

Star BUSINESS



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15% VAT SLAPPED ON IMPORT OF



IMPACT

Prices of laptop to go up by 40%
Students, freelancers and middle-class families to bear the brunt

IMPORT OF COMPUTER, ACCESSORIES

In million \$; July-March; SOURCE: BB

302	239	429
FY20	FY21	FY22



MARKET AT A GLANCE

- Annual demand: 4 lakh pieces
- Market size: Tk 3,500cr to Tk 4,000cr
- Demand for printer: 1.5 lakh
- Demand for toner cartridge: 3 lakh

PRESENT INCENTIVE FOR LOCAL MANUFACTURING

- Only 1% customs duty is applicable on import of components of computer, laptop and related items
- VAT is exempted from local manufacturing of computer, laptops

Govt's borrowing from banks spikes

AKM ZAMIR UDDIN

Government borrowing from banking sources has gone up significantly this month as it is now on a spending spree to materialise different development and non-development programmes



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by the time this fiscal year ends.
The government had borrowed Tk 26,741 crore from banks from July 1 to May 26 of fiscal year 2021-22 against its fiscal target of Tk 76,452 crore.
But by June 14, the figure had gone up to Tk 41,444 crore, meaning it had borrowed Tk 14,703 in a span of just 19 days.

READ MORE ON B3

Now laptops getting dearer

MAHMUDUL HASAN

Laptop users in Bangladesh are set for a bigger hit as the imposition of a 15 per cent value-added tax at the import stage of the essential digital device would lift the prices further.

Even before the budget for the next fiscal year was unveiled on June 9, laptop prices had gone up by 10 to 15 per cent in Bangladesh owing to rising US dollar costs, unprecedented shipping charges and supply chain disruptions in the global microchip market.

But owing to the new VAT measure, which took effect on the day the budget was placed in parliament, the prices of laptops will increase by as much as 50 per cent, industry people said.

This will hit consumers belonging to the middle class, students and the freelancing community, who have already been hit hard by runaway inflation, which has been rising since October due to escalated global commodity prices.

The budgetary move has frustrated many like Robiul Islam, who was planning to buy a laptop before Eid-ul-Azha.

"I have abandoned my plan as the price of the laptop model I had wanted to buy has already risen by a few

thousand takas," said the private sector employee.

For example, the price of HP 15s, one of the best-selling laptops in Bangladesh, was Tk 48,500 in early May. It rose to Tk 52,500 in early June, even before the budget proposal was unveiled, due to the depreciation of the local currency against the US dollar.



"We welcome any government move that encourages domestic production. But a 15 per cent VAT on laptops will hurt consumers directly as local production meets only 5 per cent of the demand," said Subrata Sarkar, president of the Bangladesh Computer Samity.

Unlike mobile phones, laptop manufacturing is complex and it is dominated by five to six companies globally.

"It's very difficult to establish a laptop manufacturing unit that will have a good value addition from the technology aspect," Sarkar said. In most cases, only external components are assembled in Bangladesh. Besides, there is also no printer manufacturing company in the country.

In this context, imposing additional taxes on the imports to inspire local production would actually put more pressure on consumers than helping domestic manufacturing, said Sarkar.

"The move directly contradicts the government ambition of Smart Bangladesh." Wahid Sharif, president of the Bangladesh Association of Call Center and Outsourcing, said the new VAT on laptops and printer imports will also affect the business process outsourcing sector.

"It will increase the cost of doing business. Many organisations will not want to be involved in outsourcing work. Besides, it will be difficult for freelancers to buy laptops. The VAT must be withdrawn."

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STOCKS	
DSEX ▼	CASPI ▼
0.71%	0.73%
6,311.65	18,591.04

COMMODITIES	
Gold ▼	Oil ▲
\$1,833.51	\$109.93
(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 1.81%	▲ 1.84%	▲ 0.68%	▼ 0.26%
52,532.07	26,246.31	3,117.48	3,306.72



The recent inflationary pressures fuelled mostly by the Russia-Ukraine war are preventing people from buying non-essential goods such as furniture, dealing a fresh blow to the industry, which is still reeling from pandemic induced losses. PHOTO: COLLECTED

Taka slides against dollar again

STAR BUSINESS REPORT

The currency of Bangladesh has depreciated further against the US dollar, hitting Tk 92.95 on the interbank platform yesterday.

The exchange rate stood at Tk 92.90 per dollar on Monday before slipping by another Tk 0.05 yesterday, the 16th decline of the taka this year.

The local currency is losing its strength against the American greenback owing to a shortage of US dollars caused by a sizeable reduction in the foreign currency reserves.

The reserves have taken a big hit because of a surge in import payments driven by higher commodity prices globally and the declining trend of remittance.

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Furniture sales fall victim to inflation

MD ASADUZ ZAMAN and ABRAR HOSSAIN

Furniture makers are passing tough times even ahead of Eid-ul-Azha, which is usually a high sales period, as people are uninterested in buying luxury items in the face of rampant inflation in recent months, according to market players.

The overall 30 to 35 per cent drop in sales this year comes as a double blow for the industry, which is still recovering from two years of pandemic-induced losses as people opted for cost-cutting amid the economic uncertainty caused by Covid-19.

