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BUDGET: FY23 Tax incentive for hiring physically challenged

STAR BUSINESS REPORT

Employers hiring over 25 persons who are physically challenged or of the third gender or over 10 per cent of whose employees comprise such persons are expected to become eligible for a tax rebate.

Employers now get a 5 per cent rebate on tax if minimum 10 per cent of their workforce are these persons

The tax rebate may be provided on 75 per cent of the salary paid to these persons or of 5 per cent of the payable tax, whichever is less.

Currently, employers get a 5 per cent rebate on payable tax if a minimum of 10 per cent of their total workforce comprise persons who are physically challenged or of the third gender.

The same goes for cases when more than 100 persons of the workforce are of the third gender.

Exporters to pay higher source tax

STAR BUSINESS REPORT

Although exporters of all sectors are going to enjoy 10 per cent (green businesses) and 12 per cent (non-green businesses) corporate tax in line with garment makers, source tax on export proceeds is likely to double to 1 per cent from the next fiscal year.

The existing 0.5 per cent source tax has been in place for the last couple of years, according to the National Board of Revenue.

The move comes against the backdrop of businesses showing interest in importing gold after the government framed a gold policy in 2018 to bring the gold trade under a regulatory framework. Officials expect that the tax waiver would help the jewellery market to flourish and increase the state's revenue collection.

Taka gains after months

AKM ZAMIR UDDIN

Local currency taka gained in value by Tk 0.50 to Tk 91.5 per US dollar at the interbank platform yesterday after facing a continuous slide in the last couple of months.

A Bangladesh Bank official said this might be a temporary phenomenon as the country's foreign exchange market was still under pressure due to a shortage of US dollars.

The central bank yesterday injected \$124 million into the market to offset the shortage in the market.

A record \$6.59 billion has been injected into the market between July 1 and June 8 this fiscal year, according to data from Bangladesh Bank.

In spite of this, the foreign exchange market is still facing a shortage of US dollars due to soaring import payments and a declining trend in the inflow of remittance.

The country's import payments have shot up since the end of last year because of the rising prices

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BUDGET OF FY23 BY THE NUMBERS (proposed)

SOURCE: FINANCE MINISTRY

Budget size:	Tk 678,064cr
Revenue generation target:	Tk 433,000cr
NBR target:	Tk 370,000cr
Budget deficit:	Tk 245,064

BUDGET IN % OF GDP

	Budget	GDP	In %
FY1972-73	Tk 786cr	Tk 4,985cr	15.76
FY2021-22	Tk 603,681cr	Tk 3,976,462cr	15.18

CHALLENGES

- Volatility in macroeconomy
- Depleting forex reserves
- Low tax-to-GDP ratio
- Low job creation
- Weak progress in reforms
- Lack of tax reforms
- High cost of doing business

RECOMMENDATIONS

- Make macroeconomy management prudent
- Limit budget deficit
- Set rational revenue and expenditure target
- Tighten money supply
- Protect poor from higher inflation
- Expand safety net, raise allowance
- Accelerate reforms
- Introduce safety net for urban poor

Time for austerity, time for generosity

Kamal has to apply both measures as he unveils budget today

MD FAZLUR RAHMAN

Austerity and generosity may not go hand in hand, but Finance Minister AHM Mustafa Kamal faces a situation where he has to apply both when he unveils the budget for the next fiscal year today.

Austerity is the need of the hour because abnormally high imports, albeit needed to support the economy rebounding from the coronavirus pandemic, and higher commodity prices mean the septuagenarian politician will have to go all the way to save every penny he can amid depleting foreign reserves and lower revenue collection.

He has to be generous as never in recent memories, so many people of Bangladesh have looked to the government like they are doing now, in order just to protect themselves from the painful onslaught of higher inflation.

It seems that Bangladesh is now at an inflection point.

Bangladesh had recovered swiftly from the fallout of the coronavirus pandemic and was set to sail safely despite the threat of higher inflation three

months ago. But everything has changed since the Russian invasion of Ukraine.

The war broke global supply chains and sent inflation to record levels in most countries.

In Bangladesh, the higher prices of essentials are mostly driven by elevated levels of

lower-income groups from the impacts of inflation," said Prof MM Akash, chairman of the economics department at the University of Dhaka.

The current situation warrants all-out efforts from the government. But it can't rely on fiscal measures alone to

falling into stagflation — a combination of high inflation and economic stagnation.

"In order to ensure stability and protect people from hardships, we may be needed to sacrifice economic growth to some level," said Monzur Hossain, research director of the Bangladesh Institute of Development Studies.

The government's performance when it comes to bringing meaningful reforms is low. What is even more worrying is it leaves reforms for the last minute until a disaster strikes or a situation emerges that gives no choice to the authorities but to do something.

But an important lesson could be gleaned about the cost of procrastination from the recent exchange rate volatility.

Experts have long demanded a gradual depreciation of the taka. But it was not done. Now, the government has been compelled to do so as the depletion of foreign reserves sounded out an alarm that Bangladesh might face a Sri Lanka like situation.

"It is better to introduce

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dbi CERAMICS

global commodities prices and unprecedented freight charges. So, the government doesn't have full control over it.

What it can do to lessen the impacts of higher inflation is to take measures that are within its reach.

"The government will have to intervene in the market through increasing the supply of essentials, adopt direct cash transfer and provide rations to protect the poor and the

reach the goal.

And the next move will have to be involved monetary instruments that the government has not used so far largely.

