank's private sector arm cited the case in India, where the success of its bond programme demonstrated to the Indian government and its central bank the potential of the offshore markets as a new and significant funding source for entities.

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Develop bond market to finance infrastructure projects: experts

STAR BUSINESS REPORT

Bangladesh has to create a vibrant corporate bond market immediately if it wants to go to the next level of development, experts said yesterday.

Banks get deposits for short-term -- three months to 12 months -- but give loans for long-term, which is seven years or more. This is creating an asset-liability mismatch and liquidity crisis in the industry, they said.

The observations came at a roundtable organised by City Bank Capital Resources, a leading merchant bank, at the Pan Pacific Sonargaon hotel in Dhaka.

Ershad Hossain, chief executive officer of City Bank Capital, made a presentation on the current state of the bond market in Bangladesh and compared it with some other countries.

Bangladesh will need around $600 billion in investment only for infrastructure if it aspires to be a developed nation within 2041. But the current investment trend shows there will be a gap of about $200 billion, which can be raised by bonds, he said.

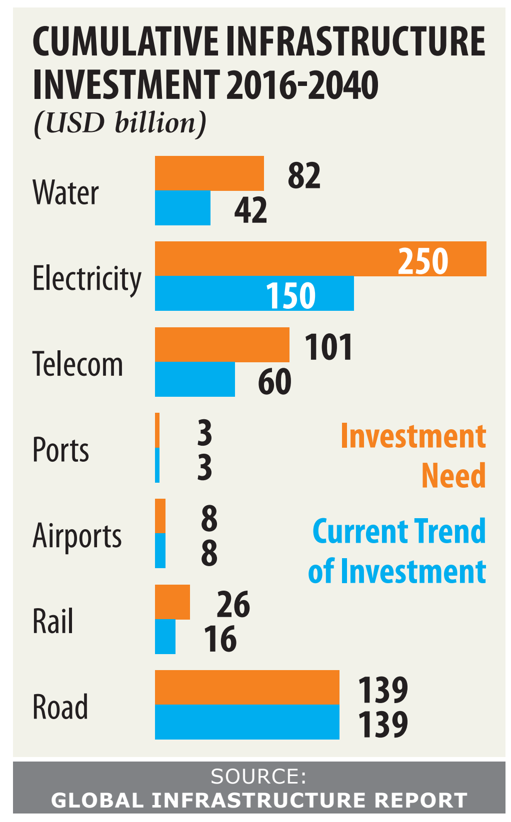
Hossain identified some bottlenecks -- lack of awareness among people, high issuance cost, no incentives, absence of a benchmark rate, lack of confidence on credit rating agencies, limited investor base, and poor knowledge of trustees -- behind the lacklustre bond market in the country.

Bangladesh's bond market is dominated by the treasury bonds. The central bank data shows the government raised more than Tk 2 lakh crore by issuing bonds of different tenure.

On the other hand, the corporate bond market size is about Tk 25,000 crore, which is just 1 percent of Bangladesh's GDP, Hossain said.

But the size of the corporate bond market in the US is nearly 150 percent of its GDP. It is 73 percent in South Korea, 60 percent in Thailand, 60 percent in Malaysia, and 16 percent in India.

Bangladesh will need huge amounts of funds to meet the government's development target and banks will not be able to provide the sum, said Md Sirazul Islam, executive chairman of the Bangladesh Investment Development Authority.



"So, bonds could be one mechanism," he said, adding that bonds can attract foreign direct investment and funds from non-resident Bangladeshis (NRBs).

Many NRBs are willing to participate in the development process of the country and they are always on the lookout for a sound channel for investment. "Bonds may be the way," Islam said.

He went on to recommend forming a digital platform to make the bond market vibrant because it will reduce the cost of issuance.

"If we really want to meet the target of becoming a developed nation, we have to reduce regulations to facilitate the bond market," he added.

Banks are facing liquidity pressure as they have a cash flow mismatch, said Mominul Islam, managing director and CEO of IPDC Finance.

The mismatch is the result of the banking sector's long-term lending with short-term deposits, he said. "It's the biggest risk for them."

Non-bank financial institutions are also struggling because there is no vibrant bond market and they depend on banks for funds, Mominul said.

