Make a 2-year survival plan for businesses

Experts urge government

BUDGET REVIEW
FY2021-22

STAR BUSINESS REPORT

People are seen coming out of a shopping mall before Eid-ul-Fitr this year. As the economy is gradually recovering from the pandemic-induced losses, the government will have to outline specific guidelines for businesses in the recovery plan, businesspeople say.

STAR/FILE

The government should prepare a two years' survival plan for businesses, outlining different recovery guidelines, to safeguard the country's trade and economy amidst the pandemic, said businesses yesterday.

For instance, the government should withdraw the proposed advance income tax and value added tax on imports, said Syed Ershad Ahmed, president of the American Chamber of Commerce in Bangladesh.

In the recent budget, the government proposed a 2.25 per cent reduction in corporate tax whereas it should be at least 5 per cent as the businesses are suffering now, he said.

Ahmed also said the country has only five million tax identification number (TIN) holders, among whom 50 per cent pay tax while the rest are irregular.

So, the tax net should also be widened for more revenue generation, he said, adding that the government should also come up with a major plan in education.

He expressed disappointment on the imposition of VAT on educational institutions, saying in such a critical time it would ultimately be a burden for students' families. Ahmed also suggested that the same persons should not formulate tax policies and collect taxes.

Ahmed was addressing a post-budget webinar on "tax and tariff implications on trade and commerce" organised by the Bangladesh German Chamber of Commerce and Industry (BGCCI).

Shahed Akhter, executive director of the BGCCI, moderated the discussion.

Corporate tax was reduced by some 7.5 percentage points over the last four years, pointed out Mosharraf Hossain Bhuiyan, Bangladesh's ambassador to Germany, suggesting strengthening implementation of allocations in social safety net programmes.

Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), demanded 10 years' tax holiday for investments on manmade fibres, reasoning that the country needed a lot of this investment to meet global demand.

Mohammed Humayun Kabir, chief executive officer of Shinepukur Ceramics, said the parliament holds no wide discussion on the supplementary budget to know the difference between the allocation and revised spending.

Sometimes the gap is big and so the discussion is important to know whether money is being spent on the same old things, he added.

Without a massive reform in fiscal management, the private sector investment to GDP ratio might not improve, he said.

For many years, this ratio has remained stagnant at 23 per cent although the budget proposed increasing it to 25 per cent. However, with fiscal reforms, reaching 32 per cent to 35 per cent is possible, he said.

In a keynote paper, Mashuque Ahmed, CEO of Ahmed Mashuque and Co, said the challenges faced by individuals related with refunds and dealings with banks should be raised through a common platform for availing proper solutions.

Hindrances, such as hidden taxes, should be removed to ensure a business-friendly tax policies, he said.

Saad Omar, secretary general of Switzerland Bangladesh Chamber of Commerce and Industry, and Thomas Hoffmann, president of the BGCCI, also spoke.

Improve business climate to utilise trade ties

Says South Korean Ambassador Lee Jang-keun

DIPLOMATIC CORRESPONDENT

Lee Jang-keun

South Korea wants to help foster a more business-friendly environment in Bangladesh in order to realise the full potential of bilateral trade ties, according to Lee Jang-keun, South Korean ambassador to Bangladesh.

The conditions to improve Bangladesh's business environment include addressing the challenges faced by companies doing business with other countries, particularly in tax and tariff policy, repatriation of profit, and streamlining administrative procedures, he said.

Jang-keun made these comments at a virtual discussion on "Bangladesh and Republic of Korea: Trade and Investment Opportunities", organised by the Bangladesh embassy in Seoul yesterday.

South Korea has played a key role in building Bangladesh's garments sector into the world's second largest apparel exporter, he said while highlighting the importance of furthering commercial ties in various other sectors, such as biopharmaceuticals and ICT.

A Samsung R&D Institute has been operating in Dhaka since 2011, employing about 460 of the country's young software developers. A dedicated export processing zone for South Korea recently inaugurated a 100-acre hi-tech park.

Jang-keun pointed out that despite growth in the overall trade volume, bilateral trade has remained at a standstill for the past decade at around $1.7 billion.

