

STOCKS		Week-on-week	
DSEX 3,960.58	CSCX 6,818.50	0.17%	0.11%

COMMODITIES		As of Friday	
Gold \$1,746.20 (per ounce)	Oil \$41.92 (per barrel)		

ASIAN MARKETS		Friday Closings	
MUMBAI 34,731.73	TOKYO 22,478.79	SINGAPORE 2,634.83	SHANGHAI 2,967.63

CURRENCIES				As on Thursday	
\$ USD	€ EUR	£ GBP	¥ CNY		
BUY TK 83.95	93.22	104.26	11.71	SELL TK 84.95	97.02



BUSINESS

DHAKA SUNDAY JUNE 21, 2020, ASHAR 7, 1427 BS starbusiness@thelystar.net

Sales of savings tools nosedive

AKM ZAMIR UDDIN

Net investment in national savings certificates (NSCs) dropped sharply in the first nine months of the current fiscal year – an indication that can be viewed as a possible roadblock for the government to manage its bulging deficit smoothly.

Between July and March, the net sales of savings instruments stood at Tk 11,203 crore, down 71.80 per cent year-on-year, according to data from the Department of National Savings (DNS).

Economists say the decreased sale of the instruments would not create any major impediment if the government takes appropriate measures immediately to manage the deficit financing caused by the plumping revenue incomes.

Savers have to require a tax identification number to invest in the tools as well.

The government now monitors the investment in the saving tools by using an online management system, which is another reason behind the fall in the investment in the segment.

Some people, lured by higher profit compared to the deposit

products in the banking sector, had earlier invested heavily in the savings tools breaching the limit set by the DNS.

The government is giving interest ranging from 11.04 per cent to 11.76 per cent to the investors of savings instruments.

Net investment in the savings instruments maintained a declining trend in the first six months to December after the government imposed a 10 per cent source tax on the profits of the investments above Tk 5 lakh.

It picked up in January, but this did not put a long-lasting effect and investment has started to descend steeply since February.

The capacity of savers will fall further in the days ahead due to the ongoing economic fallout brought on by the coronavirus pandemic, said Zahid Hussain, a former lead economist of the World Bank's Dhaka office.

"The expatriate Bangladeshi usually invest a good amount of their fund in the savings instruments, but they have been in dire straits now," he said, cautioning that this will further hit the net investment.

NET SALE IN NSCs IN FY20

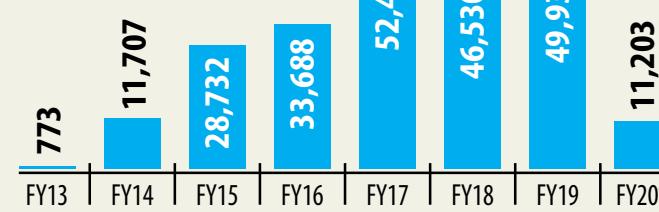
Taka in crore; SOURCE: BB



NET SALE IN NSCs OVER THE YEARS

Taka in crore; SOURCE: BB

*Jul-Mar



The government has faced problems in mobilising required revenue this fiscal year and the trend may continue into FY21 due to the collapse in economic activities.

Against the backdrop, the government should give importance on availing foreign loans and grants to manage the deficit financing, he said.

The target for net sales of savings tools has recently been revised down to Tk 12,000 crore compared to the original target of Tk 27,000 crore for FY20 because of the massive fall in net investment.

Finance Minister AHM Mustafa Kamal on June 11 set a borrowing target of Tk 20,000 crore from the national savings tools to tackle

the deficit financing in the next fiscal year.

In fiscal 2018-19, Tk 26,446 crore was borrowed from the banking sources by the government.

But this time the government will have to depend on borrowing from the banking sector heavily as the mobilisation of funds from the savings tools will decrease.

Kamal plans to borrow Tk 84,980 crore from the banking sources in FY21.

"The government will have to enhance its capability to implement the projects funded by the foreign lenders and agencies," said Mustafizur Rahman, a distinguished fellow of the Centre for Policy Dialogue.

The government's decreasing reliance on savings instruments is a good trend as many savers had earlier put their funds illegally in the government tools, he said.

Some donor agencies and multilateral lenders now think of giving debt repayment relief to the developing countries, he said. "We will be able to enjoy the opportunity if foreign-funded projects can be implemented on time."

The government plans to secure Tk 80,017 crore in foreign loans and grants to manage its deficit financing.

The budget deficit is Tk 190,000 crore in FY21, which is 6 per cent of the country's gross domestic product, up from Tk 153,508 crore in the revised budget in FY20, or 5.5 per cent of GDP.

READ MORE ON B3

Telcos in a tight spot

They lost 2pc of client base in two months

STAR BUSINESS REPORT

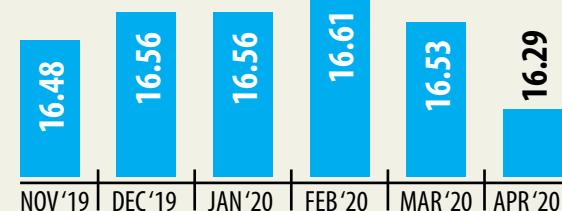
The Covid-19 pandemic is taking a heavy toll on the telecom operators, as they saw a 2 per cent decline in their client base in the past two months, according to data from the Bangladesh Telecommunication Regulatory Commission (BTRC).

In March, Grameenphone, Teletalk, Banglalink and Robi collectively lost about 12 lakh active connections for voice services but witnessed an increase in internet service usage at the same time.

In April, with the sales of new connections having considerably slowed, the situation spiralled out of control with all four carriers losing a total of around 24 lakh and 20 lakh users for voice and internet services respectively.