Alamin Sheikh, owner of a wooden furniture shop called Sneha Doors and Furnitures in Dhaka's Mohammadpur, said he has registered almost no sales since Eid-ul-Fitr in May.

"This is because people are buying less non-essential products in the face of rising living costs," he added.

Sheikh, who makes and sells customised products, went on to say that maybe only 5 per cent of the stores like his are doing good business at this time.

Even branded companies have found themselves in the same boat as reduced demand is forcing them to curtail costs at a time when they are offering various discounts and deals to lure in buyers.

Selim H Rahman, chairman of the Bangladesh Furniture Industries Owners Association, said the post-pandemic effect and recent global economic crisis centring the Russia-Ukraine war have highly affected their businesses.

"We are facing problems in purchasing raw materials from both global and domestic sources as freight costs have spiked due to the war," he said.

Besides, the taka's repeated depreciation against US greenbacks has dealt another blow to the

READ MORE ON B3



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THE NATION'S PROGRESS REACHES A NEW HORIZON
Syndicated Term Loan Facility of BDT 7,600 Million
(IPFF II Facility of BDT 3,400 Million & Non-IPFF Facility of BDT 4,200 Million)
Arranged for City Economic Zone Limited
citygroup
Lead Arranger and Agent
IPFF II Project
Participants: EXIM, IPDC, HCC Bank, IDLC, NRB Bank, midlandbank, BI Bank Asia, UCB, Green Bank Member

Fu-Wang Ceramic's Q3 profit unchanged

STAR BUSINESS REPORT

Fu-Wang Ceramic Industries Ltd's earnings did not see any change in the third quarter of the current financial year.

The ceramics maker reported earnings per share of Tk 0.06 for the January-March quarter against Tk 0.06 registered in the same period a year ago, according to its un-audited financial statement.

The EPS, however, fell to Tk 0.23 during the July-March period from Tk 0.28 for the identical nine-month period last year.

The Net Operating Cash Flows Per Share, a measure of a firm's financial strength, was a minus Tk 1.65 in the July-March period, way lower than Tk 0.61 reported during a similar period a year ago.

The net asset value, which shows a company's total assets minus its total liabilities, was Tk 11.78 per share on March 31 this year and Tk 11.70 on June 30 last year.



Peanuts cultivated in Mombipara village of Patuakhali's Kalapara upazila being put out to dry in the sun. Maturing within 120 to 150 days of sowing, peanuts here are harvested in the April-June period and are currently being sold for Tk 4,000-Tk 5,000 per maund (around 37 kilogrammes). Some 66,745.41 tonnes of peanuts were cultivated on 86,343.16 acres of land in the country in fiscal year 2020-21, according to the Bangladesh Bureau of Statistics. The photo was taken recently.

PHOTO: TITU DAS

Sri Lanka lets younger women work abroad

AFP, Colombo

Crisis-hit Sri Lanka on Tuesday reduced to 21 the minimum age at which women can go abroad for work and earn much-needed dollars for the bankrupt economy.

Colombo imposed age restrictions on women working overseas in 2013 after a 17-year-old Sri Lankan nanny was beheaded in Saudi Arabia over the death of a child in her care.

Following outrage over the execution, only women older than 23 were allowed to go abroad, while for Saudi Arabia the minimum age was set at 25.

But with Sri Lanka in its worst economic crisis since independence, the government on Tuesday eased the rules, including for Saudi Arabia.

Stocks fall for third day

STAR BUSINESS REPORT

Shares on the Dhaka Stock Exchange declined for the third consecutive day yesterday owing to persisting economic uncertainty, runaway inflation and the latest floods.

The DSEX, the benchmark index of the premier bourse in Bangladesh, lost more than 45 points, or 0.72 per cent, to close at 6,311.65.

The DSES Index, which represents the Shariah-based companies, ended at 1,378.91, down 9.11 points or 0.66 per cent. Similarly, the DS30 Index, which consists of the blue-chip firms, slipped 19.16 points, or 0.83 per cent, to 2,295.42.

Turnover, an important indicator of the market, fell nearly 12 per cent to Tk 725 crore. It was Tk 822 crore on Monday.

Losers outnumbered gainers, with 57 securities advancing, 282 declining and 53 remaining unchanged.

Investors are in a selling mood owing to persisting uncertainty from the pandemic and the Ukraine war, a lack of adequate incentives in the budget, higher inflation and the spreading floods.

"The risk-averse investors kept their

selling spree on sector-specific issues fearing the macroeconomic outlook," said International Leasing Securities Ltd in its daily market review.

The rising inflation is reducing the real income of investors and the appreciating dollar is decreasing the value of foreign investors' portfolio. Meanwhile, investors preferred to hold cash and cut their participation in the market, it said.

"The risk-averse investors kept their selling spree on sector-specific issues fearing the macroeconomic outlook," said International Leasing Securities Ltd in its daily market review

In Bangladesh, inflation surged to an eight-year high of 7.42 per cent in May, driven by a hike in food costs, while the local currency has kept falling against the US dollar because of a fall in the foreign currency reserves, driven by abnormally high import bills.

Among the individual companies, Imam Button Industries topped the gainers' list rising 10 per cent.

