

Real estate sector becoming more optimistic of a rebound

JAGARAN CHAKMA

Bangladesh's real estate sector will hopefully be able to cope with the ongoing coronavirus pandemic as instalment collection on previous sales started to pick up after the economy reopened in June, according to various realtors and financiers.

Besides, the government has allowed the use of untaxed income to purchase land or apartments while the reduction in registration fees makes this the perfect time to invest in real estate at reasonable costs.

However, the country's realtors also said that apartment prices could eventually increase due to the rising cost of raw materials and delays in project implementation.

"We had feared that we would face difficulty in surviving the pandemic following a drop in demand for housing amid the unprecedented economic uncertainty brought on by the Covid-19 fallout," said Alamgir Shamsul Alamin, president of the Real Estate and Housing Association of Bangladesh (REHAB).

But the situation is improving alongside the increase of economic

activities, he added.

Soon after the nationwide 'general holiday' aimed at curbing the spread of coronavirus within Bangladesh came to an end on 30 May, realtors resumed construction on their projects in line with health and safety guidelines to prevent further outbreaks.

As such, developers have been forced to recruit a smaller number of workers to maintain adequate social distancing at projects and this, in turn, is causing delays in the handover process.

Not only is this an inconvenience for the client, but it also inflates the production costs for the developer, Alamin said.

Certain realtors might not even be able to reach a breakeven point on their investments, according to the REHAB president.

Meanwhile, much of the country's burgeoning middle-class, a key demographic for the real estate industry, cannot afford housing at current rates.

"Therefore, the government should undertake topical policy measures that would help provide reasonably-

priced housing for middle-income people," Alamin said.

Due to the prolonged nationwide lockdown that began on 26 March, about 6,000 projects belonging to various REHAB members were in a state of limbo as construction work was halted for about two-and-a-half months.

"We are not thinking from a business standpoint at the moment. Instead, we are trying to tackle the crisis," Alamin said.

The sector got a shot in the arm in July last year, when the government moved to slash registration fees and interest rates on loans.

Now though, realtors are just trying to survive the pandemic rather than make a profit, he added.

Echoing the sentiment, Kamal Mahmud, vice-president of REHAB, said the industry has seen a ray of hope in its fight against the coronavirus fallout following changes to certain state-policies.

The government's decision to relax the rules on investing untaxed income in real estate slightly benefitted the sector over the past two months while the reduced registration fees are

REAL ESTATE SECTOR BY THE NUMBERS

Ongoing projects: **6,000**

Investment so far: Tk **150,000cr**

Employment (direct and indirect): **35 lakh**

Every year, **10,000 to 12,000** apartments delivered

Allied sectors: **230**



helping sales to recover gradually.

"And although the disruption in the supply chain for raw materials is an issue that persists, I am hopeful that the sector will return to normalcy when the coronavirus crisis comes to an end," Mahmud added.

Subsequently, the country's banking sector is also enjoying some relief thanks to an increase in instalment collection while the other economic activities are gathering momentum as well.

"This is the right time for those who dream of becoming homeowners in Dhaka to purchase an apartment as realtors need liquidity to recover from the pandemic," said Md Sirajus Saleken, head of mortgaging at IPDC Finance, a major provider of home loans in the country.

In this regard, IPDC Finance will introduce new financing products while keeping both the realtors and clients in mind, Saleken said, adding that realtors will also come forward with their own offers.

The non-bank financial institution funds around a dozen well-reputed realtors for home loan borrowers.

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This connecting road of the Chattogram port was asked to be cleared of illegal establishments and obstructions by Mohammed Khorshed Alam Sujon four days after he was appointed as administrator to Chattogram City Corporation earlier this month. The appeal seems to have had no effect as parked covered vans continue to occupy the road, obstructing traffic and creating congestion. The photo was taken at Nimtola yesterday.