ACTIVE MOBILE CONNECTIONS

In crore; SOURCE: BTRC

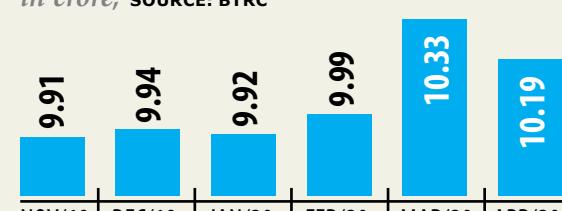


Operators now fear that more harm could come to the sector in the coming days due to the combined impact of the coronavirus outbreak and higher taxes.

The finance ministry's decision to increase supplementary duty on mobile phone services from 10 to 15 per cent in the budget for fiscal 2020-21 comes as another blow to the telecom sector, which is already reeling from the coronavirus fallout, officials of the four carriers said.

ACTIVE INTERNET CONNECTIONS

In crore, SOURCE: BTRC



Customers will now have to pay Tk 133.25 to avail services worth Tk 100 due to the tax hike, they added.

Considering the telecom industry's current situation, the Covid-19 fallout has dealt quite a blow to Bangladesh's socio-economic development as other sectors were similarly impacted, said SM Farhad, secretary general of the Association of Mobile Telecom Operators of Bangladesh (AMTOB).

"People are communicating less now than they did before the pandemic and organic growth has been declining because of the lockdown."

Echoing Farhad's sentiment, the country's leading mobile operator, Grameenphone, said the pandemic has taken a serious toll on several socio-economic factors, leading to a reduction in customer acquisition for telecom services.

But although almost no new connections are being registered amid the coronavirus outbreak, it is actually a common phenomenon for a considerable number of users to be inactive each month, according to various industry insiders.

READ MORE ON B3

Fundamental reforms needed to support next wave of digital development: WB

REJAUL KARIM BYRON and MD FAZLUR RAHMAN

The World Bank has urged Bangladesh to bring in fundamental reforms in order to digitalise the economy and support the next wave of digital development.

"Extensive and fundamental reforms are needed to strengthen the legal and regulatory enabling environment to support the next wave of digital development," it said.

The call from the Washington-based development lender came as it approved three projects involving \$1.05 billion to help Bangladesh create quality jobs for its rapidly expanding working age population and lay the foundation for a digital economy.

The projects are \$500 million Private Investment and Digital Entrepreneurship (Pride) Project, \$295 million Enhancing Digital Government and Economy (Edge) Project, and \$250 million Second Programmatic Jobs Development Policy Credit.

"These projects will help the people

and the economy bounce back by creating more and better jobs and promoting direct private investment in specialised economic zones while enhancing the foundations for a digital economy," said Mercy Tembon, WB's country director for Bangladesh and Bhutan, in a press release.

The Pride Project will promote and attract about \$2 billion direct private investments and strengthen social and environmental standards in selected public and private economic zones and software technology parks.

It will also develop the Bangabandhu Sheikh Mujib Shilpa Nagar II in Mirsarai-Feni, including road networks with stormwater drainage, solar-powered street lights, climate-resilient water, sanitation, and power network.

The project will also establish Dhaka's first digital entrepreneurship hub in the Janata Software Technology Park and turn it into a green building. The project will help the economy to rebound from the impacts

WB SAYS:



THE WORLD BANK

Beba should tackle capacity constraints to build upon early success

Economy should be digitised

Laws governing e-commerce need to be introduced

Data protection law should be developed

Intellectual property laws need to be updated

of the coronavirus by attracting domestic and foreign private investment, including in the IT and IT-enabled service sectors.

The Jobs Development Policy Credit Project will help in building resiliency of the economy, of workers and of vulnerable populations to future shocks.

The financing will help Bangladesh create large-scale jobs for citizens, including women, youth, and migrant workers.

The project —second in a programmatic series of three—supports reforms to modernise the trade and investment regime, build a stronger system of expanded safety nets and labour protections, and help vulnerable population access better jobs, especially during crises.

"Bangladesh's structural challenges to creating good jobs are now aggravated by the increasing impact of the Covid-19 crisis. Jobs and income losses in both the informal and formal sectors have put livelihoods of several millions at risk in both rural areas and urban spaces," the WB said.

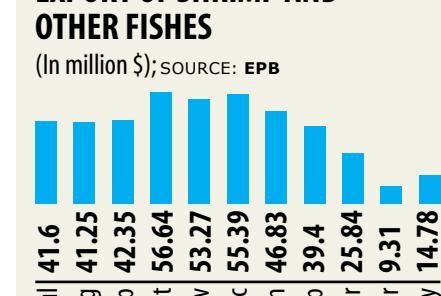
Frozen food exporters demand cut in corporate tax

REFAYET ULLAH MIRDHA

Exporters of frozen food products, especially shrimp, have demanded that the government reduce corporate tax from 32.5 per cent to 15 per cent in the proposed national budget to help the sector recover from a significant fall in international sales.

EXPORT OF SHRIMP AND OTHER FISHES

(In million \$); SOURCE: EPB



The demand for frozen shrimp and similar luxury food items has fallen drastically in western countries, Bangladesh's main export market, due to the ongoing novel coronavirus pandemic.

Not only did this lead to a decline in shipments but also got international buyers, who were mostly European, to either return or cancel several consignments of frozen food items amounting to Tk 460 crore in value.

Traders have been exploring Russia and China as potential export destinations

over the past few years but the Covid-19 outbreak has laid waste to consumer demand in both nations.

In order to recoup their losses, exporters attempted to borrow funds from the banking sector, using the returned consignments as collateral. However, the financial institutions did not accept their proposal.

Besides, with international markets yet to reopen due to lockdowns aimed at curbing the spread of coronavirus within their countries, there is uncertainty over whether buyers will pick up their orders anytime soon.