But if the monetary tools are applied appropriately, the liquidity supply will slow, the investment may fall and imports will come down. It may even go on to decelerate economic growth.

Even the country risks

Kamal determined to ride out current uncertainty

REJAUL KARIM BYRON

AHM Mustafa Kamal, whose life has been full of struggles, had dreamt of becoming the finance minister, so he consciously entered politics.

The dream came true in January 2019. But with the fulfilment of the dream came challenges. Just days before the budget unveiling in the year, he was struck with dengue fever.

He was taken to hospital. He came to parliament in an ambulance straight from there although he had not recovered fully.

But he managed to summon up enough strength to rise from his seat and delivered his maiden budget speech.

He was so weak that he had to stop midway the speech. In an unprecedented incident, the prime minister stepped forward and finished reading the unfinished part.

"Nothing was hampered," recalled Kamal, while speaking to The Daily Star on Monday.



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Troubles did not spare him as he had to deliver the next two budgets amid the coronavirus pandemic, the worst crisis the world has ever seen since the Great Depression of the 1930s and Bangladesh has ever seen since its independence.

The highly contagious and deadly virus meant Kamal, who was 72 when Covid-19 hit the country and belongs to the very high-risk group, had to frame the budget, maintaining strict health protocols.

"This was the time when people were fleeing cities. The economy came to a screeching halt. People lost jobs. They had neither money nor food. It was a terrible situation," said Kamal.

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STOCKS

DSEX ▲	CASPI ▲
0.24% 6,484.24	0.34% 19,023.91

COMMODITIES

Gold ▲	Oil ▲
\$1,854.82 (per ounce)	\$120.25 (per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.39% 54,892.49	▲ 1.04% 28,234.29	▼ 0.18% 3,225.80	▲ 0.68% 3,263.79

Ten banks face capital shortfall of Tk 27,051cr

AKM ZAMIR UDDIN

Ten banks in Bangladesh collectively faced a capital shortfall of Tk 27,051 crore in March, an indication of their fragile health caused by years of irregularities.

The banks are Bangladesh Krishi, Sonali, Rupali, Agrani, BASIC, Rajshahi Krishi Unnayan, ICB Islamic, Bangladesh Commerce, Janata and Padma.

The irregularities perpetrated by the banks are mainly responsible for the large capital deficit, an expert said.

Among the lenders, Bangladesh Krishi Bank had the highest capital shortfall of Tk 12,877 crore in March, up 15 per cent from a year ago, as per data from Bangladesh Bank.

Rupali's shortfall widened to Tk 1,984 crore from Tk 762 crore over the same period.

This led an analyst to call on the central bank to take immediate measures to address the problem as such a situation sends a negative signal to the international community and local businesspeople that the banking sector is weakening.

A Bangladesh Bank official said that foreign businesses usually look at the capital base of banks before making any investment decisions.

"So, this level of capital shortfall keeps foreign investors at bay," he added.

The amount of default loans at banks increased substantially in March this year, bringing a negative impact to the capital base in the sector.

Default loans at 60 banks operating in Bangladesh surged 19.3 per cent year-on-year to Tk 113,441 crore in March this year.

Banks have to set aside a large amount of provisioning against the defaulted loans that ultimately hit their capital base.

The capital adequacy ratio (CAR) shrank to 11.41 per cent in March in contrast to 11.67 per cent a year ago due to the reduction of capital.

The CAR, also known as the capital to risk-weighted assets ratio, measures a bank's financial strength by using its capital and assets. It is used to protect depositors and promote the stability and efficiency of financial systems around the world.

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Signing of Collaborative Partnership Agreement

FEED: FUTURE



Signing of collaborative partnership agreement between ACME and USAID funded Feed the Future Bangladesh Livestock and Nutrition Activity, ACDI/VOCA regarding 'Promoting Anti-Microbial Resistance (AMR) Solutions and Embracing 'One Health' Concept to Overcome Shared Health Threats Among Humans, Animals and the Environment'

ACME has recently joined hands as collaborative partnership agreement with USAID funded Feed the Future Bangladesh Livestock and Nutrition Activity, ACDI/VOCA on 5th June 2022. This agreement was signed by Mr. Md. Hasibur Rahman, Additional Deputy Managing Director on behalf of ACME and Mr. Muhammad Nurul Amin Siddiquee on behalf of ACDI/VOCA with the presence of their duly authorized representatives at corporate office of ACME.

The aim of this collaborative partnership agreement will be helpful to reduce Anti-Microbial Resistance (AMR) and embracing 'One Health' concept to overcome shared health threats among humans, animals and the environment. This collaborative partnership agreement will engage ACME's human resource to enhance technical ability and skills of livestock service providers (LSPs) through which the farmers, consumers and overall environment of our country will be main beneficiaries.



Concord wins national environment medal

STAR BUSINESS DESK

Concord has won the National Environment Medal 2022 for its contribution to environment protection and pollution control.

Shahriar Kamal, managing director of Concord Group, received the medal from Saber Hossain Chowdhury, chairman on Parliamentary Standing Committee of the Ministry of Environment, Forests and Climate Change, at the Bangabandhu International Conference Centre in Dhaka recently, a press release said.

In addition, Concord has been playing a pioneering role in manufacturing eco-friendly construction materials in Bangladesh including bricks, blocks and tiles since 1998 to stop the use of clay bricks.

