

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
Week-on-week		As of Friday		Friday Closings				As on Thursday			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY
▲ 0.22%	▲ 0.19%	\$1,876.64	\$72.69	▲ 0.33%	▼ 0.03%	▼ 0.14%	▼ 0.58%	BUY TK 83.95	101.10	117.62	12.92
6,066.64	10,594.42	(per ounce)	(per barrel)	52,474.76	28,948.73	3,157.97	3,589.75	SELL TK 84.95	104.90	121.42	13.58



# Star BUSINESS

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## Private sector in a sorry state

### Record bid for sukuk depicts weak credit demand in the market

AKM ZAMIR UDDIN

Bangladesh's private sector has long been in stagnation because of the coronavirus pandemic, and this was again on display during the auction for sukuk last week.

The government earlier said it would mobilise Tk 4,000 crore from the second and final round of the auction of the Shariah-based tool.

But investors placed bids for a

record Tk 32,726-crore on June 9, in a sign of the weak credit demand in the private sector.

No auction of treasury bills and bonds have observed such massive bids. The final round has broken all previous records of auctions of government securities, said several officials of the Bangladesh Bank (BB), who have direct knowledge about the auction of government securities.

On December 28, the first sukuk

auction in the country's history took place. Banks and individuals placed bids worth Tk 15,153 crore against the targeted amount of Tk 4,000 crore.

Through the two rounds, the government raised Tk 8,000 crore to implement a safe water supply project, which is expected to be implemented by June 30, 2025.

A sukuk is an Islamic financial certificate, similar to a treasury bond and structured to generate

returns in compliance with Islamic finance principles.

As the economy is facing a protracted slowdown, banks are exploring various options to invest their idle funds to maximise profits amid the lower credit demand.

Banks flocked to T-bills and bonds since the second quarter of last year after the pandemic hit the country, bringing the economy to its knees.

In September last year, banks and other investors placed bids amounting to Tk 10,735 crore at an auction of a two-year T-bond. The government borrowed Tk 2,000 crore at the time.

The bid amount is the largest for government securities in the last four years, according to data from BB.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, said the higher bid for sukuk auction was not a good sign for the economy.

Excess liquidity in the banking sector has been on the increase since the second quarter of 2020 amid business slowdown, he said.

Businesses have adopted a slow-go policy when it comes to expanding their operations, bringing owes for the banks, Mansur said, adding that banks are cautious in lending in some cases.

Excess liquidity at banks stood at Tk 201,546 crore as of April, up 77 per cent year-on-year, data from the BB showed.

## BGMEA green efforts win US accolade

STAR BUSINESS REPORT

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) has been awarded the prestigious "USGBC Leadership Award" by the United States Green Building Council (USGBC) for its strides in making the local apparel industry eco-friendly.

"This is the first USGBC leadership award for any organisation in the world," said Faruque Hassan, president of the BGMEA, at a virtual press conference held from the association's office in Gulshan, Dhaka.

Bangladesh has the highest number of green garment factories in the world. Currently, there are 143 Leadership in Energy and Environmental Design (LEED) certified apparel manufacturers in the country.

Of them, 41 are platinum-rated, 89 gold-rated, and the rest are silver and only LEED-certified.

Another 500 garment factories are set to be certified by the USGBC, Hassan said.

Bangladesh is also home to nine of the top 10 LEED-certified buildings, indicating the country's progress in protecting the environment during its manufacturing process.

### LEED IN BANGLADESH RMG INDUSTRY

- 9 out of the world's top 10 green garment factories are in Bangladesh
- 39 out of the world's top 100 green industrial projects are in Bangladesh
- 500 more factories are in the process of getting LEED certification

Global management consulting firm McKinsey & Company, in its latest report, lauded Bangladesh's garment sector as a frontrunner in ensuring transparency regarding factory safety and value-chain responsibility, said Hassan.

The report highlighted the sector's advancement in tackling the challenges standing in the way of growth, particularly in diversifying customers and products, improving supplier and workforce performance, and strengthening compliance and sustainability.

"It praises our manufacturers who are the frontrunners in entrepreneurship and strategic management, have

made investments in productivity improvement, digitalisation, automation, and sustainability, and operate as per international best practices," he added.

More than 1,500 local companies are accredited by the Global Organic Textile Standard, the second-highest in any country.

### EXCESS LIQUIDITY: BANKS LOOKING FOR ALTERNATIVE INVESTMENT OPTIONS

#### FIVE-YEAR T-BOND MAY 2021

- Interest rate: 4.03%
- Govt borrowed Tk 2,000 cr
- Total bid amount: Tk 8,607 cr

#### JUNE 2020

- Interest rate: 8.05%
- Govt borrowed Tk 559 cr
- Total bid amount: Tk 4,658 cr

#### JUNE 2019

- Interest rate: 8.10%
- Govt borrowed: Tk 687 cr
- Total bid amount: Tk 1,941 cr

#### SUKUK

- Profit rate of sukuk: 4.69%
- Tenure of maturity: 5yrs
- Total bid amount: Tk 15,153 cr on Dec 28, 2020
- Total bid amount: Tk 32,726 cr on Jun 9
- Govt mobilised Tk 8,000 cr from two auctions

#### APRIL 2021 SCENARIO

- Excess liquidity in banks: Tk 201,546 cr
- Private sector credit growth: 8.29%



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## FBCCI calls for task force to simplify tax rules

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The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) has urged the government to form a high-powered task force to simplify the tax system and make it business-friendly.

