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, Provati 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

FROM PAGE B1

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.

Ten banks

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.

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 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.

Kamal determined to ride out

FROM PAGE B1

"Still, we managed to formulate budgets during the pandemic taking into account the crisis's impacts on the global economy as well as our economy. We were able to present superb budgets amid odds."

In response to the first wave of the pandemic, Kamal, at the instruction of the prime minister, introduced a sizeable number of social safety schemes and stimulus packages to protect the people, the businesses and the economy.

Bangladesh was, in fact, among the first group of countries that unveiled stimulus packages.

"At that time, I used to talk to finance ministers from other countries to know about their situation. When I sought suggestions from them on how to deal with the situation, they could not share any, since they did not know what to do to tackle the pandemic."

Kamal shared with them that he was going to pursue expansionary monetary policy and strengthen the stimulus packages despite lower revenue collection, sowing the seed for the turnaround of the economy in style.

Other countries also followed expansionary monetary policies, proving Kamal's strategy right.

"We extended as much support as possible by 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."