Nat'l council to develop automobile industry

STAR BUSINESS REPORT

The government has formed a national council to develop the automobile industry which, in conjunction with a policy framed recently, is expected to facilitate the sector's expansion and cut Bangladesh's over-reliance on imported vehicles.

The industries ministry formulated an "Automobile Industry Development Policy" in August 2021 to encourage local and foreign investment in assembling and manufacturing motor vehicles and their components.

The policy aims to provide investors the opportunity to import capital machinery and equipment to make cars at zero duty to encourage establishment of automobile related factories.

Headed by the industries minister, the council will coordinate various activities related to sectoral development and automobile development policies.

It will also monitor the impact of the policy on other sectors of the economy, according to a notification issued by the industries ministry last week. The panel will sit at least twice a year.

"These initiatives will take the automobile sector forward. We will be able to discuss problems, challenges and prospects of the sector in the council," said Hafizur Rahman Khan, the immediate past president of the Bangladesh Automobiles Assemblers and Manufacturers Association.

"This is a positive step and we are really happy to see the development. Now, we want the council to start working as early as possible," he said.

The move comes at a time when demand for cars is increasing thanks to Bangladesh's steady economic growth that has fuelled the growth of the middle class.

Under the pilot scheme, workers in the export-oriented garment sector will get enhanced social security through income protection.

PHOTO: STAR

ILO launches pilot employment injury scheme

STAR BUSINESS REPORT

Bangladesh, in association with the International Labour Organisation (ILO), Germany and the Netherlands, yesterday rolled out the pilot project of the country's first employment injury scheme for workers.

The ILO, in collaboration with the labour and employment ministry, launched the pilot of the Employment Injury Scheme (EIS) Project at the Hotel InterContinental in Dhaka, according to a press release from the United Nations agency.

As a result, workers in the export-oriented readymade garment sector will get enhanced social security through income protection.

Salman F Rahman, an adviser of the prime minister, inaugurated the scheme in presence of Labour Secretary Md Ehsan-E-Elahi and ILO Country Director Tuomo Poutiainen and higher officials from the embassies of Germany, Norway and the Netherlands.

"The launch of the Employment Injury Protection scheme for garment workers in Bangladesh is an important and historic step in strengthening accident protection in the country," said Poutiainen.

"The ILO is happy to support this effort and work with the government, employers and workers to create a modern and contemporary compensation system for workers and their families that protect their incomes and living when they need it the most. Such a system also promotes sustainable business practices and provides the right kind of signals to investors."

Keeping in mind that workers in the garment industry play a remarkable role in the country's growing GDP, it is important to consider their rights and security on priority. This facility will be expanded to other economic sectors upon the success of the EIS pilot, said the ILO.

Since 2013, the ILO and German development agency GIZ have been working with Bangladesh and industry partners for ensuring workers' social and financial security. As a continuation of the process, the government has decided to introduce a periodic payment scheme for occupational injuries, disabilities and deaths in the garment industry.

Ehsan-E-Elahi called the occasion a historic day for Bangladesh since it is the first-ever social insurance scheme in the country as envisioned in the National Social Security Strategy.

Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association, said the pilot scheme would contribute to the social well-being of workers and employers and the improvement of the country's social security system.

Shamim Ara, president of the National Coordination Committee for Workers' Education, stated that through the pilot scheme, workers have taken a step forward to getting freedom from accidental nightmares. "This step will ensure workers' safety and prevent their helplessness due to workplace accidents."

Bas Blaauw, first secretary of the embassy of the Netherlands in Bangladesh, said the scheme has the potential to be a win-win situation, as social protection and sector competitiveness go hand in hand.

"The EIS pilot can rightly be considered the peak of the reform process," said Johannes Schneider, head of development cooperation at the German embassy.

"We now have, for the first time, an employment injury scheme that meets international standards in terms of compensation and that effectively protects workers and their families from falling into poverty as a result of workplace accidents and occupational diseases."

Stocks snap losing streak

STAR BUSINESS REPORT

Shares on the Dhaka Stock Exchange ended marginally higher yesterday, breaking a three-day losing streak.

The DSEX, the benchmark index of the premier bourse in Bangladesh, rose 6 points, or 0.09 per cent, to close at 6,317.

The DSES Index, which represents the Shariah-based companies, was up 0.18 per cent to 1,381. The DS30 Index, which consists of the blue-chip firms, however, slipped 0.06 per cent, to 2293.

Turnover declined 4.27 per cent to Tk 694 crore compared to the previous session.

Of the securities, 193 advanced, 123 declined and 66 were unchanged.