The Ministry of Environment, Forests and Climate Change introduced the National Environment Medal in 2009 in recognition of contributions to environmental pollution control and environmental protection. And the ministry conferred the medal to the recipient on the occasion of World Environment Day.



Farmers at Shajapur of Bogura's Shahjahanpur upazila carefully arrange vegetables inside baskets to minimise chances of damage during the long haul to markets around the country. They, however, lament that prices had fallen to around Tk 800 per maund (around 37 kilogrammes), less than half of what they were going for last month, something the Department of Agricultural Extension attributes to supply being higher compared to demand. The photo was taken last week.

PHOTO: MOSTAFA SHABUJ

Indonesians pay price of cooking oil crisis

AFP, Jakarta

About three weeks after Russian troops invaded Ukraine, Indonesian housewife Liesye Setiana was forced to close her banana chip business as cooking oil supplies dried up across the country.

Millions of consumers and small business owners in the world's fourth most populous nation have been rattled for months by skyrocketing cooking oil prices.

As the war between the two major grain and sunflower seed producers sent jitters through global markets, many producers rushed to shift their goods abroad to cash in on soaring rates.

Setiana would travel to a supermarket over an hour from her remote East Java village of Baruharjo to buy a daily eight-litre batch of palm oil that could keep her business alive. But the 49-year-old mother of two would be turned away, with sellers heavily rationing the commodity used in products ranging from cosmetics to chocolate spreads.

"I was fuming and told the employees

that I really need the cooking oil for personal use, not for hoarding," said Setiana, who used to make up to 750,000 rupiah (\$52) a day selling her savoury yellow snack.

"How come we have cooking oil shortages when Indonesia is the world's top palm oil producer?" Her battle for supplies is just a snapshot of the cooking oil crisis that has spurred hours-long queues of residents with jerry cans in hand across Indonesia's most populous island, Java, and others such as Borneo.

Two people died in March from exhaustion – including one who had queued at three different supermarkets, according to local media – as they waited in searing heat to get their hands on a product that rose to 20,100 rupiah a litre at its height. Indonesia produces about 60 per cent of global palm oil supplies, with one-third consumed domestically. India, China, the European Union and Pakistan are among its major export customers.

The squeeze on cooking oil at home forced the Indonesian government to

impose a now-lifted ban on exports last month, easing prices and shoring up domestic supplies. But at the end of May, the price of bulk cooking oil, the most affordable in the country, still hovered at about 18,300 rupiah per litre on average, above the government's target of 14,000 rupiah, according to official data.

The price spike has left many with difficult decisions to make. Sutaryo, who like many Indonesians goes by one name, runs a tempe chip business out of his home in South Jakarta. He was forced to jack up his prices and lay off four employees to stay afloat.

"After the surge of cooking oil prices, we have to be smart in calculating our production cost. Our consumers are left with no other choice but to accept a higher price for our kripik tempe," he said, referring to the traditional soy-based crackers. With demand yet to recover, production at Sutaryo's home factory has slid from 300 to 100 kilogrammes a day, and daily revenue is down to six million rupiah from 15 million before the pandemic.

Oil prices advance

REUTERS, London

Oil prices rose on Wednesday, despite a likely rise in US oil stocks, on the easing of Chinese Covid-19 related lockdowns and a possible strike by Norwegian oil workers.

Brent crude futures were up \$1.01, or 0.8 per cent, at \$121.58 a barrel at 0927 GMT. US West Texas Intermediate crude was at \$120.62 a barrel, up \$1.21, or 1 per cent.

"Despite the API report showing builds for crude and oil products, oil prices are higher, supported by expectation of China easing the Covid restrictions, translating in higher demand and imports this summer," UBS analyst Giovanni Staunovo said.

BUDGET: FY23

Tax cuts for cashless transactions

STAR BUSINESS REPORT

Listed and non-listed companies using banks and digital means to receive all receipts and income and carry out all expenditures and investments of over Tk 12 lakh are likely to enjoy a 2.5 percentage point tax cut from next fiscal year.

Tax for non-listed companies may be reduced to 27.5 per cent for the next fiscal year 2022-23 from 30 per cent in the outgoing fiscal year.

Listed companies might have to pay only a 20 per cent tax on their income if they raise more than 10 per cent of their paid-up capital through initial public offering. The tax rate could go up to 25 per cent if they raise 10 per cent or less.

Tax for one-person companies may decline to 22.5 per cent from 25 per cent if they transfer funds through banks or electronic means.

Startups need to file tax returns

STAR BUSINESS REPORT

The tax authority apparently seeks to cut turnover tax for startups to 0.1 per cent from the next fiscal year from the existing 0.6 per cent to facilitate the growth of budding entrepreneurs.

Startups are expected to be exempted from all types of reporting requirements related to tax, except for filing submissions of income tax returns.

The National Board of Revenue may also relax rules regarding allowable expenditures of startups.

Advance tax on gold import reduced

STAR BUSINESS REPORT

Advance income tax on the import of gold is expected to be withdrawn from the next fiscal year as the government wants to encourage formal trade of the precious metal and curb smuggling.

Currently, a 5 per cent withholding tax is collected on the import of gold.

Proof of tax return submission mandatory

STAR BUSINESS REPORT

Contractors and suppliers failing to submit proof of submission of income tax returns may have to pay an additional 50 per cent source tax from the next fiscal year.

Firms could also have their utility services disconnected if they fail to comply with undisputed demands for revenue of the tax authority.

