

STOCKS		Week-on-week	COMMODITIES		As of Friday	ASIAN MARKETS				Friday Closings	CURRENCIES				As on Thursday STANDARD CHARTERED BANK
DSEX	CSCX		Gold	Oil		MUMBAI	TOKYO	SINGAPORE	SHANGHAI		USD	EUR	GBP	CNY	
▲ 0.19%	▲ 0.34%		\$1,756.67 (per ounce)	\$82.39 (per barrel)		▲ 0.64%	▲ 1.34%	▲ 0.38%	▲ 0.67%		BUY TK 84.65	96.79	114.16	12.89	
7,342.97	12,879.21					60,059.06	28,048.94	3,112.81	3,592.17		SELL TK 85.65	100.59	117.96	13.55	



BUSINESS

DHAKA SUNDAY OCTOBER 10, 2021, ASHWIN 25, 1428 BS ● starbusiness@thedailystar.net

Import bills surpass pre-pandemic levels

AKM ZAMIR UDDIN

Import payments surged in Bangladesh in the first two months of the current fiscal year to go past the pre-pandemic levels, a sign of strong economic recovery in keeping with a sharp fall in coronavirus infections.

The settlement of letters of credit (LCs), also known as actual import payments, swelled 45.3 per cent year-on-year to \$10.76 billion between July and August, according to data from the Bangladesh Bank.

The payments went past the pre-pandemic level: the country spent \$8.97 billion in the first two months of the fiscal year of 2019-20.

Along with the recovery, the commodity price and the shipping cost have increased to a large extent, pushing up the import payments, analysts say.

Mustafizur Rahman, a distinguished fellow of the Centre for Policy Dialogue, said the rise in imports indicated that the economic recovery was on the right track.

Businesses imported capital machinery worth \$639 million in the first two months of FY22, an increase of 11 per cent from a year ago.

"The rise in the imports of capital machinery is a good

sign. It showed that businesses are expanding," Rahman said.

"But, we have to take into account the price effect in the global market. The cost of imported commodities is on the rise."

The shipping cost has gone through the roof, rising four-five times the pre-crisis level, as demand r o s e

"This will bring a negative effect for the common people if their income level does not go up," said Rahman.

T h e

from furnace oil-based power plants has increased all of a

months as the economy was running in full swing.

In some cases, the cost of capital machinery has increased by 40-50 per cent compared to



WHY IMPORTS MAINTAINING UPTREND?

- Economic recovery
- Expansion of industrial sector
- Price hike in global commodity market
- Rise in shipping costs
- Increased demand for petroleum in power plants

globally. As a result, inflationary pressure has built up, and it might intensify in the days ahead.

price hike of petroleum products may play a major role in raising inflation.

The import cost of petroleum products stood at \$1.04 billion in July-August, up 71 per cent year-on-year.

ABM Azad, chairman of Bangladesh Petroleum Corporation, said the latest upward trend of petroleum prices in the global market had not created any major impact for the country yet.

The demand for petroleum

The rise in imports has given an indication of economic recovery

the pre-pandemic level. "Still, the private sector is expanding their operations. This is a good sign for the economy," he said.

The price of industrial raw materials such as scrap metal and cotton went up significantly in the global market.

Between July and August, businesses imported raw materials worth \$3.9 billion, up 37 per cent from a year ago.

Because of the higher import payments, the volume of the

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RISE IN IMPORT PAYMENTS

Jul-Aug (y-o-y)



SOURCE: BB



Mustafizur Rahman
Distinguished fellow at CPD

Bid to regain customer trust

20 e-commerce firms open 20-day shopping festival today

STAR BUSINESS REPORT

Local e-commerce platforms are organising a 20-day online shopping festival featuring quality products and services in a bid to regain consumer trust in the industry, which has been shrouded by recent controversy.

Dubbed "10-10", about 20 established e-commerce, logistics and payment companies are going to take part in the festival starting from today.

"E-commerce is not a fraud or Ponzi scheme. It's all about good products and seamless service for consumers and there are some real players in the industry with good reputations," said AKM Fahim Mashroor, chief executive officer of AjkerDeal, one of the participating e-commerce platforms.

But due to the existence of some fake e-commerce platforms, a negative notion has been created about this industry.

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State banks themselves are problem-ridden

BB tells finance ministry in response to Padma Bank's merger proposal

STAR BUSINESS REPORT

Nearly three months after Padma Bank submitted its proposal seeking a merger with any state-owned lender, Bangladesh Bank said that state lenders are now plagued by financial health issues due to excessive defaulted loans.

Besides, the state-owned banks of Bangladesh are suffering from a capital shortfall, according to the central bank.

The lenders are also feeling the pinch of other shortcomings, including problems that stem from poor operational and management practices.

With this backdrop, the central bank said that attracting foreign



capital would be a good option in order to resolve Padma Bank's capital shortfall.

Bangladesh Bank made these remarks in a letter sent to the finance ministry on October 5.

Earlier in September, Padma Bank signed a memorandum of understanding with California-

based investment bank DelMorgan & Co to find potential foreign investors.

Padma Bank, erstwhile Farmers Bank, pleaded the finance ministry in July for a merger with any state-run bank in a desperate effort to avoid further deterioration of its financial health.

In the letter, Padma Bank said it faced a lot of constraints since the start of its new journey in 2019, including a severe shortfall of liquidity.

It is said to have managed to improve its liquidity status over the following two years and grow confidence among depositors while continuing the process of regularising default loans in phases.