Meghna Pet Industries gained the most with a 9.96 per cent rise. Information Services Network, Imam Button Industries, Meghna Condensed Milk Industries, Meghna Insurance, Bangladesh Welding Electrodes and Sonali Paper & Board Mills also advanced significantly.

Bangladesh National Insurance Company lost the most at 1.99 per cent. KDS Accessories, Rangpur Dairy & Food Products, CVO Petrochemical Refinery, GSP Finance Company, and Progressive Life Insurance saw major declines.

"The Dhaka stocks inched up amid cautious trading," said International Leasing Securities Ltd in its daily market review.

It said the investors were concerned due to the deteriorating exchange rates, the rising inflation and the flood in the northeastern region of the country. Some investors preferred to book profit while others took the opportunity of buying stocks at lucrative prices.

The Chittagong Stock Exchange also rose.

The CASPI, the all-share price index of the bourse in the port city, added 11.19 points, 0.06 per cent, to end at 18,602.

Of the securities, 112 were up, 118 were down and 47 did not see any price movement. Turnover, however, plummeted 32 per cent to Tk 38.27 crore compared to Tuesday's Tk 56.27 crore.

Best of India Expo kicks off in Dhaka today

STAR BUSINESS DESK

The Federation of Indian Export Organisations (FIEO), in association with the High Commission of India in Bangladesh, will organise the "Best of India Expo 2022" to be held from June 23-25 at Bashundhara International Convention City in Dhaka.

Over 50 Indian companies will participate in the three-day event, supported by the India-Bangladesh Chamber of Commerce and Industries.

The exhibitions will be open to the public every day from 10:00am to 7:00pm, a press release said.

The expo will showcase the best quality products from India in the top 10-12 sectors of Bangladesh.

RMG exports to Russia

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The local exporters appreciated payments in Chinese currency as it is helping them continue business with Russia.

With the war running for the past five months, local garment exporters are still hopeful that shipments to Russia will rise because it had continued even during the war.

They are hopeful, going as far as even expecting the shipment figures to go up in the future as Russian retailers and brands have been placing work orders with Bangladeshi manufacturers while foreign retailers and brands had been leaving Russia for the SWIFT ban.

The local garment exporters said earnings from shipping apparel items to Russia was supposed to be grounded, as predicted by some people because of the outbreak of the Russia-Ukraine war that began on February 24 this year.

Still, they are capable of making earnings from the shipments to Russia although the growth is declining every month.

For instance, Rajiv Chowdhury, managing director of Fatullah-based Young 4 Ever Textile, said he was able to receive $5 lakh as export payment from his Russia buyer but through an alternative route from Turkey.

"Primarily with the breakout of the war, I was scared regarding the payment from the Russian buyer but finally the buyer paid me the amount from Turkey," he said.

Until now, the Russian buyers had been interested in placing work orders to his factory but Rajiv remains very cautious regarding buyers from this nation as the war was still going on.

With the SWIFT ban, many local garment exporters have been receiving payments through alternative channels such as in Chinese currency.

Few work orders were put on hold and deferred and now the business is being restored gradually, BGMEA said

Chowdhury also said big buyers easily complete making payments through the alternative channels such as in Chinese currency but reaching shipments to the war zone had turned very risky.

He said every year he usually ships more than $1 million worth of knitwear items like t-shirts and polo shirts to Russia.

Shahidul Islam, managing director of Rupa Group, another exporter of knitwear items like sweaters, polo shirts and t shirts, has been very cautious in making shipments to Russia although he was determined to reach his goods in spite of the risks posed by the war.

Usually, he ships knitwear items worth $2 million in a year. But reaching this annual figure apparently seems impossible within the six months left of the current year because of a slowdown in exports for the war, he said.

Shipments to Russian markets will rebound for local garment exporters as this is a promising one, he said.

Mohammad Hatem, executive president of the Bangladesh Garment Manufacturers and Exporters Association, still sees Russia as a very promising export destination as Russian buyers were getting habituated to paying through alternative channels such as in Chinese currency.

Moreover, the old export shipment routes of Russia have also been restored. For instance, currently, the local garment exporters can ship goods through the ports in Finland, Belarus and Hamburg.

The only route closed until now for shipment of goods to Russia is through Poland, he said. "We see Russia as a boon in spite of the ban," he said.

"We are exporting in alternative ways and receiving payments in alternative ways. Hope the export will rebound to Russia soon," said Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association.

Few work orders were put on hold and deferred and now the business is being restored gradually, he said.