"So, steps should be taken immediately."

Mominul recommended compliance-based bond issuance instead of approval-based as issuers need to take permission from the Bangladesh Bank and the Bangladesh Securities and Exchange Commission (BSEC) and it takes more than six months to get the consent.

However, Mohammad Rezaul Karim, a director of the BSEC, said if issuers submit application with all the required documents, they get approval within 15 days.

If they have no approval from the regulators, they will face problems in selling bonds because investors also want to see the permission, he said.

He said the central bank and the stock market regulator are working to make the bond market vibrant and reduce the cost of issuance.

The BSEC has approved the Alternative Trading Board and the Small-cap Board on the Dhaka Stock Exchange to facilitate the trading of bonds, Karim said.

AKM Abdullah, senior financial sector specialist of the World Bank, said they worked on the bond market and sought compliance-based bond issuance opportunity and the regulators nodded.

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Tough times for the apparel industry: BGMEA president

59 units closed, 25,900 workers lost jobs in 7 months

REFAYET ULLAH MIRDHA

Fifty-nine garment factories have been shut and 25,900 workers have lost jobs in the last seven months, BGMEA President Rubana Huq said.

"Most of them were small and medium enterprises and they failed to maintain compliance strictly and pay their workers under the new wage structure," the leader of the Bangladesh Garment Manufacturers and Exporters Association said on Thursday.

Rubana shared the information with a group of journalists at her office in Dhaka while shedding light on the present situation of the garment sector.

Bangladesh's apparel export has declined in recent months whereas its competitors have seen a rise in the field, she said.

In the first quarter of the current fiscal year, garment export from Bangladesh dropped 1.64 percent year-on-year to $8.05 billion when earnings from the sector fell 11.52 percent short of the quarter's target of $9.10 billion.

On the other hand, garment shipment from Vietnam increased

Rubana Huq

by 10.54 percent between July and September. It was 2.2 percent for India and 4.74 percent for Pakistan.

"The inflow of investment in the garment sector is also slow both in terms of new entrepreneurship and expansion as the buyers are not paying good prices," Rubana said.

Buyers are now trying to cash in on the presence of an unhealthy price competition among the local garment makers and less production of value-added items in Bangladesh, she said.

"We think the sector will continue to show negative growth in the coming months. At the end of this fiscal year, we may lose our second position to Vietnam in the global apparel market, if we cannot turn around soon from this declining trend."

Currently, Bangladesh's share in the global garment market is 6.40 percent and Vietnam's 6.2 percent, according to the latest report of the World Trade Organization (WTO).

Poor product diversification, rising online businesses, closure of retail outlets in the western world, and a 1.2 percent fall in global apparel consumption as predicted by the WTO are mainly responsible for the declining trend in Bangladesh, Rubana said.

For instance, the value of per piece knitted cotton t-shirt—the top selling item of last year—fell by 26.84 percent and the quantity by 24 percent, according to the BGMEA's analysis released in the third week of October.

At the same time, the prices of non-cotton knitted items rose 10.2 percent, but Bangladesh does not produce much in this category.

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Withdraw advance tax on import of raw materials

Feed millers demand

START BUSINESS REPORT

Feed makers yesterday urged the government to withdraw advance tax on the import of raw materials of feed and machinery of the poultry industry, as the new fiscal measure has increased the cost of their businesses.

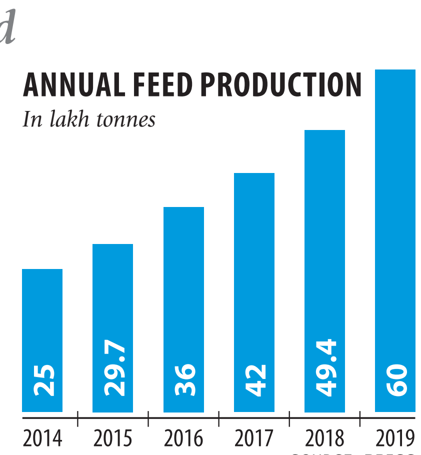
The industry operators said imports of products related to livestock and fish farming are exempted from customs tariff, duties and taxes. Therefore, the imports of the raw materials of feed should not be subject to advance tax (AT).

