Cement sector in trouble

Manufacturers blame non-adjustable AIT, source tax

STAR BUSINESS REPORT

The cement sector has fallen into deep trouble for a "non-adjustable" clause incorporated on a 5 percent advance income tax (AIT) and 3 percent source tax, say Bangladesh Cement Manufacturers Association (BCMA).

The AIT is basically tax calculated on income but paid in advance instead of at a year's end.

Cement manufacturers previously could adjust the figure later on based on the final tally of their income. They pay the AIT during import of raw materials and source tax during local sales of the product.

The National Board of Revenue has proposed making the two forms of taxes non-adjustable from the current fiscal year considering those to be the minimum tax that the makers have to pay.

"The sum…has turned into a reason for losses for the cement industry," said BCMA President Md Alamgir Kabir while exchanging views with a group of journalists at Pan Pacific Sonargaon Dhaka yesterday.

The manufacturers also pay a 5 percent customs duty and 15 percent value added tax.

According to the BCMA, the industry sold 26.2 million tonnes of cement from January to October in 2018, which was 15.69 percent growth year-on-year.

Md Alamgir Kabir

In comparison, there has been a 6.38 percent drop this year with 27.87 million tonnes being sold.

Kabir, also vice chairman of Crown Cement, said another troubling issue for the manufacturers was an unhealthy competition arising from overproduction against a backdrop of investments amounting to over Tk 30,000 crore.

There are 37 active cement factories in Bangladesh with a combined production capacity of 58 million tonnes per year against a demand for 33 million tonnes, meaning the capacity exceeds the demand by about 43 percent.

According to him, the sector's annual sales are worth around $3 billion, or Tk 25,500 crore. Of the consumption, individuals account for 25 percent, real estate companies and developers 30 percent and the government 45 percent.

He said if the manufacturers want to survive, they would have to make a 40 percent gross profit and at least a 20 percent net profit, which to him was impossible to achieve.

Gross profit is revenue minus cost of goods sold. Net profit is revenue minus all expenses, including the cost of goods.

Kabir demanded that the government waive the AIT, otherwise a number of small factories would be forced to shut down.

"It will take at least four years to get rid of the unhealthy competition as by then the demand will increase," he said, adding that per capita cement consumption would stand at 250 kg in 2020.

He also spoke of two factories, without mentioning their names, which would be able to avail a huge competitive advantage in the local market for being exempted from paying the AIT and source tax solely for being situated inside an economic zone.

Md Shahidullah, managing director of Metrocem Cement, and Bellal Hussain Molla, executive director of the BCMA, were present.

Take up productive social safety net schemes: BIDS

STAR BUSINESS REPORT

The Bangladesh Institute of Development Studies (BIDS) suggests taking up productive social safety net programmes, incorporating higher amounts for individuals, so that there can be saving and investments towards poverty alleviation.

"Rather than spoon-feeding over a longer period it is better to support a mini-big push over a shorter period to have a large effect on poverty reduction," said Binayak Sen, research director of the BIDS.

According to the Household Income & Expenditure Survey (HIES) 2016 data, 12.9 percent of Bangladesh's population lies in extreme poverty while 24.3 percent in moderate poverty.

Sen said social safety net at present was just a token transfer but people needed more funds to overcome the poverty trap, which arises when financially insolvent people spend money for consumption and do not save.

To bring economic and behavioural changes, meaning bringing about a tendency to save and invest, they need a higher amount of money, he said yesterday while presenting a research paper on poverty.

Presented at the second session of BIDS Research Almanac 2019 in the Lakeshore hotel, the paper had Mohammad Riaz Uddin, research associate of the BIDS, as the co-author.

> *"Rather than spoon-feeding over a longer period it is better to support a mini-big push over a shorter period to have a large effect on poverty reduction," says Binayak Sen, research director of the BIDS*

The suggestions were based on an analysis of a government programme titled "Strengthening Women's Ability for Productive New Opportunities" (SWAPNO) being run in association with United Nations Development Programme.

The programme offers a strategy coupling social protection with strengthened governance.

The target group gets training on a livelihood alongside money to not only meet living expenses but also to save some for investing in the livelihood and farms, said Riaz Uddin.

It is designed to be a training on savings and delivery of higher amounts of money within a short time, he said, adding that the project has an around 85 percent success rate in lifting people out of poverty.

Such programmes will raise the government's costs a bit but have a big impact on poverty alleviation, he added.

Imran Matin, executive director of the Brac Institute of Governance and Development (BIGD), said social safety net programmes were a short-term idea which should get the concept of productive safety net incorporated.

Because unproductive safety net programmes are difficult to run for long period, he said, clarifying that they were not suggesting bringing an end to social safety net programmes.

The event saw the presentation of three more research papers.