Meghna Insurance, Progressive Life Insurance, Emerald Oil Industries, Meghna Cement Mills, Fu Wang Food, Progressive Life Insurance, Al-Haj Textile Mills and Bangladesh Industrial Finance Company posted major gains.

Tallu Spinning Mills, Bangladesh Shipping Corporation, Eastern Lubricants Blenders, Paramount Insurance Company, Eastland Insurance Company, Genex Infosys, and Apex Tannery suffered sizeable losses.

Bangladesh Export Import Company was the most-traded issue on the day, with its shares worth Tk 38.47 crore transacting.

Anwar Galvanizing, Fu Wang Food, JMI Hospital Requisite Manufacturing, Shinepukur Ceramics, and RAK Ceramics (Bangladesh) also saw higher turnover.

The Chittagong Stock Exchange also fell. The CASPI, the all-share price index of the bourse in the port city, gave up 137 points, or 0.73 per cent, to end at 18,591.

Of the securities, 34 advanced, 211 retreated and 30 did not see any price movement.

Turnover fell slightly to Tk 56.27 crore from Tk 57.18 crore a day ago.

MTB Foundation, Manabik Shahajya Sangstha sign deal

STAR BUSINESS DESK

Mutual Trust Bank (MTB) Foundation recently signed an agreement with Manabik Shahajya Sangstha (MSS) to provide eye care facilities to the underprivileged segment of the country.

Md Abdul Halim, executive director of MSS, and Samia Chowdhury, chief executive officer of MTB Foundation, inked the deal at the bank's corporate head office in Dhaka's Gulshan, a press release said.

Md Khalid Mahmood Khan, Goutam Prosad Das and Rais Uddin Ahmad, deputy managing directors of MTB, Mohammad Nazmul Hossain, group chief financial officer, Tarikul Ghani, adviser of MSS, Iren Akter, senior programme assistant for eye care programmes at MSS, and Neherin Maqsood, associate manager of MTB Foundation, were present.

FOOD CRISIS

EU vows €600m for Africa, others

AFP, Brussels

The European Union on Tuesday pledged an additional 600 million euros to help vulnerable nations weather a food security crisis worsened by Russia's war on Ukraine.

The funds include 150 million euros (\$158 million) in humanitarian assistance for African, Caribbean and Pacific nations and 350 million euros to boost sustainable food production in the longer term.

"Russia's war of aggression is taking a heavy and senseless toll, not only on the Ukrainian population but also those most vulnerable around the world," European Commission chief Ursula von der Leyen said.

"Russia is still blocking millions of tonnes of desperately needed grain. To help our partners we will mobilise an additional 600 million euros to avoid a food crisis and an economic shock." The West and Ukraine accuse Moscow of trying to pressure them into concessions by blockading vital grain exports via the Black Sea to ratchet up fears of global famine.

But the EU has struggled to counter the Kremlin's claims, which attribute rising prices and shortfalls in the Middle East and Africa to the bloc's sanctions imposed on Russia.

EU foreign policy chief Josep Borrell on Monday called Russia's blockade "a real war crime" and warned that Moscow would be held responsible if it keeps on stopping exports.

The EU backs United Nations efforts to mediate a deal between Ukraine, Russia and Turkey to get the grain out, but this has failed to make headway so far.

Brussels is trying to increase exports from Ukraine using railway routes, but there is not enough capacity to take out more than a fraction of the stranded stocks.

Sovereign debt

FROM PAGE B4

dependent. The amount of export earnings and remittances is increasing day by day.

Bangladesh's reserves are over \$40 billion and Sri Lanka's was less than \$2 billion. Bangladesh's foreign debt per capita is not as high as Sri Lanka's. The per capita debt of Bangladesh is \$292 and Sri Lanka is \$1,650.

Considering the economic situation, it would not be accurate to compare Bangladesh with Sri Lanka. The society and economy of the two countries are quite dissimilar.

Sri Lanka, which was on the verge of emerging as an upper-middle-income country a decade ago, is now on the verge of bankruptcy. However, it should be recognised that Bangladesh is facing many challenges on the development path. It is addressing these issues through proper policy and planning and will continue to do so in the future.

Managing sovereign debt, a preemptive approach

Proactive debt management, in countries at high risk of debt distress, can lessen the probability of defaulting and open up resources to support economic recovery.

Generally, one of the options for debt management is debt restructuring, which is modifications of the aggregate schedule of future country repayments through refinancing,

debt substitution or renegotiations. The other option is debt restructuring, which is modifications of the financial structure of liabilities to reduce the net present value.

A reprofiling operation could be helpful if a country has multiple loans that come payable in the same year or other kinds of buildup in exposure, such as in the currency structure of obligations. New debt could be issued with a longer or more uniform maturity profile.

Debt reprofiling can also help address currency risk, which often adds to debt sustainability concerns. In such situations, instead of changing the maturity of existing debt, the debt reprofiling operation would retire existing debt designated in one currency and issue new debt in another currency.

Nations facing rising default hazards also have the choice of initiating preventive negotiations with their creditors to reach a debt rearrangement. This option requires transparency in the terms and title of the debt.

Evidence indicates that preemptive restructurings are fixed faster than post-default restructurings, lead to shorter exclusion periods from global capital markets, and are associated with a smaller output loss. In such situations, it is important to minimise the chances that a particular creditor holds out to gain benefit from the process.

