COLLECTED

Forkan Hossain, general manager (accounts & budgeting department) of Bangladesh Bank, and Mohammad Feroz Hossain, managing director of the Export Import (EXIM) Bank of Bangladesh Limited, signed an agreement at the central bank yesterday over the collection of government fees through an automated challan system. Ahmed Jamal, deputy governor of Bangladesh Bank, Nurun Nahar, executive director, Shah Md Abdul Bari, deputy managing director of the EXIM Bank, and Sanjib Chatterjee, vice president and head of marketing & development division, were present.

Corporate leverage returns to pre-pandemic levels

REUTERS

US and European companies have marked another milestone in their road to recovery from COVID-19, seeing their debt levels relative to profits tumbling to the lowest since before the pandemic erupted in 2020.

Net leverage, an important gauge of a company's financial health, refers to net debt as a proportion of EBITDA - earnings before accounting for interest, taxes, depreciation and amortization.

At US companies rated investment-grade, it fell in the second quarter to the lowest since 2018, according to BNP Paribas, while European leverage is the lowest since 2019.

The trend is a good sign for corporate debt markets, where the lowest-rated segments are outperforming this year, signalling normalising credit quality.

"The earnings recovery has been much steeper than what we had initially had in mind, partly because the economy and corporate earnings have become increasingly COVID-immune," said Viktor Hjort, global head of credit strategy at BNP Paribas.

Earnings at S&P 500 and STOXX 600 companies are already some 40 per cent above pre-pandemic levels, according to Refinitiv, with the vast majority of companies beating forecasts.

Leverage has fallen fastest at US firms with "junk" credit ratings, or below the BBB- threshold, where it is nearly at pre-pandemic levels, BNP's data shows.

Kristjan Mae, analyst at asset manager Schroeders, said that while deleveraging at US investment-grade companies was mostly down to strong earnings growth, junk or high-yield firms "have been taking active steps, as is illustrated by negative debt growth".

As of August, US high yield debt was down 1.3 per cent from year-earlier levels, data from BofA shows.

"As some of the lower-rated companies have been under pressure to cut leverage, this is perhaps not a surprising development," Mae wrote in a note.

IT freelancers, tea exporters to get cash incentive

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And the government has been providing as much as 20 per cent to fillip shipment of goods.

Currently, exporters of diversified jute goods, active pharmaceutical ingredients, halal meat, potato as well as fresh fruits and vegetables get 20 per cent cash incentive. The benefit will continue for the next fiscal year, according to the Bangladesh Bank circular.

Some 15 per cent incentive is given to facilitate the export of products such as light engineering products, furniture, accumulator battery, leather goods, footwear and bags made of synthetics and fabrics and rice.

The government also provides 10 per cent incentives to encourage exports of a number of products including plastic goods, IT enabled services, and pharmaceutical products. Like the previous year, small-and-medium factories exporting garments will get 4 per cent incentives against exports for the current fiscal year.

Export-oriented factories will get 4 per cent incentive instead of obtaining duty-free benefit for importing raw materials for export and seeking duty drawback, according to the circular.

Yesterday, the central bank also added float glass sheet, cast iron, and aluminium in the list of light engineering products to get export benefits. It also included compressors in the list of electronic appliances that can avail the incentive. Bangladesh Bank said firms will have to ensure 30 per cent value addition locally to avail the benefit.

Wall St tumbles on growth worries

REUTERS

Wall Street's main indexes tumbled on Monday, as concerns about the pace of a global recovery hit economy-linked stocks at the start of a week in which the Federal Reserve will decide on potentially tapering its pandemic-era stimulus.

Ten of the 11 major S&P sectors declined in early trading. Economy-sensitive industrials, financials and energy dropped between 1.6% and 3.2%.

The banking sub-index shed 2.9%, tracking U.S. Treasury yields as investors flocked to the safety of bonds on worries about the default of Chinese property developer Evergrande.

Heavyweight technology-related stocks Microsoft Corp , Google-owner Alphabet Inc, Amazon.com Inc , Apple Inc and Tesla Inc, which tend to perform better during economic uncertainty, were down between 0.6% and 2.8%.

Wall Street's main indexes have been hurt this month by fears of potentially higher corporate tax rates denting earnings and have shrugged off signs inflation might have peaked. The benchmark S&P 500 is on track to snap a seven-month gaining streak.