The National Board of Revenue (NBR) introduced 5 percent AT under the Value Added Tax and Supplementary Duty Act 2012 that came into effect on July 1 this year.

"There should not be any AT on raw materials of feed as there is no VAT in our sector," Moshiur Rahman, president of the Bangladesh Poultry Industries Central Council (BPICC), said at a press conference at the National Press Club in Dhaka.

The Feed Industries Association of Bangladesh (FIAB) organised the briefing, more than a week after the NBR exempted certain raw materials of fish feed from AT.

The FIAB said the exemption has been provided only to ingredients of fish meal and the benefit does not cover all the raw materials of poultry and fish feed.



So, instead of resolving the problems, the livestock sector faces extra complexity following the issuance of the revised notification on AT, said Md Ahsanuzzaman, general secretary of the FIAB, while reading out the association's statement at the briefing.

Rahman said AT has been exempted on items which are not used by feed millers. They raised their problems with the NBR on several occasions but they have remained unresolved.

The prices of feed would increase unless the NBR withdraws the AT, leading to spiral in prices of chicken meat and eggs, one of the key and relatively cheaper sources of protein.

Prices of broiler feed already doubled to Tk 43.57 a kg in 2018 from Tk 21 in 2007, said the FIAB, which represents nearly 60 lakh tonnes annual feed industry in Bangladesh.

The association demanded removal of the provision of deducting tax at source on purchase of maize, rice bran and other ingredients.

The NBR levied 2- 5 percent tax at source that feed millers are supposed to deduct during payment to sellers of the ingredients and deposit them to the state coffer later.

The FIAB said maize sellers are mainly farmers and it would be a big burden for them if they face the tax deduction at source.

The association also urged the government to speed up clearance of imported consignments of feed raw materials, as importers have to wait up to 42 days to have their imported consignments released.

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HBM Iqbal blames bankers for bad loans

STAR BUSINESS REPORT

Premier Bank Chairman HBM Iqbal yesterday blamed banks' executives for rising non-performing loans in the industry.

He said the branch manager, the credit division and the managing director of a bank or financial institution pick out loan proposals for approval by the boards.

"If bankers investigate and assess the proposals properly before lending, there will be no possibility of creation of non-performing loans."

Iqbal said without the involvement of bankers, there is no scope for creating bad loans in any bank or financial institution.

He was addressing a press conference on the occasion of the 20th founding anniversary of the private commercial bank at the Iqbal Centre in Banani in the city.

The chairman emphasised upgradation of rules and regulations to avoid NPL and protect depositors' money.

"Under the present rules and regulations, defaulters take advantage of the weakness of laws. So, there is requirement to make the laws up to date," Iqbal said.

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Freelancers will be given bank loans: Salman F Rahman

STAR BUSINESS REPORT

The government will provide financial support to independent freelancers so that they can earn more remittance and contribute more to the economy, said Salman Fazlur Rahman, adviser to the prime minister on private industry and investment, yesterday.

Currently, the number of freelancers, especially in the IT sector, is more than 7 lakh and they are annually earning more than $1 billion.

Every freelancer is a businessperson and they will need money as their business grows, Rahman said, adding that the number of freelancers is also rising.

Only one private bank currently receives remittance of freelancers as it opened a special window for them, he said.

Subsequently, Rahman urged all banks to open a special window for freelancers so that they can receive remittance without hassle from abroad and can borrow money to expand their business.

Rahman's comments came at a workshop on the role of media in promoting small and medium-sized enterprise (SME) development and sustainability, organised by the Bangladesh Small and Cottage Industries Corporation (BSCIC), Economic Reporters Forum (ERF) and PRISM, an EU-funded project to assist SMEs. The workshop was held at the ERF office in Dhaka.

Bangladesh Investment Development Authority (Bida) will open a special window for freelancers by January next year so that they can register their names and companies and get a certification for receiving remittance through formal channels and take bank loans easily.

Freelancers will need loans to install sophisticated computer tools as they grow, he said.

He went on to cite the garment accessories sector as an example of thriving SMEs.

"Very few people know about the backward linkage of the garment industry," he said, adding that accessories like buttons and zippers bring $7 billion in export receipts.

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