He also hoped that all foreign investors and businesspeople currently residing in Bangladesh would soon be made eligible for Covid-19 inoculations when the vaccine supply becomes stable.

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EU offers to help diversify exports

DIPLOMATIC CORRESPONDENT

The European Union (EU) has offered to help Bangladesh diversify its export basket, promote decent work, and upskill workers amid the ongoing global economic downturn caused by Covid-19.

"We seek to diversify Bangladesh's economy, which is now heavily dependent on remittance and garment exports," said Rensje Teerink, the EU ambassador to Bangladesh.

She was speaking at the virtual launch of the "Team Europe Initiative on Decent Work" and screening of Meenalap, a local production, at the Bangladesh-European Union Film Festival yesterday.

Teerink said Bangladesh is well on track to graduate from the UN's least developed country (LDC) grouping as the economy grew by more than 4 per cent despite the pandemic while the regional average is about 2 per cent.

"The challenge now is to sustain the growth and make it inclusive," she added.

A major issue in Bangladesh's jobs sector is that about 60 per cent of employment is in the informal sector, where lots of workers have lost their jobs or live with reduced income due to Covid-19.

Therefore, a social protection system for these workers needs to be ensured.

"Skills training and enhancing productivity are other areas that need to be focused on," Teerink added.

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GLOBAL BUSINESS

Britain urges EU to expedite financial services talks

REUTERS, *London*

Britain's finance ministry called on the European Union to open talks on financial services, after the London Stock Exchange on Tuesday urged the bloc to avoid protectionism.

Britain left the EU in December, largely cutting off the City of London's financial services centre from many of the markets it had formerly played a central role in.

Banks and other financial firms that used London as a gateway to Europe have set up units in the EU to avoid disruption for EU clients.

Billions of euros in daily euro stock and derivatives trading have already left London for the EU.

Both sides have agreed to start a dialogue via an informal forum for discussing financial rules, but it has yet to go live and Katharine Braddick, director of financial services at Britain's finance ministry, said she hoped it was expedited.

"Once that memorandum of understanding is agreed we can get on with establishing our routine ways of engaging," Braddick told TheCityUK's annual conference.

The forum, which will not decide on financial market access, but it is viewed as critical to mend bridges, would put Britain's EU relationship on a "reliable, transparent and understandable footing" to give business certainty, she added.

John Berrigan, head of the European Commission's financial services unit, said the EU remains open to the rest of the world.

"This is not about disengaging," Berrigan added. The Commission said work on approving the forum was ongoing.

A pressing issue for Britain is that EU permission for the London Stock Exchange to keep clearing euros derivatives for EU customers expires in June 2022, potentially fragmenting a major market involving trillions of euros.

REUTERS/FILE

CEO of London Stock Exchange Group David Schwimmer speaks during an event to launch the private finance agenda for the 2020 United Nations Climate Change Conference at Guildhall in London.

The Commission is asking banks and asset managers how quickly they can shift this clearing from London to Deutsche Boerse in Frankfurt and if legislation is needed.

The EU wants to directly supervise euro clearing and bolster its "open strategic autonomy" to avoid reliance on the City.

"I think it's critically important for the EU to remain open and to resist the protectionist temptation," London Stock Exchange Chief Executive David Schwimmer told a separate European Financial Services conference.

"What has made the EU so successful is its openness to the world and being able to embed itself in global ecosystems."

EU firms should be able to access the same liquidity, services, data and technology capabilities as their peers in respect to clearing, Schwimmer said.

"I am not arguing for an absence of control by the EU over important strategic areas," he said.

With Britain no longer tied to EU rules, it is reforming how it regulates the City to buttress its global competitiveness.

Braddick said this would mean tailoring rules within a framework of global standards, and not ripping up the rulebook.

"Any idea there is some vast philosophical gap about risk appetite or financial regulation is really misplaced," she said.

China's factory output, retail sales miss expectations in May

REUTERS, *Beijing*

Growth in China's factory output slowed for a third straight month in May, likely weighed down by disruptions caused by Covid-19 outbreaks in the country's southern export powerhouse of Guangdong.

Retail sales and investment growth also came in below market expectations, but analysts say underlying activity still looks quite solid, noting headline readings remain highly distorted by comparisons to the pandemic plunge early last year.