What if it's too late?

Once a nation is in debt crisis, the choices available for tackling the issues become more limited. A primary instrument at this phase is debt restructuring, combined with a fiscal and economic reform plan. Optimising the use of this tool requires quick recognition of the depth of the problem, coordination with and among creditors, and an agreement by all parties that restructuring is the first step toward debt sustainability and not the final one.

International financial institutions such as the IMF and the World Bank often play an important role in the debt restructuring process in emerging economies. These organisations conduct the debt sustainability analyses required to understand the problem in a complete manner and frequently provide financing to make the deal feasible.

An immediate and deep restructuring agreement could allow for a faster and sustained recovery. However, based on historical experience, the resolution of sovereign debt distress is often delayed for years. Even if countries enter negotiations with creditors, they often require multiple rounds of debt restructuring to emerge from debt distress.

The author is an economic analyst

Germany risks

FROM PAGE B4

Germany, like Denmark, Austria, the Netherlands, Italy and others, has activated the first early warning stage of its three-stage plan to cope with a gas supply crisis.

As part of contingency plans, the German gas regulator, the Bundesnetzagentur, unveiled details of a new auction system that will start in coming weeks to encourage manufacturers - particularly those using gas in high-temperature processes to consume less.

But regulator said it was not time to declare an all-out emergency, or the third stage of its crisis plan, that would see the country ration gas to industry to protect vital services and households.

"I am very much in favour of carefully examining when the right

time is for the highest alert level," Bundesnetzagentur chief Klaus Mueller told German broadcaster BR.

Europe has been racing to refill gas storage facilities, now about 55 per cent full, to meet an EU-wide target of 80 per cent by October and 90 per cent by November, a level that would help see the bloc through winter if supplies slowed further or were halted.

But reduced Nord Stream 1 pipeline flows and disruptions to a major US producer of liquefied natural gas that provided shipments to Europe have made those targets harder to meet.

The benchmark gas price for Europe was trading around 123 euros (\$130) per megawatt hour (MWh) on Tuesday, below this year's peak of 335 euros but still up more than 300 per cent on its level a year ago.

US in talks with allies

FROM PAGE B4

said, speaking alongside Canadian Finance Minister Chrystia Freeland.

Yellen said a price exception is an effective cap that could be achieved through a mechanism to restrict or ban insurance or financing for Russian oil shipments above a certain amount. The United States, Canada, Britain and some other countries have banned imports of Russian oil, but the European Union remains highly dependent on Russian crude.

Asked if US President Joe Biden planned to seek consensus on an oil price

plan at the G7 leaders' summit in Germany next week, Yellen said: "We are very active, actively working on this with our partners." Freeland said Canada "thinks it is a really good idea" to try to limit Russia's oil revenues, but recognises that this will be challenging for European countries.

"The path forward here is really to be talking with our European partners and to recognize, you know, how central they are in the decision making here," Freeland said, adding that Ukraine needed to be included in any decisions as well.



Prof Md Nazmul Hassan, chairman of Islami Bank Bangladesh, virtually presides over the bank's 39th annual general meeting yesterday. The meeting approved 10 per cent cash dividend for the year that ended on December 31, 2021. Yousef Abdullah Al-Rajhi and Md Shahabuddin, vice-chairmen of the bank, Areef Suleman, representative of Islamic Development Bank, Mohammed Monirul Molla, managing director, Prof Mohammad Gias Uddin Talukder, chairman of sharia supervisory committee, and JQM Habibullah, deputy managing director, were present.

PHOTO: ISLAMI BANK BANGLADESH



Emranul Huq, managing director of Dhaka Bank, posed for photographs with flower farmers at Godkhali of Jashore's Jhikargacha upazila recently after disbursing agricultural loans among them as a part of a stimulus package announced by Bangladesh Bank. Md Rafiqul Hasan, additional district commissioner of Jashore, Mostaque Ahmed, deputy managing director of the bank, Mahbubul Huq, upazila nirbahi officer, Bishwajit Kumar Ghosh, director for finance and accounts at Jagorani Chakro Foundation in Jashore, and Abdur Rahim, president of Bangladesh Flower Society, were present.

PHOTO: DHAKA BANK



The recent flooding in Sylhet has inundated numerous poultry farms in the region, forcing them to sell what they can at throwaway prices in order to reduce losses. Here, a young farmhand is seen using a microphone to attract customers in a desperate attempt to sell all his chickens. The picture was taken on Monday at Shalutikar Bazar in Nandigram union of Gowainghat upazila.

PHOTO: SHEIKH NASIR

Budget offered little for stocks

Analysts tell BICM seminar

STAR BUSINESS REPORT

The stock market received little focus in the proposed national budget for fiscal year 2022-23, said stock market specialists yesterday.

However, the government proposed several steps to turn the economic indicators vibrant and if attaining that is possible, the stock market will benefit, they added.

Their comments came in a seminar titled "Budget FY2022-23 Implications for the Capital Market" organised by the Bangladesh Institute of Capital Market (BICM) on its premises in Dhaka.

The capital market received a huge number of policy support in previous years but the figure was quite low in the recently proposed budget, said Md Eunsur Rahman, chairman of Dhaka Stock Exchange (DSE).