FBCCI President Md Jashim Uddin made this appeal in a letter to Finance Minister AHM Mustafa Kamal last week, citing that it is important to address the problems faced by service sectors to facilitate trade and commerce.

The FBCCI welcomed the move to support several industrial sectors but added that there are some inconsistencies related to income tax, value-added tax and customs rules.

"So, a task force is necessary to address this inconsistency. Once these are eliminated, tax rules will be business friendly," Jashim said.

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## Ensure people's participation in budget: expert



STAFF CORRESPONDENT, Chattogram

The budget will never turn meaningful unless people are involved in its formulation and implementation, said Salehuddin Ahmed, a former governor of Bangladesh Bank, yesterday.

"The budget has no public participation. Economists have been called in to discuss the budget but their advice has not been followed," he said.

"The budget was raised and passed in parliament within a very short time without any questions being raised by members of parliament," he added.

"The budget discussion should start from January and it should provide an opportunity on analysing how much should be allocated to which sector and why it should be done," Ahmed said.

The biggest failure of this budget is not bringing up new poverty. The government forgets the new poverty. The budget needs to pay more attention to the people falling behind and small businesspeople, he added.

Ahmed was addressing a webinar, "What should be the pattern of a National Budget:"

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MD ABU TALHA SARKER

From airlines, tourism and manufacturing to export, import and event management -- all businesses have witnessed the devastating and far-reaching effects of the novel coronavirus.

The pandemic also did not spare the cricket accessories business, which had been growing at a healthy clip because of the popularity of the game in the country.

Tarek Aziz Khan, a former national cricketer, entered the accessories business in 2011. He started with a retail showroom in Mirpur and gradually expanded in and out of Dhaka.

In the pre-pandemic period, the former right-arm medium-fast bowler had owned eight retail outlets. As losses grew because of the crisis-induced economic slowdown, he shut five showrooms in Dhaka.

"How is it possible to run the business for a long time without any income? I had to spend a huge amount for rent, wages and other expenditures," he said.

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## Cricket accessories business fights for survival



PRABIR DAS

Students are the main buyers of sports items, but because of the indefinite closure of educational institutions, they don't come out of their houses much and play cricket.

## Restaurant owners demand VAT cut



STAR BUSINESS REPORT

Restaurant owners have demanded that the government reduce the value-added tax (VAT) proposed in the fiscal 2021-22 budget as payable by all restaurants, be it of a lower category, moderate or fine dining.

Organising a press conference at their Purana Paltan office yesterday, Bangladesh Restaurant Owners Association (Broa) expressed their opinions on the budget and informed of various crises of the sector.

"The proposed budget for 2021-22 FY mentioned to pay 15 per cent VAT for AC and 5 per cent for non-AC restaurants," said Broa Secretary General Imran Hasan.

"However, we demand highest 3-5 per cent VAT for lower and moderate



STAR/FILE

Bangladesh has around 60,000 restaurants and around 30 lakh people are employed in the sector, industry people say.

category restaurants and street food, and 7.5 per cent VAT for fine dining restaurants," he said.

"Earlier, the non-AC restaurants had to pay 7.5 per cent VAT. The AC

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## Stock market cap hits record high

### Overinflated insurance stocks still a concern, experts say

AHSAN HABIB

The stock market has risen to new heights with market capitalisation hitting a high point last week while overvalued shares still remaining a concern.

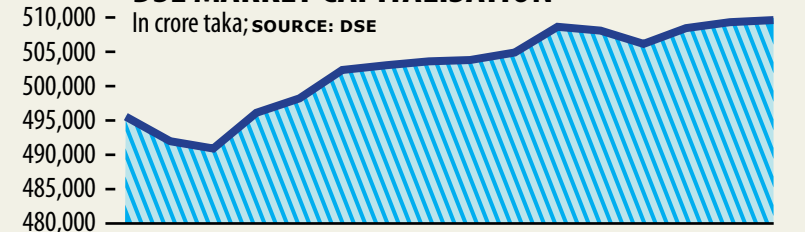
Market capitalisation at Dhaka Stock Exchange (DSE) reached a record high of Tk 509,937 crore on Thursday. Similarly, the DSE's daily average turnover rose by around 19 per cent to Tk 2,438 crore for the week, which is the second highest since peaking in 2010, as per market data.

However, tensions remain over some insurance stocks that saw their values grow significantly, if not tripling, in the last few months, according to market analysts.

The big news is that people are coming out to invest now, but they need to invest in fundamental stocks, they said. Among all sectors, textiles rose the highest by 10.2 per cent last week.

"Thanks to the market's prolonged bearish trend, textile stocks were at a lucrative level. So, investors are thinking that the sector will give a good return after the pandemic," said

### DSE MARKET CAPITALISATION



a top official of an asset management company. "What is more, cotton prices rose in the last few months so those who have a good stock of the material will see good profits," he added.

Cotton was being traded at an average of \$0.60 per kilogramme during the June-December period in 2020 while it later ranged between \$0.95 and \$1.7 in March this year, according to data from Bangladesh Textiles Mills Association.

The banking sector did, however,

witness a correction of 5 per cent after a week-long rising trend.

"But this is normal," he said.

Investor participation is currently very high so turnover, an important indicator of the market, is hovering at the Tk 2,500 crore level.

"The market is going good but some stocks that rose abnormally are the only cause for concern," said Sharif Anwar Hossain, president of DSE Broker's Association (DBA).

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