All eyes on Wednesday will be on the Fed's policy meeting, where the central bank is expected to lay the groundwork for a tapering, although the consensus is for an actual announcement to be delayed until the November or December meetings.

"Markets have been priced to perfection for a long time and in this September lull that seems to be quite seasonal throughout history, markets are dealing with the thing they hate most uncertainty," said David Bahnsen, chief investment officer, The Bahnsen Group in Newport Beach, California.

"There is uncertainty around geopolitics, public health policy, tax and spending legislation, but this market has experienced almost no downside volatility for a long time and a pullback was long overdue.

At 9:39 a.m. ET, the Dow Jones Industrial Average was down 463.80 points, or 1.34%, at 34,121.08, the S&P 500 was down 60.05 points, or 1.35%, at 4,372.94, and the Nasdaq Composite was down 244.94 points, or 1.63%, at 14,799.03.

Strategists at Morgan Stanley said they expected a 10% correction in the S&P 500 as the Fed starts to unwind its monetary support, adding that signs of stalling economic growth could deepen it to 20%.

The CBOE volatility index, known as Wall Street's fear gauge, hit its highest level in a month.

Carriers United Airlines, Delta Airlines and American Airlines gained between 0.7% and 2.3% after a source told Reuters the United States was planning to relax travel restrictions on vaccinated passengers from the European Union and Britain.

Declining issues outnumbered advancers for a 11.26-to-1 ratio on the NYSE and for a 9.38-to-1 ratio on the Nasdaq.

The S&P index recorded no new 52-week highs and one new low, while the Nasdaq recorded five new highs and 95 new lows.

Honda targets annual sales of 70,000 Prologue electric vehicles in US

REUTERS, *Washington*

Honda Motor Co's US unit said on Monday it is targeting initial annual sales of 70,000 for its planned electric Prologue sport utility vehicle when it goes to market in 2024.

Honda plans to add additional electric vehicle models as it aims to have sold a total of 500,000 electric vehicles in the United States by 2030, and to achieve 100 per cent zero emission vehicles sales in North America by 2040.

It comes as President Joe Biden signed an executive order last month setting a target to make half of all new passenger vehicles sold in 2030 zero-emissions vehicles.

The Honda Prologue is being co-developed with General Motors Co and is based on the Detroit automaker's Ultium platform, a modular platform and battery system. Honda and GM are also co-developing an electric Acura-brand SUV. GM will assemble the Prologue and the Acura SUV -- both of which will go on sale in 2024 -- but Honda has not disclosed which plant will build the vehicles or the name or volume targets for the Acura.

Following the GM-built models, Honda will introduce a series of electrified vehicles through 2030 based on the Honda developed e-Architecture, a new EV platform led by Honda, and will assemble electric vehicles at Honda plants in North America.

Dave Gardner, executive vice president of national operations at American Honda Motor Co, said in a statement Honda will initially focus Prologue sales on California and other states like Texas and Florida.

He said Honda plans to add hybrid-electric systems to more US models.

"Our strategy is focused on introducing a higher percentage of hybrids in core models in the near term, making a committed effort to achieve higher volume leading to the introduction of our Honda Prologue," Gardner said.

Loan write-offs pick up

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Many raise questions that banks cannot recover the written-off loans as they are not monitored properly, which, says Rahman, is a wrong perception.

The boards keep a tab on the write-off loans and regularly update the Bangladesh Bank about it, he said.

Rahman credited various government benefits, including payment waivers, for the decline in the write-off loans. Lawsuits were not filed against the borrowers as courts were closed during the lockdowns, he said.

"Previously, we could file cases if instalments were unpaid for three years. Now, cases cannot be lodged until the borrowers fail to repay the loans for at least five years."

Agrani Bank Chairman Zaid Bakht also attributed the relaxation in the loan classification policy and the drop in lawsuits amid the pandemic for the falling loan write-offs.

Although the loans are erased from the balance sheets, it does not mean banks forget them.

"Every year, we recover a lot of money as we keep pursuing the borrowers," said the former research director of the Bangladesh Institute of Development Studies.

Chorus of complaints against rogue e-commerce firms

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Assurances were given that the product will be delivered soon but nothing materialised.

