

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES				
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY	
0.88%	1.09%	\$1,864.44	\$55.59	5.00%	1.55%	0.21%	0.64%	83.95	100.80	114.41	12.79	
5,599.80	9,833.02	(per ounce)	(per barrel)	48,600.61	28,091.05	2,896.32	3,505.28	BUY TK	84.95	104.60	118.21	13.45



Star BUSINESS

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Exports, cheap foreign loans to take a hit for LDC graduation

Finds planning ministry study

REJAUL KARIM BYRON and REFAAT ULLAH MIRDHA

Bangladesh's export earnings and the flow of concessional foreign financing and grants will decline once it becomes a developing country, according to a government study.

The projected loss of exports and grants and higher debt service costs would lead to higher current account deficit, said the study styled "Impact assessment and coping up strategies of graduation from LDC status for Bangladesh" prepared by the General Economics Division (GED), a wing under the planning ministry.

The study was prepared before the coronavirus pandemic hit the country.

In August, it was sent to all ministries to come up with strategies to make up for the losses caused by the crisis, said Prof M Shamsul Alam, a member of the GED.

DOWNSIDERS OF LDC GRADUATION

Biggest blow will come from the loss of duty-free market access

Loss in exports to stand at \$13b in FY31

Absence of concessional loans will lead to increased debt servicing costs

Loss of grants will be \$700m per annum

Current account deficit may swell to 0.9-1.4% of GDP in FY27

The ministries will incorporate the risk factors in their strategies. For example, the commerce ministry has taken steps to sign trade agreements with various



Garment accounts for about 84 per cent of Bangladesh's total exports.

countries as Bangladesh would lose duty-free market access following the graduation, he said.

The biggest blow will emerge in the form of the loss of duty-free market access. The projected export loss from garment products in the European Union and non-EU markets estimated to be about 5 per cent of the total exports in the fiscal year of 2017-18, the study said.

This amounts to a loss of \$7 billion in FY27, which would steadily increase to \$13 billion by FY31.

"Policy actions will be necessary to counter these projected losses," the study said.

The proportion of concessional assistance will continue to fall while the proportions of non-concessional loans will increase in the coming years.

This is not the direct result of the LDC graduation, but a continuation of the ongoing trend owing to the increase in per capita income.

The concessional debt is already declining: the ratio came down to 51.3 per cent of the total external debt in FY16. Bangladesh has accessed a significant amount of non-concessional financing in recent years.

Remittance stays robust

AKM ZAMIR UDDIN

Remittance flow to Bangladesh has maintained its robust growth in January despite the persisting pandemic although it dropped below \$2 billion for the first time in the last five months.

Expatriate Bangladeshis sent home \$1.96 billion last month, up 19.78 per cent year-on-year, data from the central bank showed yesterday.

Remittance fetched more than \$2 billion for Bangladesh between September and December. The inflow, however, has started to slow since September.

Between July and January, the country received \$14.9 billion in remittance, up 34.95 per cent a year ago, BB data showed.

"The magnificent growth of remittance has given a boost to the confidence of the government in managing the macro-economy in times of crisis," said Mustafa K Mujeeri, executive director of the Institute

for Inclusive Finance and Development.

But he raised a question: why has remittance been increasing during the pandemic?

