War affects local commodity prices

Says Razzaque

STAR BUSINESS REPORT

Russia's military offensive in Ukraine and the subsequent sanctions imposed on Moscow have affected the commodity prices in Bangladesh to some extent, said Agriculture Minister Muhammad Abdur Razzaque.

The minister said this responding to a query from media after a meeting with Qu Dongyu, secretary general of the Food and Agriculture Organisation of the United Nations (FAO), in Dhaka yesterday.

Razzaque said the commodity prices have already risen in the international market due to the impact of the war and it has affected the commodity prices in the country to some extent.

"We now have maximum stocks of food grains. Crop production is also good. Besides, new rice will come from April 15. So, after all, we won't have any major problem," he said adding that there will be no food crisis in the country. FAO will work to increase investment in Bangladesh's agriculture.

Talking about the outcome of the meeting with Qu Dongyu, the minister said the FAO chief assured that they will work to increase investment in the development of agriculture in Bangladesh.

The FAO will also host an investment summit next October where they will encourage other international development and donor agencies to invest in the development of Bangladesh's agricultural sector and the transformation of the agro-food system, he said.

The FAO DG also said that they will invite Prime Minister Sheikh Hasina to the investment summit.

At the same time, the agriculture minister said, "We need international investment for the development of the agriculture sector. We want to develop an irrigation system.

Dhaka chamber for cuts in corporate tax rate

STAR BUSINESS REPORT

The Dhaka Chamber of Commerce & Industry (DCCI) yesterday urged the revenue administration to cut the corporate tax for listed and non-listed companies by 2.5 percentage points in the next fiscal year (FY) of 2022-23.

Currently the tax rate for companies listed on the stock exchanges is 22.5 per cent while non-listed ones 30 per cent.

"If the government cuts the corporate tax rate, it will boost local and foreign investment," said DCCI President Rizwan Rahman.

The chamber placed a total of 40 recommendations for the upcoming national budget of FY 2022-23 during a meeting with National Board of Revenue Chairman Abu Hena Md Rahmatul Muneem at the latter's office in the capital.

Rizwan also proposed slashing the tax on income of corporate dividend from the existing 20 per cent to 10 per cent.

He said it would encourage local investors to go for reinvestments as well as boost the efficiency of the stock markets.

Rizwan also recommended that the annual turnover tax exemption for businesses be increased to turnovers of up to Tk 4 crore from the existing Tk 3 crore.

He also requested to impose turnover tax based on value addition to products or profit margins.

The DCCI chief proposed to increase the tax free income limit for individual taxpayers from the existing Tk 3 lakh to Tk 4 lakh taking into consideration rising inflation and living costs.

He said about 27 lakh taxpayers regularly submit their returns on an average every year, which was very nominal for an economy like Bangladesh's.

Only 37 per cent of 62.77 lakh registered taxpayers filed income tax returns until January 2 this year, the last day for filing income and wealth statements by individuals, according to the NBR.

BCI PROPOSALS

Meanwhile, in its budget proposal, Bangladesh Chamber of Industries (BCI) called for formulating policies for financing from the special fund created by the government to encourage young entrepreneurs.

In absence of proper policies, the benefit of the fund could not be realised, said BCI President Anwar-ul Alam Chowdhury (Parvez).

It suggested full digitisation of tax systems to modernise the tax administration and encourage people to comply with rules.

The BCI proposed tax rebate for firms that will employ persons with disabilities and transgender people.

Tarique Afzal reappointed AB Bank MD

STAR BUSINESS DESK

AB Bank recently reappointed Tarique Afzal as its president and managing director for a second term with effect from July 8.

As such, Afzal will remain in the positions until July 7, 2027, a press release said.

Tarique took charge as president and managing director of the bank on July 8, 2019.

He started his banking career as a young professional in the late 1980s in London, UK.

He later served at TD Bank (Canada), ANZ Grindlays, and Standard Chartered Bank in Bangladesh.

He also held senior positions at Bank Alfalah and Brac Bank.

Tarique has an MBA in finance and marketing.

Scrap turnover tax on non-profitable operators

Mobile operators urge govt

STAR BUSINESS REPORT

The Association of Mobile Telecom Operators of Bangladesh (Amtob) urged the government to withdraw the turnover tax on non-profitable operators and slash corporate tax in the upcoming national budget.