The Chinese economy has largely shaken off the gloom from the coronavirus slump, but officials warn its recovery remains uneven amid challenges including soft domestic demand, rising raw material prices and global supply chain disruptions.

China's rapid recovery last year and a US rebound this year have sharply boosted Asia's export-reliant economies -- Japan posted its strongest export growth in 41 years on Wednesday -- but resurgent Covid infections and lockdowns are holding back broader-based recoveries.

REUTERS/FILE

People walk along Nanjing Pedestrian Road, a main shopping area, in Shanghai, China on May 5.

Chinese industrial production rose 8.8 per cent in May from a year ago, slower than the 9.8 per cent uptick in April, National Bureau of Statistics data showed on Wednesday, missing a 9.0 per cent on-year rise forecast by analysts from a Reuters poll. In particular, the output of auto vehicles fell 4 per cent from a year earlier, compared with an increase of 6.8 per cent in April, crimped by a global chip shortage.

"This is a normal cyclical slowdown after an economic recovery. In a nutshell, we can see the economic rebound is peaking," said Hao Zhou, senior EM economist Asia, Commerzbank.

"The extent of the slowdown in the second half is key. So far, it's still normal and there's still room for the fiscal policy to play a part later in the year." Most analysts had expected some moderation in May output due to softer export orders, higher input costs for factories and tighter environmental restrictions on heavy industry.

Outbreaks of Covid-19 in the Pearl River Delta since late May also have brought some key ports to a standstill, economists at Nomura said in a note to clients, though it believes the current spate of infections can be contained in a relatively short period of time.

Dubai steps in again as pandemic drives Emirates to $5.5b loss

REUTERS, *Dubai*

Emirates got an additional $1.1 billion in state support from Dubai after a collapse in long-haul travel due to the coronavirus pandemic triggered the airline's first annual loss in more than three decades.

Governments have pumped billions of dollars into airlines to keep them afloat during the pandemic and state-owned Emirates has now received $3.1 billion in equity injections from Dubai, including $2 billion disclosed last year. The airline reported a $5.5 billion loss on Tuesday for the year ending on March 31, after making a $288 million profit the previous year, as revenue plunged 66 per cent to $8.4 billion.

It was the airline's biggest annual loss, and only its third ever following losses in 1987-88 and 1985-86, its first year in operation, an Emirates representative said.

Emirates said the government, its sole shareholder, would continue to support the airline that has transformed Dubai into a major international travel hub over the past three decades.

Fellow Gulf carrier Qatar Airways, which is due to report results for its fiscal year ending March 31, has also received $3 billion from its state owner.

Emirates and Qatar Airways have no domestic markets to cushion against border restrictions and closures introduced to stop the spread of Covid-19. While vaccination programmes have put some economies on the road to recovery their slow rollout globally has put international airlines at a disadvantage.

UK inflation hits highest level since before pandemic

AFP, *London*

British inflation has soared to the highest level since before the coronavirus pandemic, with clothing, fuel and oil prices rebounding as the economy reopens, official data showed Wednesday.

AFP

The upswing was mainly fuelled by rising clothing prices and energy costs.

The Consumer Prices Index hit 2.1 per cent in May, breaching the Bank of England's 2.0-per cent target for the first time since July 2019.

The rate compared with 1.5 per cent in April, the Office for National Statistics (ONS) added in a statement.

"This month's rise was led by fuel prices which fell this time last year, but have jumped this year thanks to rising crude prices. Clothing prices also added upward pressure as the amount of discounting fell," remarked ONS chief economist Grant Fitzner.

Inflation has accelerated sharply since March, when the government began a phased lifting of coronavirus restrictions which has also buoyed the Covid-ravaged economy.

The latest data stoked stubborn fears of a global inflationary spike as economies recover from pandemic turmoil.The news surprised markets because analysts' consensus forecasts had been for an increase to 1.8 per cent.

"The easing of lockdown restrictions and the return to growth was just the medicine Britain's battered economy needed," said Ulas Akincilar, head of trading at Infinox. "But it's clear the medicine is also causing severe inflationary side effects. "The BoE's key task is to use monetary policy to keep annual inflation close to a government-set target level of 2.0 per cent to preserve the value of the pound.