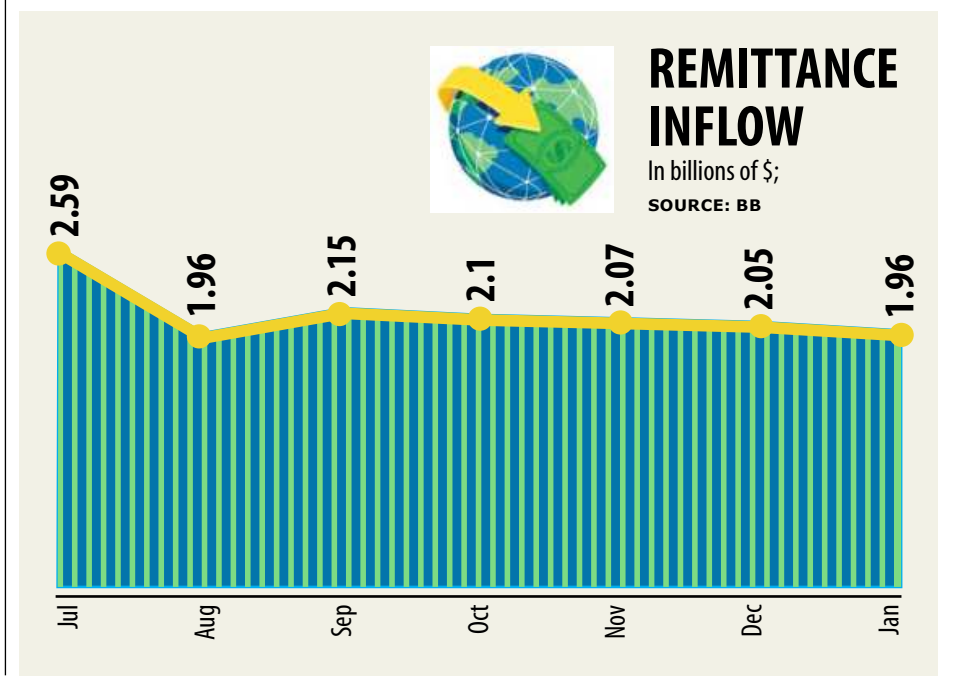
"We do not have any research to find out the reasons for the growing trend of remittance during the pandemic."

Mujeeri, a former chief economist of the central bank, said migrant workers might have sent more money to support family members during the crisis.

Many migrant workers lost jobs as their host countries have imposed lockdowns to contain the deadly virus, which might have compelled the migrants to send all assets back home.

The hundi system, an illegal cross-border money transfer system, has come to a halt because of the restriction on movement and this might have taken remittance to a new high, Mujeeri said.

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GP hasn't set aside funds against govt's audit claim: auditor

STAR BUSINESS REPORT

Grameenphone has not set aside any funds against the government's claim of Tk 12,580 crore in unpaid taxes and fees, prompting its auditor to include it as an emphasis of matter paragraph in the financial statement.

An auditor's emphasis of matter paragraph indicates that the auditor's opinion is not modified with respect to the matter emphasised.

The Dhaka Stock Exchange (DSE) disclosed the view of the auditor of the listed telecom company on its website yesterday.

The Bangladesh Telecommunication Regulatory Commission (BTRC) in 2019 asked the operator to pay Tk 12,580 crore in dues concerning the audit conducted by the commission from the period from the company's inception in 1997 to December 31, 2014.

The management of GP has contested the demands in the court. Pending final outcome of the court proceedings, the management has concluded that significant uncertainty exists to enable any reliable estimation of a potential obligation, the auditor said.

"No provision for these demands and consequential interest thereon has been made in the accompanying financial statements."

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Dhaka hotels bear the brunt of pandemic

AHSAN HABIB

Business for hotels in the capital was sluggish during the July-December period of 2020-21 as there were fewer events and programmes and a lower presence of guests.

But those located in places known for tourism continued to see higher profits thanks to people continuing to visit those areas.

Among four listed hotels, a year-on-year increase in the profit was marked by the Sea Pearl Beach Resort & Spa, the owing company of the Royal Tulip Sea Pearl Beach Resort & Spa and The Peninsula Chittagong.

Meanwhile Dhaka-based the Unique Hotel & Resorts, the owing company of The Westin Dhaka, and Bangladesh Services, the owing company of Hotel InterContinental Dhaka, incurred losses whereas both had earlier been in profits.

"We were impacted initially but now we bounced back," said Md Alamgir, managing director of Hotels International, the owing company of Pan Pacific Sonargaon, Dhaka.

"Our hotel was closed for three months till June 8 as per the government's direction so we

incurred loss in that period," he said.

"We started to book profit from October and it became enhanced in December, which will be higher in the current month," said Alamgir, also an additional

secretary to the government.