In its budget proposals presented to the National Board of Revenue (NBR), the association said it is logical to withdraw or rationalise the minimum 2 per cent turnover tax on non-profit operators. This is because income tax is paid on income, not on sales or receipts. "So, paying the minimum tax even after the loss of business means paying tax from the capital," it said.

The Amtob demanded a reduction of the corporate tax from 25 per cent and 32 per cent for the listed and non-listed companies, from the current 40 and 45 per cent, respectively.

SM Farhad, secretary-general of the Amtob, said in previous years, the revenue of the mobile sector was more than 1 per cent of the country's gross domestic product and the amount of taxes and fees paid by the sector was about 4.5 per cent of the total government tax revenue.

"In other words, the contribution of the telecom sector's taxes to the economy is more than four times its size, while the contribution of the sector to the economy is approximately 7 per cent."

In Bangladesh, despite the expansion of mobile coverage, almost half of the population is yet to be able to be connected to the mobile network. So, one of the conditions for digital inclusion is the reform of the tax structure in the mobile sector, according to the association.

Banks in talks with distressed buyers on Russian assets

REUTERS, *New York/London*

Banks are having conversations with potential buyers on how to get rid of their exposure to Russian corporate loans, but sanctions fears and pricing uncertainty are limiting trading activity and the ability of buyers to act, several banking sources said.

Punishing Western sanctions on Moscow in the aftermath of its invasion of Ukraine have prompted some distressed debt buyers to approach banks holding Russian loans to sound out their appetite to potentially sell that exposure at a discount, two bankers said.

Another banker said he had an opportunity to buy some Russian companies' loans but dismissed the offer because of fears that more sanctions could further limit the ability to recover value.

The discussions, though tentative, highlight foreign banks' uncertainty on how to manage their exposure to Russia, which according to Bank for International Settlements data is to the tune of $120 billion.

Banks tend to hold loans in their portfolios, only selling down their exposure quietly through bilateral transactions as they do not want to be seen as dumping the paper in the market.

One of the sources said he was approached by distressed debt desks at two US banks last week to discuss any potential interest in selling loans, but he said he was sceptical talks would lead anywhere.

"I think they might say they're interested, it's exciting for distressed markets, but I think we're some way off from seeing any real liquidity," the banker said, speaking on condition of anonymity as the talks are private.

Dhaka, Delhi mull

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the 50th anniversary of the Liberation of Bangladesh and the establishment of bilateral diplomatic relations," he remarked.

Referring to connectivity in South Asia, he said India and Bangladesh would soon be connected via six rail links, and India and Nepal via two rail links.

Shringla said India's pursuit of globalisation begins with its neighbourhood. "It is the neighbourhood that comes first and foremost amongst all our foreign policy priorities," he said.

New stock circuit breaker raises

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Besides, Bangladesh's economy is not hugely linked with Russia that the index can drop at the same rate as the global markets, Siddiqi said.

Bilateral trade between Bangladesh and Russia is worth nearly $1 billion while two-way trade with Ukraine amounts to about $350 million.

"But general investors were panicked. Our investors are driven by greed or panic alternatively," said Siddiqi.

"In principle, I don't support the policy intervention. The BSEC should not continue it for a long time," he said, adding that the 2 per cent ceiling is negligible.

He advised investors to gain enough financial knowledge so that they can invest or sell shares rationally.

A merchant banker echoed Siddiqi, saying the stock market in Bangladesh is driven by retail investors and they can't absorb shocks so the regulator intervenes in the market now and then.

"In a free market, such an intervention is not logical. In Bangladesh, the intervention came very early. If the market falls further what it will do then?" he asked.

Almost all markets globally dropped in the wake of the war, but none is yet to take any policy move to curb the fall.

In the past one month, the Dow Jones Industrial Average, the major index of the US, dropped 8.77 per cent, the S&P 500 fell 9.08 per cent, the German index DAX plunged 12.94 per cent, the FTSE 100 of the UK was down 6.91 per cent, and the Euro Stoxx 50 plummeted 12.34 per cent.

Japan's Nikkei 225 slid 10.75 per cent, China's Shanghai index dropped 6.58 per cent, the Hong Kong index Hang Seng tanked 17.24 per cent, and India's BSE Sensex lost 7.26 per cent.

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), dropped 8.87 per cent in the last month.

Regulators in the developed economies intervene in the market in extreme cases and an 8 to 10 per cent fall is not an extreme case, the merchant banker said.