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STAR/FILE

Lawmaker Md Mojibul Haque called for setting up more dormitories for garment workers.

The ministry has a target to disburse the money among 72,000 workers with Tk 3,000 each for three months.

"We are going through a very tough time as we are struggling to revive our business from the fallout of Covid-19," said Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association.

Mohammad Hatem, first vice-president of the Bangladesh Knitwear Manufacturers and Exporters Association, said international buyers always spoke about ethics but they had not maintained the ethical standards during the pandemic and indiscriminately cancelled or suspended orders and demanded unusual deferred payment.

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MINIMUM GLOBAL CORPORATE TAX NBR observing developments

STAR BUSINESS REPORT

The National Board of Revenue (NBR) is observing developments regarding a recent global move setting the minimum tax rate for big companies at 15 per cent to curb scopes for them to transfer profits to low tax jurisdictions.

A group of 136 countries, representing more than 90 per cent of the global GDP, on October 7 agreed to set a minimum global tax rate and joined a new two-pillar plan to reform international taxation rules.

It will ensure that multinational enterprises pay a fair share of tax wherever they operate, said the Organisation for Economic Co-operation and Development (OECD), which leads the talks.

Out of the 140 countries involved, 136 supported the deal while Kenya, Nigeria, Pakistan and Sri Lanka are abstaining for now, reports Reuters.

Contacted, the NBR officials who follow international tax issues said Bangladesh allows tax exemptions for various industrial sectors, namely power, garments and ICT, to encourage local and foreign investments.

Hence, it is yet to decide on any minimum corporate tax, they said.

Taxmen said they earlier attended meetings related to the OECD's base



erosion and profit shifting (BEPS) project taken in 2013, which later turned into the OECD/G20 Inclusive Framework on BEPS.

Now 140 countries implement the Inclusive Framework on BEPS. Bangladesh is yet to join.

"We will follow developments and then we will decide," said an NBR official dealing with tax.

Reuters reported that negotiations have been going on for four years.

While the costs of the pandemic gave them additional impetus in recent months, a deal was only agreed when Ireland, Estonia and Hungary dropped their opposition and signed up, it said.

Moreover, the 15 per cent floor agreed is well below a corporate tax rate which averages around 23.5 per cent in industrialised countries, added Reuters.

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Mutual fund sector largely untapped for poor publicity

Experts say at webinar

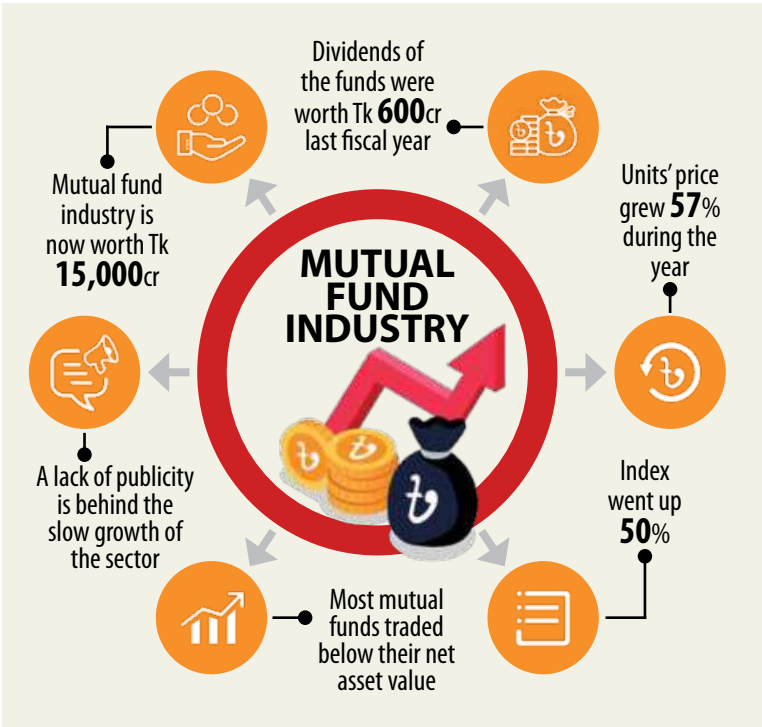
STAR BUSINESS REPORT

Mutual fund is an underrated sector as it gets very little publicity despite offering higher dividends, according to various experts.

"The mutual fund industry in Bangladesh is currently worth about Tk 15,000 crore, which is insignificant compared to the country's gross domestic product and overall stock market value," said Prof Shibli Rubayat Ul Islam, chairman of Bangladesh Securities and Exchange Commission (BSEC).

These comments came during a webinar on the "Institutional role in sustainable financing", organised by the Association of Asset Management Companies and Mutual Funds (AAMCMF) as a part of World Investor Week-2021.

Mutual funds pool money from investors to channel it into securities such as stocks, bonds, and other assets. Depending on the profits earned, investors are paid a share as dividends.



Mutual funds in Bangladesh have been unable to reach their full potential as many people do not know about the high-performing sector due to a lack of publicity by local asset management companies, Islam said.

However, the BSEC chairman went on to say that they are pleased by the industry's recent performance, which resulted in fund managers providing better dividends for fiscal 2020-21.

People are looking for options to invest in as bank deposit rates are mostly lower than the country's inflation rate.

"But many people don't know about the mutual fund sector, which provided good dividends this year. The main problem is a lack of publicity of the industry's performance," he said.

If fund managers cannot bear the cost of publicity measures, then the association could help in this regard.

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