"We are giving some promotional offers for bazar shop, saloon, swimming pool, laundry and food to attract people," he said.

"As there are a limited number

of foreign guests so we are focusing on local guests," he said.

Responding to a question, he said a number of events like wedding and government programmes had reduced but now those were starting to be

organised.

Hotels located in the capital faced a bigger impact in contrast to those in places visited by tourists, said Azaharul Mamun, company secretary to the Sea Pearl.

This is because people who were confined to their homes started visiting places when the general leave was withdrawn, resulting in a higher number of guests in hotels located in Cox's Bazar and Sylhet, he said.

As people's movements were limited to their homes for a long period, they immediately took the opportunity to go out for leisure, he said.

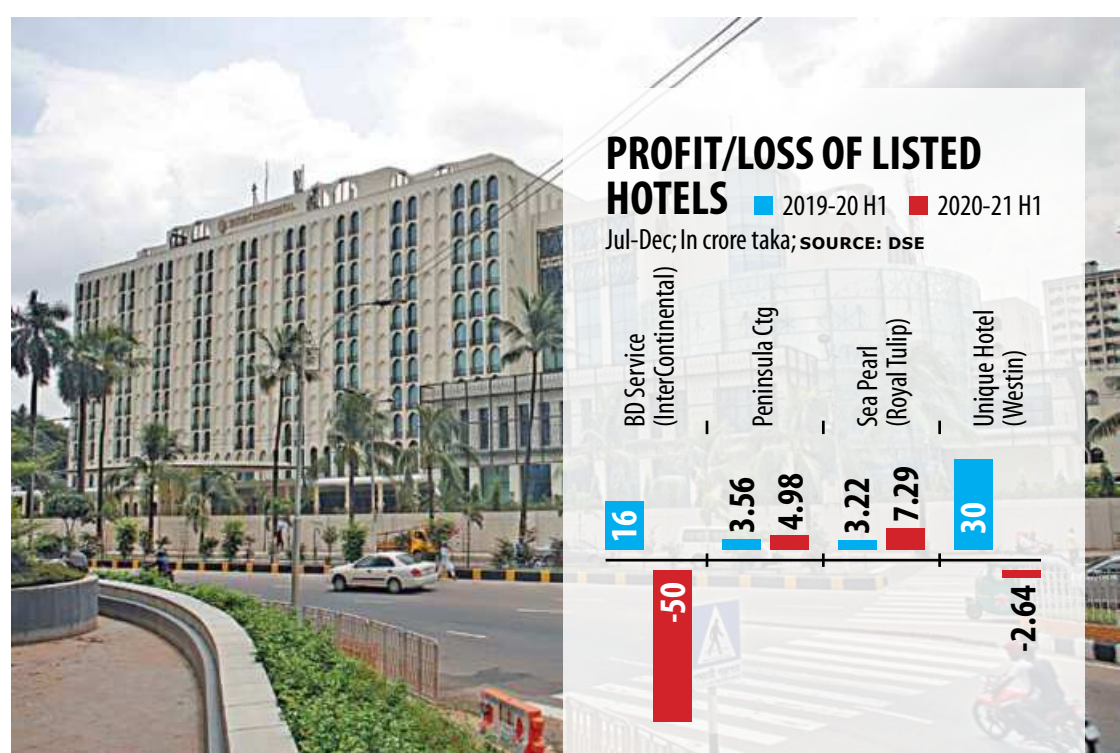
"When the country was under a lockdown for two months, we upgraded our hotels' safety materials with modern amenities to ensure our guests' safety from the pathogen," he said.

"We ran our marketing activities focusing the safety measures...and it had an impact on our performance," Mamun said.

Profits of the Sea Pearl doubled to Tk 7.29 crore.

"Our building is not a compact building but one that ensures fresh air so people had confidence on us," he said.

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Pran to make Gillette razors for P&G

STAR BUSINESS REPORT

Pran yesterday said to have entered into a contract with the Procter & Gamble (P&G) to manufacture and supply razors for the American multinational consumer goods corporation.