Firms may also have to show proof of submission of income tax returns from the next fiscal year, according to a measure planned by the government.

Schools that have English versions could have tax return submission made mandatory.



Abul Kasem Mohammad Sadeque Nawaj, general manager for sales at Berger Paints Bangladesh, inaugurated a "Berger Experience Zone" on Bangabandhu Road at Ukilbar Market in Jhenaidah on Tuesday. Md Ata I Muneer, divisional sales manager, and Shakil M Humayun, Khulna branch manager, were present.

PHOTO: BERGER PAINTS BANGLADESH

Shanta Lifestyle

FROM PAGE B4

And over the years, the Bangladeshi mindset has evolved in terms of design, brand and product preferences as people now want modern, minimalistic and beautiful homes and they are willing to invest to get it.

According to Shanta's estimate, people are now spending as much as 25 per cent of the value of their properties on the interiors and that is a big amount.

There are a lot of components related to the interior and people are being very selective and focused on what they want. They want their house to be perfect. And for that, the market is ready now.

For that, the company has built up expert teams of architects, interior designers, sales advisers and warehousing and supply chain solutions

providers and started making imports.

Shanta Lifestyle is set to be launched this month but one of its teams has been working for the last three years, spending a substantial amount of time and manpower trying to understand customers' needs.

"And customisation is one of the biggest needs our consumers have. Each home is different, each person's perception on how their house should look is different. And that is where our customisation comes in," said Afzal.

"A customer can come into our showroom, look at our furniture and if they say they want to change the fabric, we can do that and we can do any addition and subtraction the customer wants. Any type of customisation that customers want, we can give that," he said.

He said when they identified that customisation was a big need, they went to look for brands that offer customisation. "We found some amazing Italian brands such as Molteni & C, Natuzzi Italia, Cattelan Italia," he said.

Shanta Lifestyle's inhouse teams of architects and interior designers help customers choose and select the products they want. At the same time, it has partnered with local architects and interior designers as well.

"When it comes to the interior itself, before we sit down with the client. We ask them about their vision and their needs and we decide what to give them based on their needs," said Afzal.

He said they were putting immense importance on sustainability and

environment friendly products.

"We ensure that brands are using sustainable materials. As we are working with Italian brands, Europe is all about sustainability, recycling and giving products that are eco-friendly and environment friendly," he said.

On its target customers, he said the brand wants to cater to everyone.

"Our showroom is open for everyone irrespective of their purchasing capacity – that is the vision of our leader Khondoker Monir Uddin, the managing director of Shanta Holdings," he said.

Citing a research of US-based global management consulting firm Boston Consulting Group, he said almost 3 million people in Bangladesh would be categorised in the middle income and affluent groups by 2027.

OECD sees

FROM PAGE B4

However, "the invasion of Ukraine, along with shutdowns in major cities and ports in China due to the zero-Covid policy, has generated a new set of adverse shocks," it said.

The OECD was supposed to publish its outlook in March, but it delayed its detailed assessment until now due to uncertainty over the war. At the time, it said the conflict could cut global GDP growth by "over one percentage point".

The World Bank revised its own figures on Tuesday, lowering its global growth forecast from 4.1 per cent to

2.9 per cent. The IMF cut its forecast by nearly one point to 3.6 per cent in April.

The OECD cut its growth forecast for the United States from 3.7 per cent to 2.5 per cent and that of China, the world's second biggest economy, from 5.1 per cent to 4.4 per cent. The eurozone's GDP is now seen growing by 2.6 per cent instead of 4.3 per cent while Britain's outlook was lowered to 3.6 per cent from 4.7 per cent. The OECD noted that commodity prices had risen, hitting real income and spending, "particularly for the most vulnerable households".

"Some 25 to 30 districts will become urban. We want to target this population," he said.

About the company's plans, he said they seek to go for aggressive expansion.

"So, we have an aggressive plan. Our key target is to expand beyond Dhaka city in just one year, and we want to cover all divisional cities in the next two years. Eventually we will go to these 25 to 30 districts," said Afzal.

For this, it is committed to invest Tk 100 crore in the next four to five years.

"Our long term vision is to manufacture locally, the brand we are connecting with has the aspiration and the potential to manufacture products locally. We want to focus on that. So that, the products become affordable for the middle class, reaching far beyond consumers in Dhaka," he said.



Emranul Huq, managing director of Dhaka Bank, and Mohammad Jahangir Alam, managing director of GPH Ispat, exchanged signed documents of an agreement at the bank's head office in Dhaka on Tuesday over financing distributors. Mohammad Abu Jafar, additional managing director of the bank, and Champak Chakraborty, head of syndication and monitoring unit of the steel manufacturer, were present.

PHOTO: DHAKA BANK



Mohammad Haider Ali Miah, managing director of Exim Bank, handed over mattresses for beds of hajj pilgrims to Md Saiful Islam, joint director of the Ministry of Religious Affairs and director of Hajj Office, at Ashkona Hajj Camp in Dhaka on Tuesday. Shakil Miraj, general manager for transport of Bangladesh Biman, and Mohammad Feroz Hossain, additional managing director of the bank, were present.

PHOTO: EXIM BANK



Md Masud Biswas, head of Bangladesh Financial Intelligence Unit, inaugurated a weeklong "Mutual Trust Bank (MTB) Branch Anti Money Laundering Compliance Officer Conference 2022" and "MTB AML & CFT Awareness Week-2022" at the bank's head office in Dhaka recently. Syed Mahbubur Rahman, managing director of the bank, and Rais Uddin Ahmad, deputy managing director, were present.

