

INFRASTRUCTURE

2019: A good year for construction sector

STAFF CORRESPONDENT

Bangladesh's construction industry passed a relatively good year in 2019 riding on increased development activities and mega projects buoyed by a stable economy and rising government expenditure, sector people said.

SM Khorshed Alam, president of the Bangladesh Association of Construction Industry (BACI), said development activities are taking place across the

restored.

"2018 was a dull year and 2019 has been better. Political stability is very important for this sector," he said.

The price of construction materials was more or less stable throughout the year, he said.

The construction sector is playing an increasingly strong role in the economy amid continued urbanisation and an array of large infrastructure projects undertaken by the government.

increase in raw material prices, excessive rains that hinder construction activities, dwindling local demand and negligible export to the neighbouring country."

The manufacturers intended to achieve growth of 10-12 percent in 2019, but the year might end with growth of about 6 percent over 2018, said Kabir, also the vice-chairman of Crown Cement Group.

"Relatively lower demand prevailed throughout 2019 except a few days

“A 3 percent AIT on the cement sector is still a burden to the manufacturers and it requires a full waiver of tax.”

loans. The sector has got a shot in the arm after the central bank raised the ceiling on home loans by banks to Tk 2 crore.

The government is also going to cut the registration cost for apartments in line with the finance minister's announcement while unveiling the budget in July, Alamin said. "We hope it would come down to a single digit."

Apart from the amount paid as the price of a flat, a customer has to spend at least an additional 16 to 17 percent of it as registration cost, which keeps prospective buyers at bay.

The budget has also allowed people to invest their undisclosed money in the sector. The government has also made available low-cost home loans for public sector employees.

"These are positive signs for the real estate sector," the REHAB chief said.

Alamin said there is a countrywide requirement for 2 million units. This requirement is for the people whose buying capacity is Tk 30 lakh to Tk 50 lakh.

"But unfortunately we are not being able to bring products for this group of customers because of higher land prices. If the Rajdhani Unnayan Kartripakkha and others who have land forge joint ventures with us, we will be able to introduce products for this group of customers."

There should be long-term financing for this group of buyers because buying property at one-off payment is not viable for buyers anywhere in the world, he said.

Kabir of the BCMA said it is aspired that the construction sector will grow further riding on Bangladesh's dense population, enhancing life expectancy rate, rapid construction of economic zones, sizeable investments in socio-economic development of mainly common people, booming agriculture, and a thriving garment sector.

Bangladesh is investing heavily in infrastructure development, especially in power generation, highways, bridges, buildings and telecom.

"If implementation of these large infrastructure projects takes place as per plan, the cement sector will grow substantially," he said.

BACI's Alam said some of the projects are at their end phase, some of the projects would take a few more years to complete, so the momentum would continue into 2020 and beyond.

"The momentum will not slow down in 2020 - rather it would be accelerated because the government has unveiled a huge development budget."

"2020 will be even more promising," said Alamin, also the managing director of Shamsul Alamin Real Estate Ltd.



PHOTO COURTESY: STAR FILE PHOTO

country. A lot of development work in the civil engineering and infrastructure sectors are ongoing. Ten mega projects are under construction.

"From this point of view, it can be said that 2019 has been the most important year for the construction sector of Bangladesh," he told *The Daily Star* recently.

He said major construction companies in Bangladesh are running at full capacity. Besides, many foreign companies are working in the country.

Alamgir Shamsul Alamin, president of the Real Estate & Housing Association of Bangladesh (REHAB), said 2018 was the election year, and in the last one year confidence of the people has been

Construction grew by 9.6 percent, supported by public infrastructure spending as well as private investment in housing, according to the World Bank's Development Update published in October.

Industries serving the domestic market, such as steel and cement, expanded, benefiting from demand for construction materials due to the mega projects.

Md Alamgir Kabir, president of the Bangladesh Cement Manufacturers Association (BCMA), however, said the year 2019 for the cement industry was not as glorious as it was expected in the beginning.

"The industry faces strong headwinds with new tax measures, overcapacity,

during peak seasons."

SK Masudul Alam Masud, a former chairman of the Bangladesh Auto Re-Rolling and Steel Mills Association, said 2019 has been mixed for the steel sector.

"We are part of the global economy because of globalisation. The whole world is going through some sort of economic slowdown. From that perspective, we are doing well."

Masud said demand has not picked up as expected.

He said given the pace of development work, the consumption of steel should accelerate and the industry is gearing up to meet the demand.

If the government plans are executed

as per schedule, then steel consumption should go past the current installed capacity of 70 lakh tonnes from the current consumption of 55 lakh tonnes.

The tax measures taken in the budget and the increase in the exchange rate would gradually affect the sector.

"We don't know by how much the price of the USD against the taka would go up. We are a hugely import-dependent country, so if the US dollar becomes expensive it would hurt the prices of commodities and raw materials of the industries," said Masud.

The demand and supply of bricks are growing at 3 to 5 percent per year, which is satisfactory, said Mohammad Azad Hossain, an official of the Bangladesh Brick Manufacturing Owners' Association, recently. Brick is the main building material for the construction industry.