So Bashar filed a complaint with the directorate on August 22 demanding a refund. The math teacher called up the directorate on September 5 to know whether there has been any development.

An official informed that they would work on the complaint after September 10 once the banking regulator takes a decision on the platform's frozen bank accounts.

Evaly, which has come under regulatory scrutiny recently for its business practices that include offers of unusually high discounts, accounts for the highest number of complaints among the top 18 online platforms.

In the last two months, customers logged 2,206 complaints against the company. Only 16 per cent or 350 have been settled so far.

Evaly Managing Director and CEO Mohammad Rassel and his wife and Chairman Shamima Nasrin were arrested last week on charges of embezzling customers' money.

Evaly recently responded to the commerce ministry's queries stating that it owed customers Tk 311 crore and merchants Tk 206 crore.

Another 250 complaints have been filed against Dhamaka Shopping.

Kawser Mahmood, who sells electric and electronic products in Mymensingh, paid Dhamaka Shopping Tk 2 lakh in June for six refrigerators.

He said the delivery date had already passed.

When he contacted the call centre, they informed of not knowing when those would be delivered.

"I am very worried. Tk 2 lakh is a huge amount for me," said Mahmood.

"About 99 per cent of the complaints against e-commerce platforms are over breaches of contract," said the directorate Director General Bablu Kumar Saha.

"For that, the maximum fine is Tk 50,000. If we impose the fine, the consumer will get only Tk 12,500. But in most cases, consumers ordered for products paying over Tk 10 lakh… it would be a loss for the consumer," he said.

"For the benefit of the customers, we try to settle it," he added.

He recommended learning more about e-commerce platforms before giving in to lucrative discounts to make purchases.

2,080 tonnes of hilsa going to India

FROM PAGE B1

fish is very high among the people of Bangladesh and India's West Bengal for its special flavour. So, every year the Indian government urges Bangladesh to send hilsa fish to India ahead of the Puja.

Stock turnover dips but index rebounds

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Investors' activity was mostly centred on financial institutions, accounting for around 13.4 per cent of the turnover followed by textile and engineering sectors.

At the DSE, 174 stocks rose, 163 declined and 37 remained unchanged.

Stocks of Beximco Limited were traded the most, worth Tk 123 crore, followed by LafargeHolcim Bangladesh Limited, Rupali Insurance Company Limited, Beximco Pharmaceuticals Limited and Alif Industries Limited.

Chittagong Stock Exchange (CSE) also rose yesterday. The CASPI, the general index of the port city bourse, edged up 47 points, or 0.22 per cent, to 21,030.

Among 325 stocks to undergo trade, 156 advanced, 131 fell and 38 remained unchanged.

IFC to invest $2.5m in Truck Lagbe

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"As traditional methods became inaccessible during the Covid-19 pandemic, Truck Lagbe became the go-to platform for thousands of small businesses and truck owners," said Anayet Rashid, Truck Lagbe's co-founder and CEO.

This helped them to continue their business, he said, adding that the IFC has already invested in similar startups in other countries.

"This will help us to expand in every district of Bangladesh along with bringing in various support services to facilitate everyone to move from the fragmented and unorganised local market to our tech-driven logistics platform," he said.

"It is crucial for Bangladesh, which aims to become a middle-income country over the next decade, to have an efficient transport infrastructure and logistics services," said Nuzhat Anwar, IFC acting country manager for Bangladesh, Bhutan and Nepal.

This not only provides more support for the shipment of goods during the pandemic but can also help transport exports to markets, she said.

The IFC is also providing the company knowledge and innovative support by leveraging insights from previous investments and will be connecting it to more prospective clients, Anwar added.

The transport and logistics services market in Bangladesh has a value of $15 billion (PwC 2018), equivalent to 6.8 per cent of the GDP, said the IFC.

Market diversification key to RMG growth

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There were no Bangladesh embassies in any of these countries before 2011, nor were there any embassies of Latin American countries in Bangladesh at the time either.

The BGMEA organized several trade missions to Latin America in 2010 and 2011, and submitted reports to the government, requesting it open missions there.

The government then opened an embassy in Brazil, which also opened its own embassy in Dhaka.

So, the visa process and travel to the region has become easier.

The BGMEA also organized trade missions to China, Japan and Russia. We have to re-launch those initiatives to keep the momentum of our export to new markets.