PHOTO: MUTUAL TRUST BANK

Leather sector can't flourish riding only on Eid activities
Minister says

STAR BUSINESS REPORT

The leather industry cannot flourish properly depending only on the activities that take place during Eid-ul-Azha, Industries Minister Nurul Majid Mahmud Humayun said yesterday.

It is time to think for the leather industry in a new way and find out a permanent solution to ensure fair prices and proper management of raw leather, he said.

The minister made the comments while virtually addressing the fifth meeting of the taskforce formed to recommend ways and set workplan for the development of the leather industry.

"There is a ready market for leather. We should utilise this opportunity to transform it into a profitable sector," the minister said.

The country can earn a lot of foreign currency with the proper use of leather, he said.

Many do not get fair prices for cattle skin during Eid season because of abundance of the item then, he said, adding that steps can be taken to purchase leather under government initiative.

South African economy grows to pre-Covid levels

AFP, Johannesburg

South Africa's gross domestic product grew by 1.9 per cent in the first quarter, returning the continent's most industrialised economy to pre-pandemic levels, official data showed Tuesday.

It was the second consecutive quarter of upward growth, the official statistics agency StatsSA said.



Commerce Minister Tipu Munshi recently hinted that edible oil prices may come down in local markets as global prices were falling. PHOTO: STAR

Govt to review edible oil prices

REFAYET ULLAH MIRDHA

The Bangladesh Trade and Tariff Commission (BTTC) yesterday suggested the commerce ministry review the price of edible oil in local markets as the product's price is declining globally.

However, the Bangladesh Vegetable Oil Refiners and Vanaspati Manufacturers Association sent a letter to the commerce ministry last week, demanding prices be increased further as the crude edible oil previously booked by local processors at lower rates is yet to enter the country.

The BTTC recommended reducing the local retail price of palm oil as international rates for the product are on a downward trend, according to Tapan Kanti Ghosh, senior secretary of the commerce ministry.

Palm oil imports are rising as Indonesia, the world's largest supplier of the key cooking ingredient, recently withdrew its export ban on the product and is now supplying it at lower rates.

And although Ghosh declined to elaborate on the soybean oil situation, he said the product was included in the BTTC's recommendations.

"We will review the prices of edible oil soon," he added. Commerce Minister Tipu Munshi had

hinted last week that edible oil prices may come down in local markets as international prices of the product were declining.

However, a source at the BTTC said that since soybean oil prices have not fallen to the expected level in international markets, it may not be possible to reduce local retail prices in the upcoming review.

Last month, the average price of bottled edible oil was increased by Tk 38 to Tk 198 per litre from Tk 160 per litre in April following the price hike of cooking oil in international markets.

The price was hiked despite a host of remedial measures taken by the government, such as reducing value added tax to 5 per cent from 15 per cent in March.

The latest price of soybean oil was hiked considering the base price of crude soybean oil, which stands at \$1,790 per tonne for local importers and refiners due to the government benefits afforded to them as producers of an essential commodity.

The base price of crude soybean oil did not come under \$1,800 per tonne even though the product's price has been showing a downward trend in international markets, the BTTC official said on condition of anonymity.

As such, it might not be possible to decrease the price of soybean oil in local markets through a review.

The local impact of lower rates for soybean oil in international markets may be reflected from the end of July as importers are opening letters of credit quoting lower prices, he added.

The price of edible oil recently witnessed abnormal increases in the domestic market following the rise in international prices of cooking oil and Indonesia's export ban on palm oil.

Bangladesh requires about 20 lakh tonnes of edible oil each year with demand increasing by between 2.5 lakh and 3 lakh tonnes during Ramadan, as per data from the commerce ministry.

Only around 2.03 lakh tonnes of the product can be sourced from local production while the remaining demand is met through imports. Of the country's total edible oil imports, crude soybean oil comprises some 5 lakh tonnes.

Meanwhile, roughly 24 lakh tonnes of soybean seeds are imported as well to produce around 4 lakh tonnes of edible oil, the data showed.

Similarly, Bangladesh imports 11 lakh tonnes of crude palm oil, of which some 85 per cent comes from Indonesia.

Stocks rebound on incentive hopes

STAR BUSINESS REPORT

Major indices of Bangladesh's stock market yesterday bounced back from a two-day fall as investors were buoyed by hopes of market-friendly measures in the upcoming national budget for fiscal 2022-23.

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), added 15 points, or 0.24 per cent, to end the trading session at 6,484.

Similarly, turnover of the country's premier bourse rose to Tk 916 crore from Tk 739 crore a day earlier thanks to a 24 per cent increase in investor participation.

Dhaka stocks rebounded after a two-day break as bargain hunters showed some buying interest in lucrative sector-wise stocks, International Leasing Securities said in its daily market review.

Investors are anticipating some incentives in the national plan for the next fiscal year and so, more of them are participating in the market ahead of the budget proposal, it added.

Among the sectors, ceramics rose 4.6 per cent, mutual funds increased 2.7 per cent and textiles advanced 1.3 per cent.

Investor activity was mostly focused on general insurance (11.4 per cent), textiles (10.3 per cent) and engineering (9.7 per cent).

Meanwhile, DS-30, the blue-chip index, and DSES, the shariah based index, advanced 3 points and 2 points respectively.

At the DSE, 190 stocks rose, 149 fell and 40 remained unchanged.