READ MORE ON B3

From armchairs to iPhones, India's millennials rent it all

AFP, *Mumbai*

At 29, Spandan Sharma doesn't own a flat, a car, or even a chair -- one of a growing number of Indian millennials bucking traditional norms and instead opting to rent everything from furniture to iPhones.

"Millennials in my age bracket want freedom and earlier what was seen as stability is now seen as a sign of being tied down," Sharma told AFP.

"My parents don't understand the concept of renting furniture at all. They have never been completely on-board with the idea," he said.

"They said it would be much better to buy rather than rent furniture in the long term." For 4,247 rupees ($60) a month, the Mumbai-based executive furnished his entire home, sourcing furniture for his bedroom, living room and dining area as well as a refrigerator and microwave.

Sharma isn't alone. Tens of thousands of young Indians are switching from buying to renting so they can live life with few strings attached.

Even businesses are renting their office furnishings, said budding entrepreneur Vandita Morarka.

When Morarka set up her feminist non-profit One Future Collective in 2017, she rented nearly everything she needed and funnelled the savings from not having a one-off outlay into paying salaries to her staff of 25.

"From study tables and chairs to even a laptop, I have rented them all as the prices are reasonable," the 25-year-old told AFP.

"This system allows me to take more risks... And in case things go south, we can wrap up without losing a large tranche of investments and begin elsewhere."

- 'Investing in experiences' - From ride-hailing apps to communal office spaces, the sharing economy is a global phenomenon that is expected to generate annual revenues of $335 billion by 2025, according to PricewaterhouseCoopers.

In the US, websites such as Rent the Runway and Nuuly offer fashion-conscious customers the option to try rather than buy clothing, while in China, consumers can rent BMWs via a tap on their smartphone.

In India, the boom has fuelled the rise of new furniture and appliance-renting businesses such as Furlenco, RentoMojo and GrabOnRent -- and even jewellery rental apps -- in recent years.

The sector is a bright spot amid a severe slowdown as weakening consumer demand has led to tumbling sales including in the bellwether auto sector.

The country's furniture rental market alone is expected to be worth $1.89 billion by 2025, according to consulting firm Research Nester.

"We expect to grow by a million orders in under 30 months," RentoMojo founder Geetansh Bamania told AFP.

The Bangalore-based firm rents out furniture as well as appliances, gym equipment, iPhones and smart home devices such as Google Home and Amazon Echo.

"Renting smartphones works out well for the youngsters as they can keep upgrading to the latest launch at a cheaper price without burning through their finances," Bamania added.

Launched in 2012 by former investment banker Ajith Karimpana, Furlenco has catered to more than 100,000 customers and expects revenues to cross $300 million by 2023.

"Overall consumer behaviour is shifting from owning to renting among millennials due to the flexibility and non-commitment it offers," Karimpana told AFP.

In an indication of the trend's staying power, Swedish furniture giant Ikea has said it plans to test a subscription-based model in 30 markets in 2020.

Black Friday shoppers stay away from stores, make $7b-plus splurge online

REUTERS, *Washington*

US shoppers made more purchases online on Black Friday than in the mall - hurting traffic and sales at brick-and-mortar stores, according to data that offered a glimpse into what is still one of the busiest shopping days of the year.

For the first time in several years, however, store traffic on Thanksgiving evening grew - indicating a shift in when consumers are leaving their homes to shop. It is also a sign of how Thursday evening store openings have continued to hurt what has traditionally been a day that kicked off the US holiday season.

The importance on the shopping calendar of Black Friday, or the day after the US Thanksgiving Day holiday, has waned in recent years. This is due to the choice by many retailers to open their stores on Thursday evening, as well as to early holiday promotions and year-round discounts. However, it is increasingly turning into a day when shoppers do not necessarily flock to stores but spend heavily online.

Also, for most retail chains, Black Friday store traffic and sales data is not necessarily grim as consumers continue to spend, consultants said. Winning the transaction, whether online or in-store, has now become more important for retailers than where it occurs.

Top brick-and-mortar retailers like Walmart Inc, Target Corp and Best Buy have continued to spend billions of dollars trying to expand their e-commerce operations to capture that growing online revenue.

Also, spending patterns over the weekend are not as indicative of the entire holiday shopping season as they were a few years ago, with purchases spread over November and December.

Online sales rose more than 19.6 percent, reaching $7.4 billion on Black Friday, slightly shy of estimates of $7.6 billion, according to data from Adobe Analytics, which tracks transactions at 80 of the top 100 US retailers. On Thanksgiving, it estimated sales grew 14.5 percent to $4.2 billion.

Numbers from ShopperTrak, which is part of retail data firm Sensormatic Solutions, showed that visits to stores fell a combined 3 percent during Thanksgiving and Black Friday compared with the same days in 2018.