There was little focus on the stock market as the government had to concentrate more on the economic situation in other frontiers such as containing inflation and keeping the foreign exchange market stable, he said.

The DSE sent seven recommendations to the government, one of which was

taken into consideration and adopted through a reduction in corporate tax, although some preconditions have been attached.

"We recommended raising tax-free dividend income to Tk 1 lakh from the present Tk 50,000," said Rahman, a former senior secretary to Financial Institutions Division.

The success of the capital market depends on the economic success of an economy, so the proposed budget will be helpful for the market as it tried to make the economy vibrant and stabilise the macroeconomic situation, he added.

The government focused on macroeconomic stability, inflation containment and attaining a stable foreign exchange market, all fit for the moment, said Mohammed Helal Uddin, director (research) at the Centre on Integrated Rural Development for Asia and the Pacific.

The government paid little focus on the share market since it was less of a necessity at this moment considering the overall economic situation, he said.

There was nothing in the budget that turned out negative for the stock market. If the economy can be revived in

such a tough period, it will be good for the market, said Uddin, also a professor of economics at the University of Dhaka.

Black money was not allowed to be whitened through the stock market this year, so people were pondering whether this would have a negative impact on the market, he said.

But not much money was whitened through this method in the previous years, so it is not a big deal for the market, he added.

Uddin recommended reducing the supply of shares by limiting the entry of new companies through the issuance of initial public offering (IPO) in the market now considering the present situation.

"Private sector investment needs to be raised, but I don't know how it would be increased to 60 to 70 per cent of the GDP from the present 23 per cent," said Asif Ibrahim, chairman of Chittagong Stock Exchange.

"The government needs to ensure a favourable environment for investment," he said. Brokerage commission has been reduced all the while intense competitiveness pervades stock brokerage firms, so it would be better if source tax can be reduced for the

brokerage firms, he said.

The government did not increase the tax gap between listed and non-listed companies, so companies are not that interested in getting listed. The companies are going to the banking sector for their financing needs, he added.

"We also did not see any proposal on bringing government-owned companies to the market," Ibrahim added.

The corporate tax rate was higher than that in competing economies, so the government reduced it by 5 percentage points in the last two years even amidst the pandemic, which is laudable, said Snehashish Barua, partner at the Snehashish Mahmud & Co.

But one precondition that over 10 per cent of shares have to be offloaded is not aligned with the Bangladesh Securities and Exchange Commission (BSEC) rules, he said. Another precondition stipulating that the receipt of money and expenses be through banking channels will be quite tough for companies to abide by, he added.

Prof Mahmuda Akter, executive president of the BICM, and Ziaur Rahman, president of Capital Market Journalists' Forum, also spoke.

Dutch firm to invest \$10.52m in Bepza EZ

STAR BUSINESS REPORT

Checkpoint Systems Bangladesh Ltd-Unit 2, a Netherlands-based company, will invest \$10.52 million to establish a garment accessories manufacturing factory at the economic zone of the Bangladesh Export Processing Zones Authority (Bepza). The firm signed an agreement with the Bepza to this end yesterday, a press release said.

Ali Reza Mazid, member for investment promotion at the Bepza, and Kumudu Athuruliya, general manager for South Asia at Checkpoint Systems, inked the deal at the Bepza Complex in Dhaka. The company has set a target to produce 1,319 million units of hang tags, tickets, stickers and labels annually.

Some 274 Bangladeshi nationals will get jobs at the factory, according to the press release.

Checkpoint Systems Bangladesh Ltd-Unit 2 is the second factory of the Netherlands-based company in the industrial zones operated by the Bepza.

The first one, Checkpoint Systems Bangladesh Ltd, has been operating in the Adamjee Export Processing Zone since 2009. It, however, started its operation in the Dhaka Export Processing Zone 15 years ago.

Major General Abul Kalam Mohammad Ziaur Rahman, executive chairman of the Bepza, Mohammad Faruque Alam, member (engineering), Nafisa Banu, member (finance), Nazma Binte Alamgir, executive director for public relations, Md Tanvir Hossain, executive director for investment promotion, and Md Khorshid Alam, executive director for enterprise services, were present during the signing ceremony, the press release added.

Barvida gets new office bearers



Habib Ullah Dawn

Shahidul Islam

STAR BUSINESS DESK

Md Habib Ullah Dawn and Mohammed Shahidul Islam have been elected uncontested as president and secretary general respectively of the Bangladesh Reconditioned Vehicles Importers and Dealers Association (Barvida) for a two-year term.

Dawn is retaining the post for the fourth time, said a press release.

Md Aslam Serniath, Reaz Rahman and Md Gias Uddin Chowdhury have been elected vice-president-1, vice-president-2 and vice-president-3 respectively.

A total of 639 voters exercised their voting rights to elect a 25-member executive committee of the association from among 62 candidates in the biennial election held on the association premises.

Furniture sales fall victim

FROM PAGE B1
industry as it greatly affected import costs, he added.

Rahman, also managing director of Hatil, expressed concerns over the proposed budget for the upcoming fiscal year as certain measures would inflate the cost of importing related accessories.

In addition, the last Dhaka International Trade Fair did not offer any relief for furniture companies as the event was held at a new location for the first time amid the Covid-19 situation, which prevented adequate customer turnout.