Meghna Insurance topped the gainers list, rising 10 per cent, while Shinepukur Ceramics, CAPM BDBL Mutual Fund One, CAPM IBBL Islamic Mutual Fund, and Metro Spinning also placed in the top five.

Sonar Bangla Insurance shed the most, dropping 2 per cent, while Eastern Lubricants Blenders, CVO Petrochemical Refinery, Desh General Insurance, and Bangladesh Monospool Paper Manufacturing were among other companies in the loser tally.

Beximco Ltd became the most traded stock with shares worth Tk 56 crore changing hands followed by Shinepukur Ceramics, Fu Wang Food, Provat Insurance, and IPDC Finance.

German industrial output bounces back

AFP, Frankfurt

German factory output increased modestly in April, figures published Wednesday showed, as industry in Europe's largest economy reckoned with the impact of the war in Ukraine.

Production was up 0.7 per cent on the previous month, according to the federal statistics agency Destatis, having registered a sharp 3.7 per cent drop in March.

Output fell by 2.2 per cent in April compared to the same month last year, when the coronavirus pandemic weighed more heavily on industry.

Despite the slight rebound in production, April's figures showed that "high energy prices, the Ukraine war and ongoing supply shortages are still having a major impact", said Andrew Kenningham, chief Europe economist at Capital Economics.

Time for austerity, time for generosity

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reforms from the position of comfort that gives the country an advantage, rather than doing it out of compulsion," said Selim Raihan executive director of the South Asian Network on Economic Modeling, a think tank.

Governments, for years or maybe decades, have neglected the issue of raising the tax-GDP ratio.

The Value Added Tax and Supplementary Duty Act 2012 was enacted in December 2012, but it did not come into effect, albeit partially, until 2019 because of the strong opposition from the business community.

Likewise, the National Board of Revenue has not been able to popularise electronic fiscal devices that would allow it to generate more VAT, which accounts for about 40 per cent of the tax collected.

"Unfortunately, no significant tax reforms have happened. Without a strong political signal, this will not be possible," wrote Sadiq Ahmed, vice-chairman of the Policy Research Institute of Bangladesh, recently.

As a result, the current government does not have much fiscal space to support the people who need the most.

"The problem is the current elevated level of inflation is here to stay at least for another one and a half years," warned Zahid Hussain, a former lead economist of the World Bank's Dhaka office.

Maintaining macro-economy stability is the main challenge for the

government. And in order to restrain domestic demand, the budget deficit has to be very limited.

But the budget deficit in FY23 would be 62 per cent higher compared to the outgoing fiscal year, said Zahid Hussain.

"That is not consistent with the expectation of restraining of expenditures."

The local prices of petroleum oil and fertilizer don't reflect their increase in the international markets owing to the administered price mechanism. Gas price adjustment has taken place.

This poses an insurmountable challenge to the government because it would lead to trouble whichever path it chooses.

"If prices are not adjusted upwards, subsidy spending will almost double. If prices are adjusted, inflation will spread. The practical approach will be adjusting prices gradually," Zahid said.

Monzur said the government should defer the implementation of import-tensive development projects for the time being and quickly complete the more important projects that are more economically viable.

He calls for raising the upper slab of the personal income tax, which benefits the well-off, since the government will have to raise more taxes from the wealthy and the rich.

"The income tax-free threshold should be raised."

The BIDS research director is against the idea

of withdrawing subsidies in the energy and agriculture sectors.

"We even may face a food crisis in the coming days. So, we will have to continue support for the sectors for six months to one year."

Prof Akash vehemently opposed the plan to offer a scope to bring back the money, which businesspeople transferred abroad through trade under invoicing, by paying a 7 per cent tax as penalty.

Job creation is a long-standing issue in the macro-economy context. The problem has been persisting for nearly a decade.

"During this period, sometimes we have low job creation. Even, the growth has been termed jobless sometimes," said Prof Raihan.

"We need to see how we can facilitate private sector credit growth and investment."

The cost of doing business is also high in Bangladesh.

"Procedures have to be simplified and regulatory barriers have to be removed in order to make it easy for investors to invest," he said.

Prof Raihan points out that the safety allowance was fixed several years ago.

"An allowance of Tk 500 to Tk 700 per month does not help much since the cost of living has gone up significantly," he said, calling for doubling or trebling of the allowance from the current level and the expansion of the coverage of the safety net schemes.

Asif Ibrahim, vice-chairman of Newage

Group of Industries, one of the top garment exporters, recommended rationalising corporate tax rates in line with the rates in the countries in the region.

"All the necessary reforms have to be brought in to attract both local and foreign investments."

Rizwan Rahman, president of the Dhaka Chamber of Commerce and Industry, says cottage, micro, small and medium enterprises need special attention. Large businesses also need lower corporate tax and source tax in business operation.

American Poet Edgar Albert Guest wrote in one of his poems that someday the world will need a man of courage in a time of doubt.

For Bangladesh, Kamal is perhaps that man at this hour of economic uncertainty.

Taka gains after months

FROM PAGE B1

of commodities in the global market.

As the pandemic started to wind down, pent-up demand started to surface, initially playing a pivotal role in pushing up commodity prices.

The pandemic had disrupted the global supply chain, deepening the crisis and the Russia-Ukraine war worsened the situation.

Against this backdrop, the country's import payments escalated in recent months, creating an immense pressure on the taka against the US dollar.