The facility to produce "Gillette Guard Razor Blades" was virtually inaugurated yesterday, said Pran in a press statement.

"It sends a very strong signal not only to other US companies but all over the world. That is because of P&G's size, reputation and position as a successful global company," said Salman F Rahman, the prime minister's private industry and investment adviser.

Advance Personal Care, a sister concern of Pran, will operate the manufacturing facility at Habiganj. Annually it targets to make around 75 lakh razors.

Pran will not market the P&G's products which it would be making, said the statement.

This is yet another step by Pran to manufacture products under contract arrangements as part of its business expansion drive.

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Sugar refiners relieved of advance tax

STAR BUSINESS REPORT

The National Board of Revenue (NBR) has relieved sugar refiners of advance tax (AT) on import of raw sweeteners for processing -- a move that will reduce pressure on their working capital.

The move comes one and a half years after the revenue authority introduced the AT in July 2019 under the VAT law 2012 in order to ensure that firms maintain records of transactions.

The NBR said the value added tax (VAT) was 5 per cent and refundable after adjustment of the payable VAT. In reality, a number of businesses are yet to get refunds of excess VAT.

Sugar refiners are one of those. A senior official of the NBR said it decided to remove the AT on raw sugar import as the VAT was exempted at the production stage.

"As no VAT is generated at manufacturing stage, refunds are generated and refiners have to wait for refunds. As there is no VAT at production stage and cost of funds of refiners increases because of obligation to pay the AT, we have withdrawn the AT on raw sugar

import," he said.

Biswajit Saha, director for corporate and regulatory affairs of City Group, welcomed the NBR step.

"No refund will be generated in future as we will not have to pay AT during imports," he said, adding

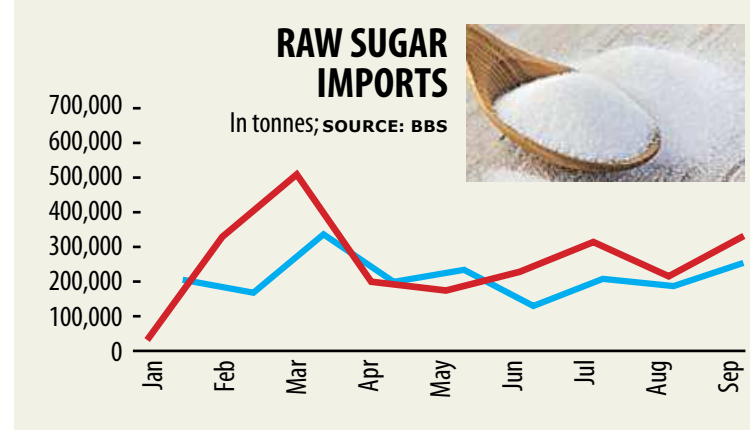
that refund claims of roughly Tk 400 crore from sugar refiners remained pending for clearance at the NBR.

The City runs one of the biggest refineries having a processing capacity of 5,000 tonnes a day. Bangladesh annually requires 18-20 lakh tonnes of sugar and imports meet 95 per cent of the domestic demand as local production is scanty.

Raw sugar imports soared 36 per cent year-on-year to 27 lakh tonnes in the January-September period of 2020, according to data of the Bangladesh Bureau of Statistics.

The NBR issued the notification at a time when prices of sugar were increasing, thanks to its upward trend in the international market.

Prices of each kilogramme of sugar rose 6 per cent to Tk 65-Tk 70 yesterday in the city markets from Tk 62-65 a month ago.



BSEC to launch audit of BD Welding

STAR BUSINESS REPORT

The Bangladesh Securities and Exchange Commission (BSEC) has appointed independent directors at Bangladesh Welding and decided to run a special audit on the company to protect the interests of general investors holding 65 per cent of its stakes.

The stock market regulator has nominated and appointed two distinguished persons as independent directors of the company, said the Dhaka Stock Exchange yesterday in a disclosure.

The BSEC sent a letter to the company on January 26 stating that the company went under the z category on May 4, 2016 and the shares of the company have

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