"We did not get much response from the fair as the crowd was thin," he said.

With this backdrop, Hatil, a leading furniture

maker in the country, will most likely have to adjust its product prices after the upcoming Eid in order to offset the company's current situation.

Asked what their plan was in this regard, Rahman said they are trying to remain economical so that the prices are affordable for middle-class people.

Echoing the same, NHM Fazle Rabbi, head of marketing at Partex Star Group, said sales have dropped by at least 30 per cent to 35 per cent over the past year.

"Sales are not up to the mark," he said, adding that branded companies control around 35 per cent of the total domestic furniture market while small and unbranded manufacturers hold the rest.

Rabbi then said that to attain their sales targets, Partex is planning to offer several discounts.

"People usually think twice or thrice before buying furniture as they are not essential," he added.

On the other hand, Regal Furniture, a concern of Pran-RFL Group that caters to middle-and-higher-income customers, seems to be doing good business despite the industry's recent struggles.

"Regal makes wooden, metal and laminated furniture products at affordable prices," said Kamruzzaman Kamal, director for marketing at Pran-RFL Group.

"As a result, we have registered 20 per cent growth over the years," he added.

Taka slides

FROM PAGE B1
Between July and April, imports soared by 41 per cent to \$68.66 billion, while exports grew 35 per cent to \$41 billion. This resulted in a record trade deficit – the gap between exports and imports – of \$27.56 billion, up 53 per cent year-on-year.

Bangladesh has had to spend \$8.2 billion additionally in 2022 compared to 2021 due to higher prices of nine essential commodities in the international market, namely crude oil and refined oil, liquefied natural gas, wheat, fertilizer, palm oil, coal, soybean oil, maize and rice, finance ministry

documents showed.

The remittance, the cheapest source of foreign currencies for Bangladesh, was down 16 per cent year-on-year to \$19.2 billion in the first 11 months of the current financial year, ending on June 30.

All these brought the reserves down to \$41.38 billion on June 15, which was \$46.15 billion on December 31.

In order to prevent a massive fall of the local currency and help banks settle import bills, the Bangladesh Bank has so far injected more than \$7 billion into the market in the outgoing fiscal year, a central bank official said.



Mohammed Mohsin, chairman of Rahim Steel, attends a programme to hand over a fatigue testing machine to Prof Md Delwar Hossain of the civil engineering department at the Bangladesh University of Engineering and Technology on the university premises on Monday.

PHOTO: RAHIM STEEL

Govt's borrowing

FROM PAGE B1
A BB official said the government's borrowing from the banking sources might further increase in the remaining days of this fiscal year due to its lacklustre performance in revenue collection and falling investment in savings certificates.

The National Board of Revenue (NBR) has still a long way to go to fulfil its fiscal target, which will force the government to avail a hefty amount of loans from banks, they said.

Tax collection stood at Tk 227,756 crore until April against this fiscal year's target of Tk 330,000 crore, showed data from the NBR. In addition, investment in national savings certificates has declined

to a large extent as the government introduced investment slabs and slashed the interest rate anywhere from 1 percentage point to 3 percentage points on different savings tools last year.

Between July and April this fiscal year, net investment in the tools stood at Tk 17,519 crore, down 50 per cent year-on-year.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, said government borrowing from banking sources usually goes up in June as it has to settle several kinds of unsettled bills.

Declining credit flow to the private sector will not create any problem at this

moment given the ongoing macroeconomic situation, he said.

The instability in the macroeconomy stemming from high import payments will not continue forever, he said.

However, if the government embarks on the borrowing spree next year, the private sector will face troubles, he said.

The government in its proposed budget set a borrowing target of Tk 106,334 from the banking system for the next fiscal year, up 39 per cent year-on-year.

This has given an indication that the government will borrow more funds from the banking sources next year.

Now laptops getting dearer

FROM PAGE B1
According to industry people, the sale of laptops in Bangladesh is expected to reach 450,000 units by 2022. HP, Asus, Dell, Lenovo and Acer are the top-selling brands.

Local manufacturers, however, have enjoyed a concessionary VAT rate of 1 per cent on the import of raw materials for computer accessories since 2017. A similar rate is applicable to the purchase of the raw materials for the production of printers, tonners, notebooks, tabs and notebooks.

The new VAT at the import stage and the concessional facility to bring in raw materials will benefit Walton, the lone manufacturer having a 30 per cent value-addition

capacity, and a handful of assemblers.

Contacted, Liakat Ali, deputy managing director of Walton Digi-tech Industry, said anybody can qualify for the benefit if they have the facilities aimed at boosting local manufacturing.

"Once we were importers of laptops. Now we manufacture them. We are now manufacturing motherboards in the country as well."

The local tech giant has manufactured about 50,000 laptops this year so far. Half of them has been purchased by the government and the rest by consumers, according to Ali.

The imposition of the VAT on printer imports came two months after Walton launched two new

models of the device with wireless facilities in early April.

The annual demand for printers is around 150,000 units.

"The impact of the VAT will be overwhelming since the middle-class and the lower-middle class are the top consumers of the products," said AKM Fahim Mashroor, chief executive officer of Bdjobs.com and AikerDeal.

"Businesses will also be hurt."