BB Seeks Explanation

Ten banks Kamal determined to ride out

FROM PAGE B1

Salehuddin Ahmed, a former governor of Bangladesh Bank, said any bank with a capital shortfall faces difficulties to open letters of credit (LCs) directly with banks in other countries.

As a result, they have to first secure an additional guarantee, known as "add confirmation", from other banks having a global presence. This means local banks have to pay a hefty amount in charges and commission to the confirming banks, adversely impacting the LC issuers' banks.

Ahmed suggested the central bank take effective measures to strengthen the capital base of local lenders.

"The central bank should instruct the banks to stop providing the incentive bonuses to their employees," he said.

From Private Bank

The central bank sent a letter to a private bank yesterday seeking an explanation as to why it had purchased US dollars at a rate higher than the market price, said a BB official.

The bank had purchased dollars at an auction organised by Bangladesh Cricket Board. It bought \$5 million in total, each dollar for Tk 97.50, which is much higher than the rates offered by banks to exporters and remitters.

The bank has been asked to give a reply within today, said a BB official.

raising the budget deficit. We have been successful ultimately," he said.

He identified four drivers that helped Bangladesh make a comeback faster than most economies in the world.

"She is the best prime minister I have ever seen," said Kamal, referring to the country's longest-serving prime minister, Sheikh Hasina.

The second driver has been the population of the country.

"Such a resilient population can't be found in any other country. They are courageous and enterprising and are always ready to tackle challenges. They have not stopped working because of the pandemic as it happened in many other countries," said Kamal.

The third driving force, according to the minister, is a stable government.

"We have been able to implement our jobs efficiently thanks to the stability of the government."

The success in implementation of policies has been the fourth driver.

"What else do you need to take the economy forward?" said the finance minister.

Kamal is now preparing for meeting the biggest challenge confronting the nation, as he is set to place his fourth budget in parliament today.

The Russia-Ukraine war

has intensified volatility globally and is threatening to derail the recovery trajectory.

As a largely import-dependent nation, Bangladesh has been also hit hard owing to higher commodity prices, record freight costs and supply disruptions.

Accelerated import costs put a strain on the foreign currency reserves and forced the government to move away from its managed floating exchange rate regime.

But Kamal is hopeful of remaining insulated from the challenge and his confidence springs from the outward movement of migrant workers as global economies reopen.

"We will send the highest number of migrant workers this fiscal year," he said.

Another comfort for Bangladesh comes from the fact that the country's export-oriented items are mostly consumed by the low and middle-income groups in the western countries.

Kamal will put emphasis on controlling inflation and some sectors such as agriculture, health, human resources, and employment generation in the new budget, said the finance ministry in a press release yesterday.

"The marginalised population will get priority in the upcoming budget."



Bangladesh needs to diversify its export items such as leather and leather goods, engineering items, electrical machinery and electronic goods to utilise the increased access to Chinese markets.

PHOTO: STAR

China may give more duty benefits for Bangladeshi goods

STAR BUSINESS REPORT

China is going to increase duty benefits for Bangladesh, allowing one percentage point more Bangladeshi products free access to its markets, saying it was to reduce the trade imbalance between the two countries.

Some 97 per cent of goods originating from Bangladesh have already been enjoying the duty benefit since July 2020. The package covers nearly 9,000 Bangladeshi goods.

The proposed 98 per cent will cover more than 9,000 locally produced goods.

However, the duty benefit will cease to exist once Bangladesh makes the status graduation from a least developed country to a developing one in 2026. However, it could be retained through a trade deal.

The tariff free quota will be expanded by 1 percentage point as soon as possible, said Li Jiming, Chinese ambassador to Bangladesh, yesterday.

"We are at the final stage of now," he told a seminar on "Making the Most of Market Access in China: What Needs to be Done?".

The event was jointly organised by the Bangladesh China Chamber of Commerce and Industry (BCCCI) and Research and Policy Integration for Development (RAPID) at Pan Pacific Sonargaon in Dhaka.

"One per cent is very crucial...We also need to make the free trade agreement (FTA). A joint working group is working on it. I hope the FTA can be signed as soon as possible," said Jiming.

An FTA will not only increase the



trade but also increase investment from China, boost tourism and education, said the Chinese envoy.

He said Bangladesh may also join the Regional Comprehensive Economic Partnership (RCEP), the largest regional free trade bloc led by China.

The envoy also said a bilateral economic committee would sit in an important meeting at the end of this month to resolve pending issues related to livestock and agriculture.

A Chinese special economic zone is also nearly ready for development, he said.

"Deeper financial cooperation is also needed between the two countries," said Jiming, adding that setting up of

Chinese banks in Bangladesh was also important for currency exchange in the future.

However, peace and political stability are important for economic growth of this region, he said.

Signing of the FTA can be a good solution for long term business with China, said Commerce Minister Tipu Munshi. He said an agreement was signed on signing the FTA in 2018.

At the end of the current fiscal year, the total export of the country will cross the \$51 billion mark and in the next fiscal year, the amount will stand at \$60 billion, he said.

In a keynote paper, Mohammad Abdur Razzaque, chairman of the

RAPID, said every year China imports \$2.7 trillion worth of goods from different countries of the world.

If Bangladesh can grab even 1 per cent, the amount will be \$27 billion, he said.

However, practically the scenario of exports to China is not so rosy although 97 per cent of goods get duty benefit, he said.

Bangladesh's share in Chinese imports is 0.004 per cent, which was \$680 million last year.