Kabir said the cement industry has been facing a good number of challenges since the beginning of 2019. The market has already been oversaturated and yet the big players are on an expansion spree.

It is predicted that the existing overcapacity may further deteriorate with the implementation of expansion projects by large players in the next two to three years.

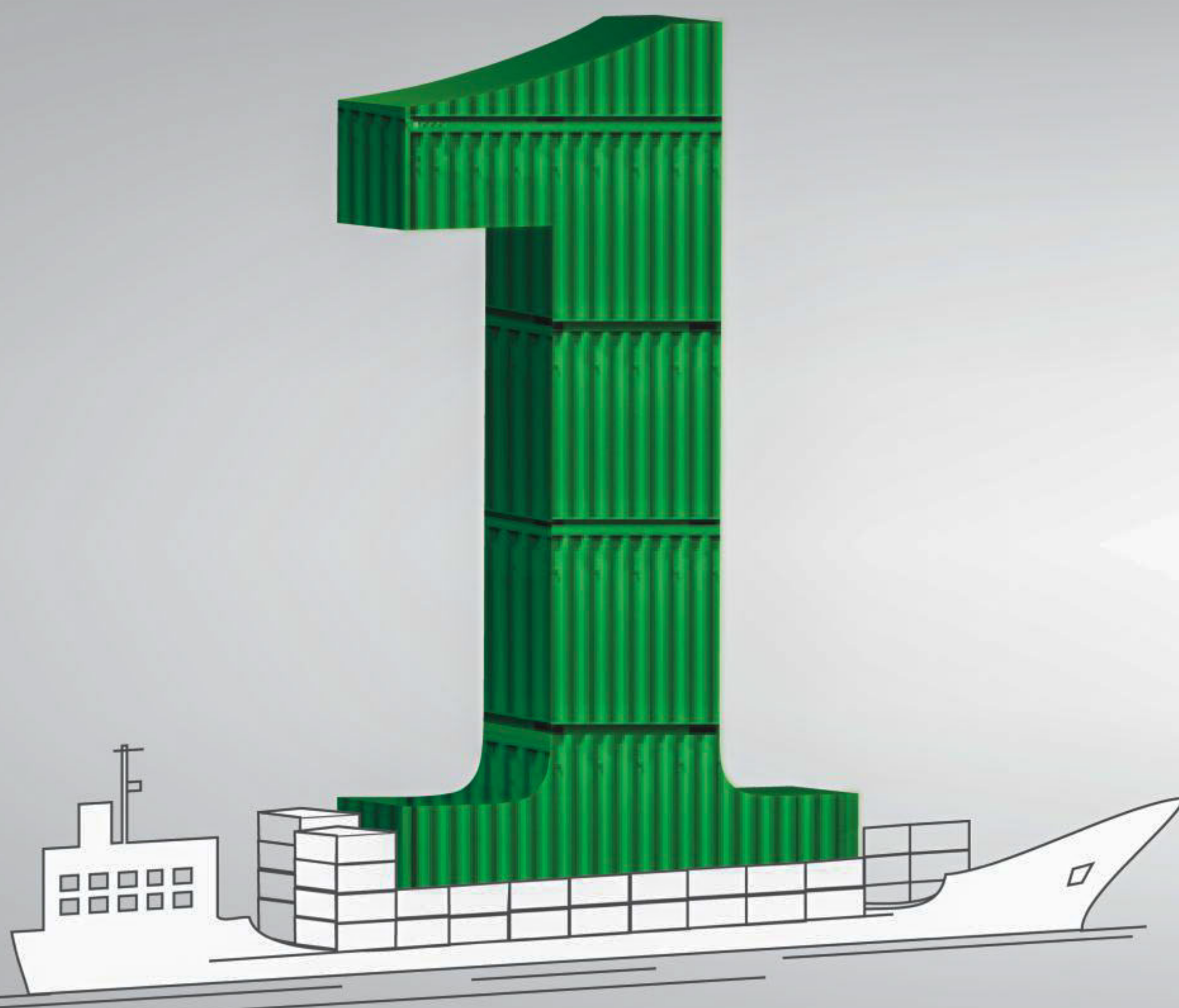
"The competition was so acute it eventually turned into a price war situation among large players. Sometimes, it was difficult to pass on the increased production costs to customers due to huge competition."

The sector, however, received a shot in the arm on December 19, when the National Board of Revenue cut the advance income tax (AIT) on the imports of cement raw materials by two percentage points to 3 percent from 5 percent for the sake of the local manufacturers.

"Although this reduction reflects that the government has realised what the problem of the sector is, 3 percent AIT is still a burden to the manufacturers and, in fact, it requires a full waiver of tax," Kabir said.

Alamin said the government took many positive steps towards the sector.

One of them is raising the borrowing limit for the borrowers. Previously, a customer could borrow from banks a maximum of Tk 1.20 crore in home



THE EXPORT LEADER

Crown Cement has achieved National Export Trophy thrice for its outstanding performance in cement export. Demand for Crown Cement is gradually increasing at home and abroad for its quality. With the export of Crown Cement, Bangladeshi products are also getting the fame. In addition, Crown Cement is contributing to the national development through foreign currency earning. It's a pride for Bangladesh.