Ahmed Hasan, managing director of Ryans IT Limited, one of the top retailers of personal computers and laptops in the country, said if the VAT is not withdrawn, the consumers will have to bear additional prices once the new consignment of imported laptops reaches

Bangladesh.

The settlement of letters of credit for computers and accessories surged 79 per cent year-on-year to \$429 million in the first nine months of the current financial year, Bangladesh Bank data showed.

At an event in Dhaka recently, Debapriya Bhattacharya, a distinguished fellow of the Centre for Policy Dialogue, asked what benefit the government is providing to the youth and the middle-class to compensate for the loss stemming from the imposition of the VAT on laptops and smartphones.

The prices of selected products are likely to increase due to the tax imposition that would adversely affect the middle-class consumers, he added.

Euro rises, yen falls to 24-year low

REUTERS, London

The euro rose on Tuesday, drawing support from the European Central Bank's plans to raise interest rates to contain inflation, while the yen slumped to a 24-year low as the Bank of Japan's ultra-loose monetary policy stance continued to weigh.

The euro was 0.4 per cent firmer at \$1.0554 after ECB Chief Economist Philip Lane said the ECB will raise interest rates by 25 basis points at its July meeting, but the size of its September hike is still to be decided, suggesting a larger 50 basis point hike could be on the cards.



With the Padma Multipurpose Bridge set to officially open to the public on June 25, the approach roads and expressways built by some local companies on both sides of the bridge will soon be bustling with activities.
PHOTO: SK ENAMUL HAQ

Padma Bridge a morale booster for local contractors

Bangladeshi companies now aspire to take bigger projects

SOHEL PARVEZ

Construction of the Padma Multipurpose Bridge has given a huge morale boost to local developers that were engaged in building approach roads and other facilities related to the Tk 30,200 crore bridge, which is the largest in Bangladesh.

While the main bridge has been constructed by China Major Bridge Engineering Co Ltd, several local companies, namely Abdul Monem Ltd (AML) and Property Development Ltd (PDL), had been engaged in building approach roads and 4-lane highways on both sides of the bridge.

The bridge, which will connect the southwest region to the rest of Bangladesh, is expected to spur economic growth in the country for increased connectivity and economic activities.

As the much-talked-about 6.15-kilometre bridge is set to open to the public from June 25, constructors said completion of their tasks has given them courage and strength to take bigger challenges.

"It is one of the biggest infrastructures of Bangladesh. It has given us exposure, confidence and moral courage that Bangladesh can do it. Being part of the project, this exposure gives us the courage to take bigger projects and challenges," said Mohiuddin Monem, additional managing director of AML, in a recent interview.

With manpower of more than 5,000, the 66-year-old construction unit of AML was engaged in building many of

the key infrastructures that include a number of challenging projects, such as the 44-kilometre Khulna-Mongla highway which was constructed in 1984.

Building on that past experience, the company has been engaged in some of the biggest development projects, namely runway overlays for the Shahjalal International Airport in Dhaka, Osmani International Airport in Sylhet, and ongoing construction of the metro rail and airport flyover.

In case of the Padma Bridge Project, its initial journey was not that smooth.

When AML got the job, the project had been in a standstill situation because of the cancellation of a \$1.2 billion credit from the World Bank for the bridge.

The activities gained momentum in July 2012 only after Prime Minister Sheikh Hasina decided to build the mega infrastructure with Bangladesh's own funds.

Yet it was not easy for AML to get financiers to help it provide performance guarantees to do the works involving Tk 1,700 crore as financial institutions were least interested to stand by the constructor.

"This is because it was the last year of the then Awami League-led government and so, there was uncertainty whether the potentially new government would continue the project," said Monem.

"There was a spillover effect on us. None was walking around the Padma Bridge. Eventually though, we managed to convince financial institutions to arrange performance guarantees on our behalf so that we could start work," he

added.

"We were determined. We went all the way to carry out the project because we thought it would be a national pride and we wanted to be part of this."

Construction of the approach road was no less challenging as the infrastructure developer had to bring equipment from Germany to stabilise the soil before beginning construction after finding that conditions were not favourable.

value addition would be 60-70 per cent, he said.

Having accomplished the tasks of making a portion of the highway and approach road to the bridge, AML boasts on its success on being a part of Padma Bridge.

"It is not anything but world class. You will experience when you will travel on the road," Monem said.

He also thanked Bangladesh Army for its support to the whole project. PDL also has similar claim.

"This is the highway where you will not feel any jerk during travel," said RN Paul, managing director of RFL Group, which has built 8.5 kilometres of roads in 32-kilometre 4-lane highways from Postogola to Padma Bridge in Mawa.

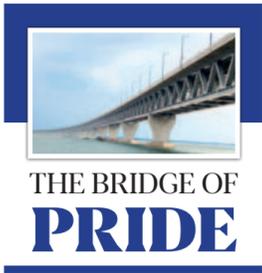
PDL developed a half-kilometre approach road on the Zajira and Shariatpur part of the bridge said apart from doing asphalt paving on the bridge, it has approach roads.

The total value of PDL's contract was Tk 800 crore.

"Usually, we would construct smaller roads. For this bigger work, we had to do a lot of R&D (research & development). Now we have proven that we can do quality works. This is going to be our big strength," he said, adding that the company had to do some works several times to ensure quality.