Exports are not increasing from Bangladesh to China because of a lack of product diversification, he said.

China imports clothing items worth \$9.7 billion from the world in a year.

So, even if Bangladesh is able to grab the whole of Chinese imports of clothing items, the amount is not big in the garment segment.

The global garment business is worth \$436 billion, with China itself exporting goods worth \$180 billion to the European Union and \$90 billion to the US.

Bangladesh needs to diversify its export items such as engineering items, electrical machinery, leather and leather goods and electronic goods to utilise the access to Chinese markets, he said.

Dependence on clothing items will not help grow exports to China, he said.

Bangladesh needs to prepare to grab a bigger market share of China, said AHM Ahsan, vice-chairman of the Export Promotion Bureau.

The tastes of the new generation of Chinese consumers have also changed a lot and they like online businesses and to buy branded goods, he said.

Shanta Lifestyle to offer one-stop interior solution

MAHMUDUL HASAN

People often get confused about how they will design their homes to embody an aesthetically pleasing environment and where they will find items of brands they desire.

As is often the case, they end up having to spend hours travelling all around the city just to get their specifications right.

To give customers respite from the perennial woes, real estate company Shanta Holdings is launching Shanta Lifestyle aiming to cater to the rising interior design and home decor needs of Bangladeshi consumers searching for luxury and exclusivity.



"Our idea is simple, come to us, we have multiple brands for each category of products in multiple price ranges. It's a one-stop destination, to purchase everything from one location," said Dewan Muhammad Sajid Afzal, chief executive officer of Shanta Lifestyle.

Initially, Shanta Lifestyle will be launched by making use of a 25,000 square feet showroom in the capital's Tejgaon

on June 17.

It wants to provide customers with kitchen solutions, sanitaryware, home automation and lighting, ceiling, wall and floor materials from around the world to introduce a new era of sophisticated interior designs and products in Bangladesh.

"If you look at the consumer's journey -- for tiles and sanitaryware they go to Hatirpool area, for lighting they go to either Paltan or the Stadium Market, for furniture they go to China or Europe and for curtains they go to Elephant Road," said Afzal.

"They get confused as there is no way to find cabinet and kitchen solutions," he added.

It wants to provide customers with kitchen solutions, sanitaryware, home automation and lighting, ceiling, wall and floor materials from around the world to introduce a new era of sophisticated interior designs and products

Customers literally go all over the place in Dhaka city just to make one home. And in Dhaka, with so much traffic and chaos, it becomes very difficult, he said.

Asked why Shanta embarked on this new venture, he said Shanta Holdings sets the standard in terms of projects it takes up, be it commercial or residential buildings, and in terms of living standards it gives to customers.

And for the last 30 years it has been successfully doing that, said Afzal, who has a master's degree in innovation, strategy and entrepreneurship from the Grenoble Ecole de Management, a French graduate business school.

"However, during the process, we have realised that our customers not just appreciate our buildings, they wanted us to invest in their interiors as well," he said.

"And that is a bigger challenge. Making a building is tedious as it is, but when we work on the interior, it comprises a thousand different elements," he added.

According to him, setting standards in interiors is very difficult for two reasons.

"One is, of course, finding the best materials and the other is the best people to install these," he said.

READ MORE ON B2

IMPACT OF WAR

OECD sees lower global growth

AFP, Paris

The OECD warned Wednesday that the world economy will pay a "hefty price" for Russia's invasion of Ukraine as it slashed its 2022 growth forecast and projected higher inflation.

The Paris-based organisation, which represents 38 mostly developed countries, is the latest institution to predict lower GDP growth due to the conflict, which has sent food and energy prices soaring.

In its latest economic outlook, the Organisation for Economic Co-operation and Development said global gross domestic product would grow by three percent in 2022 -- down sharply from the 4.5 per cent estimated in December.

The OECD also doubled its forecast for inflation among its members -- which range from the United States to Australia, Japan, and Latin American and European nations -- to 8.5 per cent, its highest level since 1988.

"The world is set to pay a hefty price for Russia's war against Ukraine," wrote the OECD's chief economist and deputy secretary-general, Laurence Boone, adding that a "humanitarian crisis is unfolding before our eyes".

"The extent to which growth will be lower and inflation higher will depend on how the war evolves, but it is clear the poorest will be hit hardest," Boone said.

"The price of this war is high and will need to be shared."

Before the war broke out, the outlook had appeared "broadly favourable" for 2022-23, with growth and inflation expected to return to normal after the devastating Covid-19 pandemic, said the OECD.

READ MORE ON B2



Indian vegetable vendors wait for customers at a market in Ahmedabad. As the gradual price rise has affected the budget of middle-income families, the demand for vegetables has come down marginally.

PHOTO: AFP/FILE

India hikes interest rates by 50 basis points

AFP, Mumbai

India's central bank on Wednesday hiked rates for a second time in as many months, as Asia's third-largest economy reels from galloping inflation in the wake of the Ukraine war.

The Reserve Bank of India raised its key repo rate by 50 basis points to 4.90 per cent, a month after kicking off an aggressive monetary tightening cycle with a surprise 0.4 percentage point lift in May.

"The war in Europe is lingering and we are facing newer challenges each passing day," Bank governor Shaktikanta Das said in a televised address, pointing to higher food and fuel prices.

He added that inflation was a global problem but emerging economies were facing "bigger challenges", with market turbulence following monetary policy shifts in advanced economies.