FICCI opposes tax

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allocations for the fund should be considered as permissible expenses under section 29 of the Income Tax Ordinance instead of inadmissible ones under section 30 as suggested in the proposed budget.

FICCI President Naser Ezaz Bijoy said the growth of multinational companies operating in Bangladesh could slow down if certain provisions, such as those regarding the WPPF, are included in the national budget as they may discourage both domestic and foreign investment.

"As per the Labour Act, an individual is required to pay tax on it for amounts exceeding Tk 50,000 but on the other hand, 10 per cent of 5 per cent of the net profit should be contributed to the government welfare fund," he said.

"So, imposing tax on WPPF contributions is basically taxing payments to the government."

He went on to say that the measure is identical to double taxation as both employees and employers would bear the burden.

"In addition, imposing this will create more challenges in the ease of doing business in Bangladesh." said Naser, also chief executive officer of Standard Chartered Bank.

FICCI also urged the government to bring changes to the conditions related to the corporate tax benefits unveiled in the proposed budget.

The government proposed cutting the corporate tax rate by 2.5 percentage points for listed and non-listed companies.

However, firms will have to conduct most of their transactions through banks and mobile financial services to avail the benefit. They also cannot spend or invest more than Tk 12 lakh using cash.

"The law should allow companies that collect at least 50 per cent of their proceeds through banking channels to avail the benefit while the ceiling could be gradually increased by 10 per cent from next year," it said.

Naser opposed the government's bid to offer unquestioned amnesty to legalise undisclosed offshore properties and funds.

"We disagree with the proposal from an ethical point of view," he said.

The FICCI president then said the measure is detrimental for compliance with tax laws as it will encourage tax evaders.

However, Naser lauded the government's decision to introduce a uniform corporate tax rate of 10 per cent.

"This will create a level-playing field for all exporters. Going forward, we will expect some more initiatives to diversify exports," he said.

Rupali Haque Chowdhury, former president of the FICCI, said the government should maintain policy consistency to attract more foreign investment, especially for new economic zones in the country.

Egyptian, Saudi firms sign accords worth $7.7b

AFP, Cairo

Saudi and Egyptian companies signed agreements worth a total of $7.7 billion during a visit to Cairo by the Saudi crown prince, state media in both countries said.

The deals were related to "infrastructure, logistical services, port management, agri-foods, the pharmaceutical industry, fossil fuels and renewable energy, and cybersecurity" and were worth $7.7 billion, Egyptian daily Al-Ahram said.

"Fourteen investment agreements worth more than 29 billion riyals ($7.7 billion) were signed between a group of leading Saudi companies in various economic activities and several Egyptian companies and authorities," Saudi state-run Al-Ekhbariya said on Twitter. The Saudi investment ministry said the agreements aimed to "enhance investment and economic cooperation between the two countries."

Trade between Egypt and the kingdom leapt more than 62 per cent last year compared with 2020, reaching $9.1 billion, according to official Egyptian figures.

Egyptians working in Saudi Arabia are an important source of foreign currency, with transfers worth more than $11 billion in the 2020-2021 financial year, up more than 17 per cent compared with the previous year.

Default loans

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Hong Kong, Australia, United Kingdom, United States and Canada.

Over another question, Kamal said, "Bangladesh will not become bankrupt like Sri Lanka... Bangladesh's economy stands on a strong and solid foundation. Our macroeconomic variables are very strong."

Most of Sri Lanka's foreign loans were taken under commercial and sovereign bonds, which have to be repaid in five years with high interest, he said.

The repayment period of Bangladesh's foreign loans is much longer and at lower interest rates and the Bangladesh government has no sovereign bond, he added.

He said the current debt situation in Bangladesh was tolerable and sustainable and there was no major risk like that faced by Sri Lanka in the medium and long term.

Private credit growth

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ensure a price and exchange rate stability," said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh. "Slowing down the credit growth will not be harmful to the economy at the moment."

The former official of the International Monetary Fund proposed the central bank adopt a contractionary monetary policy to defuse the ongoing crises.

"Once the economy returns to normalcy, importance can be given to boost the credit growth," he said.

Emranul Huq, managing director of Dhaka Bank, said banks were still doing good in terms of providing funds to the private sector.

"The liquidity position in the banking sector is still good and the central bank should take required measures to keep funds available in the banking sector."

He reckons that revising the lending rate cap upwards would not hurt the banking sector as the genuine businesses will still borrow to expand against all odds.

Mustafizur Rahman, a distinguished fellow at the Centre for Policy Dialogue, thinks generating jobs is the most important task to ensure inclusive growth.

"So, the monetary policy should ensure adequate funds for the productive sector," he said.