Paul said local companies have gained the experience of constructing expressways and involvement of homegrown constructors will reduce pressure on the foreign exchange.

"We have learned a lot regarding infrastructure development," Paul said.



"We waited for one year for the soil to settle," Monem said, adding that the effort proved beneficial as the road provides a smooth ride.

But even after that, AML managed to complete its work within the deadline. Besides, the company finished construction with Tk 100 crore to spare from the estimated cost given by the authority.

To build the approach road for Padma Bridge, AML, used locally made materials, sans bitumen. As such, local

Sovereign debt: a matter of concern for many nations

MAMUN RASHID

Sovereign debt, which is usually in the form of securities, is issued by a nation's government to borrow money and may also be referred to as government debt, public debt, and national debt. This borrowing is done for a variety of reasons, from financing public investments to boosting employment.

The level of sovereign debt and its interest rates will also reflect the saving preferences of a country's businesses and residents, as well as the demand from foreign investors. Countries with stable economies and political systems are typically viewed as having better credit risks, allowing them to borrow on more favourable terms.



When investing in sovereign debt, bondholders monitor a sovereign entity's political stability and financial environment to determine the risk of sovereign default. Although sovereign countries are not subject to bankruptcy laws, as is the case with companies and individuals, cases of sovereign default are common and are preceded by an economic crisis.

Sri Lanka was so great until it wasn't. Sri Lanka was destined to be the Singapore of South Asia. The macro-economic strength of the country was rated as investment-grade by global ratings agencies and many central banks invested in Sri Lankan sovereign bonds to diversify their reserves.

A few years ago, Sri Lanka seemed to be on the right track. Tourism was booming, with mega-infrastructure projects making headlines worldwide. Today the country is insolvent, and prices are skyrocketing.

The island nation has leapt into a deep economic crisis. With more than \$50 billion in external debt and a shortage of foreign exchange reserves, the country is currently struggling to pay for essential imports. This has led to sharp increases in the price of essential commodities like rice, fuel, and milk.

Recently, there have been warnings made towards Bangladesh of the current crisis in Sri Lanka. However, one should keep in mind that the nature of Sri Lanka's economy is different from that of Bangladesh

Sri Lanka's foreign debt obligations for this year exceeded \$7 billion. But the country's forex reserves as of March 2022 are just \$1.6 billion.

Recently, the country announced a default on all its foreign debts. Now Sri Lanka is hoping for a bailout from the International Monetary Fund (IMF) to save it from the worsening crisis.

The main source of the crisis came from the mismanagement of its macro-economy as the country leveraged high-interest bilateral loans without making a thorough need assessment and returns from investment analysis.

Should we compare Bangladesh to Sri Lanka? One could say Bangladesh is also rising and is considered to be just as great (if not even greater) than what Sri Lanka was promising to be in the very recent past. So, it begs the question of whether Bangladesh should also be worried.

Recently, there have been warnings made towards Bangladesh of the current crisis in Sri Lanka. However, one should keep in mind that the nature of Sri Lanka's economy is different from that of Bangladesh.

There is no shortage of food production in Bangladesh and its main food is not import-

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Germany risks recession as gas crisis deepens

REUTERS, Berlin/Copenhagen

Germany faces certain recession if already faltering Russian gas supplies completely stop, an industry body warned on Tuesday, as Sweden joined a growing list of European nations rolling out emergency plans to cope with a deepening energy supply crisis.

European Union countries from the Baltic Sea in the north to the Adriatic coast in the south have been outlining measures to cope with a supply crisis after Russia's invasion of Ukraine.

The EU relied on Russia for as much as 40 per cent of its gas needs before the war - rising to 55 per cent for Germany - leaving a huge gap to fill in an already tight global gas market. Some states have temporarily reversed plans to shut coal power plants in response.

Global gas prices have sky-rocketed, driving surging inflation higher still and creating a bigger headache for policy makers trying to haul Europe back from an economic precipice.

Germany's BDI industry association slashed its economic growth forecast for 2022 on Tuesday to 1.5 per cent, revising it down from 3.5 per cent expected before the war. It said a halt in Russian gas deliveries would make recession inevitable.

Russian gas is still being pumped via Ukraine but at a reduced rate and the Nord Stream I pipeline under the Baltic, a vital supply route to Germany, is working at just 40 per cent capacity, which Moscow says is because Western sanctions are hindering repairs. Europe says this is a pretext to reduce flows.

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An employee of Uniper Energy Storage walks through the above-ground facilities of a natural gas storage in Bierwang, southern Germany, on June 10.

PHOTO: AFP

US in talks with allies on Russian oil price cap

REUTERS, Toronto

The United States is in talks with Canada and other allies to further restrict Moscow's energy revenue by imposing a price cap on Russian oil, Treasury Secretary Janet Yellen said on Monday.

"We are talking about price caps or a price exception that would enhance and strengthen recent and proposed energy restrictions by Europe, the United States, the UK and others, that would push down the price of Russian oil and depress Putin's revenues, while allowing more oil supply to reach the global market," Yellen told reporters in Toronto.

"We think a price exception is also an important way to prevent spillover effects to low income and developing countries that are struggling with high costs food and energy," Yellen

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