RAJIB RAIHAN

Marico Bangladesh has big plans for men's grooming

STAR BUSINESS REPORT

Marico, the Indian fast-moving consumer goods company, recently launched a new product -- the X-Clean and Fresh Men's Soap -- under its men's grooming label, Studio X, as a part of the brand's ongoing effort to diversify its product base.

Earlier this year, Marico Bangladesh, a subsidiary of the Mumbai-based company, invested heavily to establish Studio X.

Initially, Studio X's product line consisted of shampoo, face wash, hair gel and cologne.

Now though, customers can avail the new product, which was exclusively engineered by international men's styling experts, according to a statement from the firm.

The soap, with its fresh menthol effect and germ defence formula, is different from generic soaps that may fail to cater to the specific grooming needs of men today, it said.

With a younger and more connected generation, today's male consumers are more aware of their appearance than ever before, said Allen Ebenezer Eric, marketing director of Marico Bangladesh.

"We are delighted to introduce a new soap, designed with a deep understanding of men's skin," he added.

Developed using a special formula derived from Indian and Vietnamese products, the new line of soap has a refreshing, cool feel.

Besides, the soap's fragrance is masculine in nature, the marketing director said.

Marico also markets two other male grooming products -- perfume and hair gel -- through another subsidiary, Set Wet.

The fast-moving consumer goods company's profits soared 30 per cent to Tk 264 crore in the 2019-20 financial year as its flagship product -- Parachute's coconut oil -- continues to dominate its competition in the sector.

The other hair oils retailed through the brand include Parachute Advanced Beliphool, Nihar Naturals Shanti Badam Amla and Parachute Advanced Extra Care.

In its last financial year, Marico's edible oil brand Saffola witnessed a robust growth of more than 108 per cent year-on-year but the company's baby lotion

sales slumped more than 27 per cent at the same time.

Baby lotion alone accounts for about 70 per cent of Marico Bangladesh's annual revenue and so, the company shelled out Tk 30 crore to establish Studio X and diversify its product base.

Within six months of launch, the new line of soap has been introduced, bringing the brand's portfolio up to five in the personal care category.

The product is already available at numerous general retail stores and super shops, such as Swapno, and can also be found on e-commerce platforms such as Chaldal and Daraz.



Can US retail sector's 'V-shaped' rebound jump the fiscal cliff?

REUTERS

Even with nearly a fifth of the labour force collecting unemployment benefits in July, Americans continued spending with relative gusto, driving retail sales back to pre-coronavirus levels as they shifted shopping online, brought their food home, and stocked up on new appliances.

The downside: It was government money they spent, and that is now drying up even as a recent spate of unexpectedly upbeat economic data - including a larger-than-expected rise in payrolls last month and the first drop below 1 million in weekly new jobless claims since March - takes the pressure off Congress to renew

resurgence in virus cases," wrote Michael Pearce, senior US economist for Capital Economics.

Though the loss of unemployment income, if it persists, "poses a downside risk to spending in the near term ... consumption growth will recover gradually from here."

Oxford Economics senior US economist Lydia Boussoir, by contrast, called the July number "sobering" because it was below expectations, and signaled consumers were already growing cautious through July as the growth in coronavirus cases rebounded and some states imposed new restrictions, unemployment remained high, and the expiration of government benefits approached.

The 1.2% jump in retail sales was "only half

sign of progress on a new stimulus package.

That makes August a test of whether daily growth in coronavirus cases will continue a recent decline even as some schools and colleges reopen, whether the economy will continue to grow despite the health risks, and whether unemployed Americans have managed to put enough in the bank to get them through until their jobs return.

The extra \$600 per week in unemployment benefits paid from roughly April through July, along with loans to businesses, led to a record increase in personal savings and allowed some households to pay down debts. Some Federal Reserve officials have noted that puts "firepower" in the hands of businesses and households that could tide them over for a while.

Recent data through July, for example, showed overall bankruptcies down 25% over the same seven-month period in 2019.

But the vice may tighten fast. A moratorium on evictions has expired: that means grim choices ahead for families that had used rent money for food or other purchases in recent months.