Shopper traffic on Thanksgiving evening increased by 2.3 percentyear-over-year but was dragged down by Black Friday, which fell 6.2 percent from a year ago.

Brian Field, senior director of global retail consulting for ShopperTrak, said the traditional pattern of shoppers visiting stores has been disrupted not only by online shopping but by offerings like "buy online and pick up in store," a growing category, which is not included in store traffic count on Black Friday.

"What all of this really boils down to is the customer journey has changed, now it can start anywhere online, in-store and end anywhere ... and it is about making sure the customer makes the purchase and stays loyal to the brands more than where it happens," he said.

REUTERS

People walk through the King of Prussia mall, one of the largest retail malls in the US, on Black Friday, a day that kicks off the holiday shopping season, in Pennsylvania.

Asian refiners strive to finish IMO preparations in hunt for profits

REUTERS, *Ulsan, South Korea/Ichihara, Japan*

At SK Energy's largest refinery in South Korea, engineers are rushing to complete a new processing unit ahead of schedule as the firm looks to boost sales of low-emission fuels before new marine fuel standards take effect in just one month.

In Japan, the country's second-biggest refiner Idemitsu Kosan Co is taking a more cautious stance, increasing capacity for low sulphur fuel oil (LSFO), but also relying on blending to produce IMO2020 compliant bunker fuel.

The different approaches come as refiners across the world grapple with the shipping industry's most drastic fuel transition since it moved from burning coal to oil early last century.

New International Maritime Organization (IMO) rules from Jan. 1, 2020 prohibit ships from using fuels containing more than 0.5 percent sulphur, compared with 3.5 percent now, unless they are equipped with exhaust-cleaning "scrubbers".

The changes affect demand from 50,000 merchant ships consuming about 4 million barrels of marine fuel a day.

When completed in January, three months earlier than planned, SK Energy's 40,000 barrels-per-day vacuum reside desulphurisation (VRDS) will be its first plant solely devoted to producing compliant LSFO.

"We conservatively expect (the new unit) to create 200 billion won ($170 million) worth of profits annually depending on market conditions," Lee Duk-hwan, project leader of SK Energy's optimization operation office, told reporters during a site visit last week.

"If market conditions are favourable we see 300 billion won worth of profits," Lee said.

The unit will start commercial operations in March after making fuels on a trial-basis.

The refiner has so far relied on its trading arm to create useable blends from a mix of produced and purchased fuels and oil.

With shipping companies delaying fuel orders until the last minute, global refiners do not have clear indications of what fuels will be most in demand. Refiners also have not been able to guarantee the quality and compatibility of fuels they supply, the Chamber of Shipping of America said last week.

Idemitsu Kosan is planning to increase capacity at its 190,000-barrel-a-day Chiba refinery's residue crude hydro-desulphurizing unit, to boost output of LSFO or other IMO-compliant fuels.

Japan's second-biggest refiner is also upgrading its fluid catalytic cracking unit to produce other light products such as gasoline to offset declining HSFO demand, a refinery manager, Hiroshi Kondo, told reporters during a recent site visit.

However, the company is still assessing demand for alternative fuels and has been blending products to produce IMO2020 compliant marine fuel.

"We will only make selective and concentrated investments in the areas where we see growth or to meet new environmental regulations such as IMO2020," Kondo said.

Six European countries join barter system for Iran trade

AFP, *Paris*

Paris, London and Berlin on Saturday welcomed six new European countries to the INSTEX barter mechanism, which is designed to circumvent US sanctions against trade with Iran by avoiding use of the dollar.

"As founding shareholders of the Instrument in Support of Trade Exchanges (INSTEX), France, Germany and the United Kingdom warmly welcome the decision taken by the governments of Belgium, Denmark, Finland, the Netherlands, Norway and Sweden, to join INSTEX as shareholders," the three said in a joint statement.

The Paris-based INSTEX functions as a clearing house allowing Iran to continue to sell oil and import other products or services in exchange.

The system has not yet enabled any transactions.

Washington in 2018 unilaterally withdrew from the international agreement governing Iran's nuclear programme and reinstated heavy sanctions against Tehran.

The accession of the six new members "further strengthens INSTEX and demonstrates European efforts to facilitate legitimate trade between Europe and Iran", France, Germany and Britain said.

It represents "a clear expression of our continuing commitment to the Joint Comprehensive Plan of Action" -- the 2015 Iranian nuclear deal -- the trio added.

They insisted Iran must return to full compliance with its commitments under the deal "without delay".

"We remain fully committed to pursuing our efforts towards a diplomatic resolution within the framework of the JCPoA."

The 2015 deal set out the terms under which Iran would restrict its nuclear programme to civilian use in exchange for the lifting of Westen sanctions.