"If you allow the market to fall freely, some investors will enter the market to buy stocks. But, now the buyers can't fathom how far the index can fall really, so they will be cautious in making investments."

Foreign investors also want a free float-based market where easy entry and exit is allowed, and they are abhorrent of intervention.

An asset manager says the BSEC's step came too early as the 8 to 9 per cent fall of the key index in a volatile world economic scenario is not unusual.

"If the market force does not support the rise of the stock market index, no artificial push will help it move higher."

"Therefore, the BSEC should raise awareness among investors that when the index fall they should not panic. Who can stop them if they panic and incur losses?"

Russia-Ukraine war fuels

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from $1,670 in 2020, and remained stable for around five months.

However, the price increased just after Russia initiated its war on Ukraine.

"We had to open a letter of credit to import aluminium ingots at $4,100 per tonne yesterday," Barua said.

Besides, global shipping costs have also risen and its impact has fallen on local prices, he added.

Abdul Mannan, general manager of sales and marketing at Neo Aluminium, said the price of construction grade aluminium rose to Tk 585,000 per tonne in around a week while it was Tk 450,000 per tonne on February 28.

Construction grade aluminium sold for Tk 340,000 per tonne in December 2020, he added.

Mannan went on to say that the price hike came as commercial adjustments to the rising cost of raw materials.

Bangladesh needs about 5,000 tonnes of finished construction grade aluminium each month while the sector as a whole imports around 3,000 ingots per month, he said.

There are 11 companies in the country that manufacture construction grade aluminium for local consumption, he added.

Mannan also said there is no scope to control the market at the moment amid the global turmoil surrounding Russia and Ukraine.

Bangladesh imports aluminium ingots from India, Singapore, Malaysia, Bahrain, Saudi Arabia, and Australia.

After speaking with a number of retail outlets for construction grade aluminium, this correspondent found that prices had risen by around 27 per cent in the last eight days as manufactures increased it by 17 per cent on March 1, and later 10 per cent on March 8.

Mohamad Iqbal Hossen, a retailer in Dhaka's Farmgate, said manufacturers increased the price through a notice to retailers.

He said the retailers and consumers will be affected by the abnormal price hike of construction grade aluminium as sales may decrease.

As per the current prices, the annual market size for aluminium products has reached around Tk 3,000 crore while it was Tk 2,700 crore just a couple of weeks ago.

Soybean oil import falls as refiners

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In its February report on "Oilseeds: World Markets and Trade", the US Department of Agriculture (USDA) said dry weather in South America over the past two months has significantly depressed their forecasts of soybean yields and slashed production.

Soybean prices have jumped in response to the decrease and forecast of tight stocks, it added.

The World Bank, in its Commodities Price Data for March, said the average price of soybean was $662 per tonne in February, up from $606 a month ago. Soybean oil prices were also skyrocketing.

While palm oil prices shot up for supply constraints, labour shortages, export restrictions by Indonesia, and the invasion of Ukraine by Russia, as Reuters recently said, buyers rushed to secure replacements for sunflower oil shipments from the top exporting Black Sea region.

Palm oil was priced at $1,522 per tonne in January from $1,345 the previous month, according to WB data.

Bangladesh Bank data showed that LCs were opened to import 29 per cent less crude palm oil year-on-year to 2.01 lakh tonnes until February 15 of the fiscal year. The arrival of crude palm oil fell 16 per cent to 1.56 lakh tonnes.

The recovery rate of palm oil from its crude form is 99 per cent.

But the overall trend of the import of refined palm oil remained positive, according to the LC opening and settlement data.

The LCs were opened to import 45 per cent more refined palm oil at 6.94 lakh tonnes between July 1 and February 15. The arrival grew 37 per cent to 5.32 lakh tonnes.

Didar-Mohd Dabirul Islam, head of finance and accounts of Bangladesh Edible Oil, said importers had been delaying opening LCs over the past month on concerns that they might suffer losses in case of a sudden slump in global market prices.

He said processors would feel confident in buying edible oil at higher prices from the global market if the government allows them to adjust the prices accordingly.

"We will also take prompt steps for import if the government removes value-added tax on edible oil imports," he said.

Md Shafiul Ather Taslim, director of TK Group's finance and operations, said they were continuing to make imports but not at a high volume.

"It appears that imports would decline to some extent as consumption is likely to drop for high prices," he said.

Refiners have demanded a hike in the price in a bid to shift the burden of increasing import costs on the shoulders of the consumers.