And the details of the spending report show similarly tough decisions for others, particularly those among the millions who have been laid off from restaurant and hospitality jobs.

High-frequency data has shown that growth in traffic to those sorts of businesses has plateaued, and the July sales statistic backed that up. Americans got their calories and their beer and wine - but from online orders or directly from grocery and liquor stores, not in restaurants, where spending remained 20% off last July's level.

That means a different labour market emerging that may need fewer workers than before, no guarantee of an easy transition for those caught in it, and a need for more government help to ease the crunch.

The failure to renew benefits will "reverberate across the economy," analysts from the Washington-based Peterson Institute for International Economics said, with a potential \$500 billion drop in personal income following the expiration of government programs causing a jump of as much as 5% in the unemployment rate - back towards the record level hit in April.

The unemployment rate dipped to 10.2% in July after hitting 14.7% in April, with the US economy still about 14 million jobs below where it was before the coronavirus lockdowns began.

Economic policymakers are wary of the evolving dilemma.



REUTERS/FILE

Shoppers are seen wearing masks while shopping at a Walmart store in Bradford, Pennsylvania, US.

the unemployment benefit supplement and business loan programs that ended last month.

The dilemma is a stark one as the United States ends its first half-year of pandemic confusion. Is the economy on its way back as consumers and businesses learn to live with new health risks, or nearing a more serious nosedive?

Consumer spending drives about two-thirds of the US economy, and the July numbers "are encouraging because they suggest the recovery has continued to grind on even in the face of the

the expected gain," she wrote, and "underscores that wary consumers have turned more cautious ... The recovery in consumption ... will be restrained by income cliffs and renewed virus fear."

Those two views - of a recovery grinding ahead as people adapt and health risks are gradually controlled, or of massive family and business failures in the near future - are at the root of a stalemate in the US Congress that saw lawmakers head home until September with no

Reconditioned car import slumps 60pc

MOHAMMAD SUMAN, from Chattogram

Import of reconditioned cars has dropped 60 per cent year-on-year in fiscal 2019-20, something the industry's people are attributing to a tariff structure and declining sales in the domestic market.

During the year, 5,223 reconditioned cars were imported, resulting in Chattogram Customs House earning just Tk 223 crore in revenue.

In contrast, Tk 651 crore was generated in revenue from the import of 13,044 such vehicles in fiscal 2018-19.

The price difference between a reconditioned and a brand new car is very insignificant, according to Abdul Haque, president of the Bangladesh Reconditioned Vehicles Importers and Dealers Association (Barvida).

Customs is imposing a duty on brand new imported vehicles based on prices mentioned in the invoice but this method is not followed on reconditioned cars, he

said. In case of reconditioned cars, the National Board of Revenue determines the duty based on yellow book prices, he said.

The yellow book price is the international yardstick for car prices issued by the Japan Auto Appraisal Institute, an agency of Japan's Ministry of Economy, Trade and Industry.

The prices paid by importers for reconditioned cars are less than what is mentioned in the yellow book, says Barvida.

For this reason, the duty imposed is Tk 2-3 lakh higher than what it would have been if the invoice had been the determining factor, said Haque.

"As a result, our sales have also come down due to higher prices of cars," he said.

Due to a nominal difference in import duty between brand new and reconditioned vehicles, the government is losing a large chunk of potential revenue from the sector, he said.

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Netherlands economy sees unprecedented drop due to coronavirus

AFP, The Hague

The Dutch economy took its biggest-ever hit from the global coronavirus pandemic as lockdowns brought activity in the country to a standstill, data showed on Friday.

The EU's fifth-biggest economy shrank by 8.5 percent in the period from April to June compared with the preceding three months, the central statistics office CBS said.

"Never before has such a shrinkage been

measured," CBS said in a statement.

More than half of the contraction was due to a sharp fall in household consumption, the statisticians explained.

But falling investment and a sharp decline in the trade balance also played a role.

The Dutch government has taken measures to cushion the impact of the coronavirus pandemic with almost three million people receiving income support.