Major markets such as Australia, Japan, Norway, New Zealand, Switzerland, South Korea, Russia, India and even middle-eastern countries like the UAE, Qatar, Kuwait, Kingdom of Saudi Arabia and Bahrain should also be considered as they are among the markets with high potential that remain largely untapped.

We need to organize more promotional campaigns and road-shows to introduce "made in Bangladesh" products across the globe, as well as draw more foreign investment for our textiles and high-end fashion industry.

And throughout the journey of diversification, commercial diplomacy will be vital for us to explore new markets since tariff is a major barrier that remains in almost all potential markets.

Besides, we need to keep in mind that there are potentials to further penetrate existing markets in the EU and US.

A thorough market research to explore product and sourcing mix of the brands who are currently sourcing from Bangladesh, as well as those who are sourcing on limited scale will be helpful in this regard.

There are also a huge number of brands in the EU and US that are still not sourcing from Bangladesh due to the product categories or volume they require that can also be tapped for huge additional growth in those markets.

Since Bangladesh has graduated to a middle-income country, there will be inevitable changes in market access. While using the special dispensation of LDCs for the few remaining years, we must not lose sight of a long-term strategy of deepening the country's competitiveness as it prepares to graduate from LDC status.

We need to prepare a comprehensive National Export Strategy and align our trade policies accordingly to promote investments. In business and trade, backward and forward linkages play a vital role.

A tactical investment campaign is needed to develop the capacity of these industry linkages, keeping in mind the requirement of double transformation in line with the Global Value Chain (GVC).

At the same time, we should also prepare to follow the new global trend and continue seeking market access under the various bilateral and regional trade, and investment arrangements.

Bangladesh is yet to have a fully operational bilateral free trade agreement (FTA) despite having signed a few preferential trade agreements and regional agreements like SAFTA, APTA, BIMSTEC and TPS-OIC.

The government has received proposals for potential bilateral trade agreements from several countries including China, Malaysia, Singapore and Thailand in recent years.

Besides, the government is also working on free trade and economic partnership agreements with countries like India, Sri Lanka, Indonesia, and so on.

In terms of increasing the share of our garment exports to these regions and building cooperation in technological transfer as well as attracting more Foreign Direct Investment (FDI), these regions can be a great hub for Bangladesh.

Bangladesh is now passing through a golden age in terms of population dividend. About 65 per cent of our people are within 18 to 40 years of age.

We have an active population of around six million people in Bangladesh and every year around 2 million more join the labor force.

A country usually does not possess such a young and vibrant population even in a century. We have to prioritize strategy for harnessing benefits from this young workforce by making them upskilled and tech-savvy with proper technical and market driven education programs.

The country's prosperity and economic growth has evolved through the contribution of manufacturing sectors, especially garments.

The stability of Bangladesh's economy is largely dependent on the apparel industry and to secure this sector, we need a planned strategy for future investment.

The BGMEA is continuously working on areas regarding market access, backward linkage industries, and suggested the government should develop a virtual marketplace for local garment products.

The government's policy support in areas such as education and financial policies, free trade and regional trade agreements, and existing trade barriers such tariff and non-tariff barriers related to the garment industry is vital and crucial.

Only with these supports will we be able to upgrade the sector which has been acting as the pillar of Bangladesh's economy for a long time.

The author is president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

Puma to expand Bangladesh footprint

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As fewer people are now going abroad due to the ongoing coronavirus pandemic, they are searching for the products of international brands in the country.

As such, Puma has taken this initiative to expand operations despite being closed for a prolonged period amid the pandemic.

"Definitely, we are getting good response from customers. We have seen that people have a lot of demand for Puma products. Buyers are coming from different parts of the country," Jabbar said.

"So, considering the needs and demands of the people, we think that now we need to expand the our presence. After Dhanmondi, we will open outlets in Bashundhara City, then in Uttara and other parts of the country within 2022," he added.

The store layout and brand imagery has all been integrated uniquely to engage with the consumers further. The store has been organized and decorated in Puma's 'Forever Faster" concept, DBL said it in a statement yesterday. Puma is focusing on bringing distinctive designs and a global outlook to each product range by blending influences of sport, lifestyle and fashion. This fusion is known as "Sportlifestyle", it added.

Puma is the top sportswear brand among other international brands that operate in the country, such as Bata and Lotto.