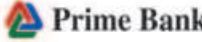




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BUSINESS


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Impact of tax exemption needs analysis Says economist

STAR BUSINESS REPORT

The personal income tax collection to gross domestic product (GDP) ratio can be raised to 3.1 per cent from the current 1 per cent or so if the government can get all eligible individuals to pay taxes, according to a study unveiled yesterday.

Moreover, the revenue to GDP ratio will be 2 percentage points higher if the tax authority removes tax exemptions, said the paper.

Bangladesh should conduct a cost benefit analysis to assess the impact of all available tax incentives, said MA Razzaque, said chairman of the Research and Policy Integration for Development (RAPID).

He was addressing a seminar on the use of direct taxation to tackle inequality and increase revenue collection, organised by Economic Reporters Forum and RAPID on the former's premises in Dhaka.

Revenue to GDP ratio will be 2 percentage points higher if the tax authority removes tax exemptions, according to a paper

Presenting a keynote paper, Razzaque said Bangladesh's tax to GDP ratio was 9 per cent, one of the lowest in the world.

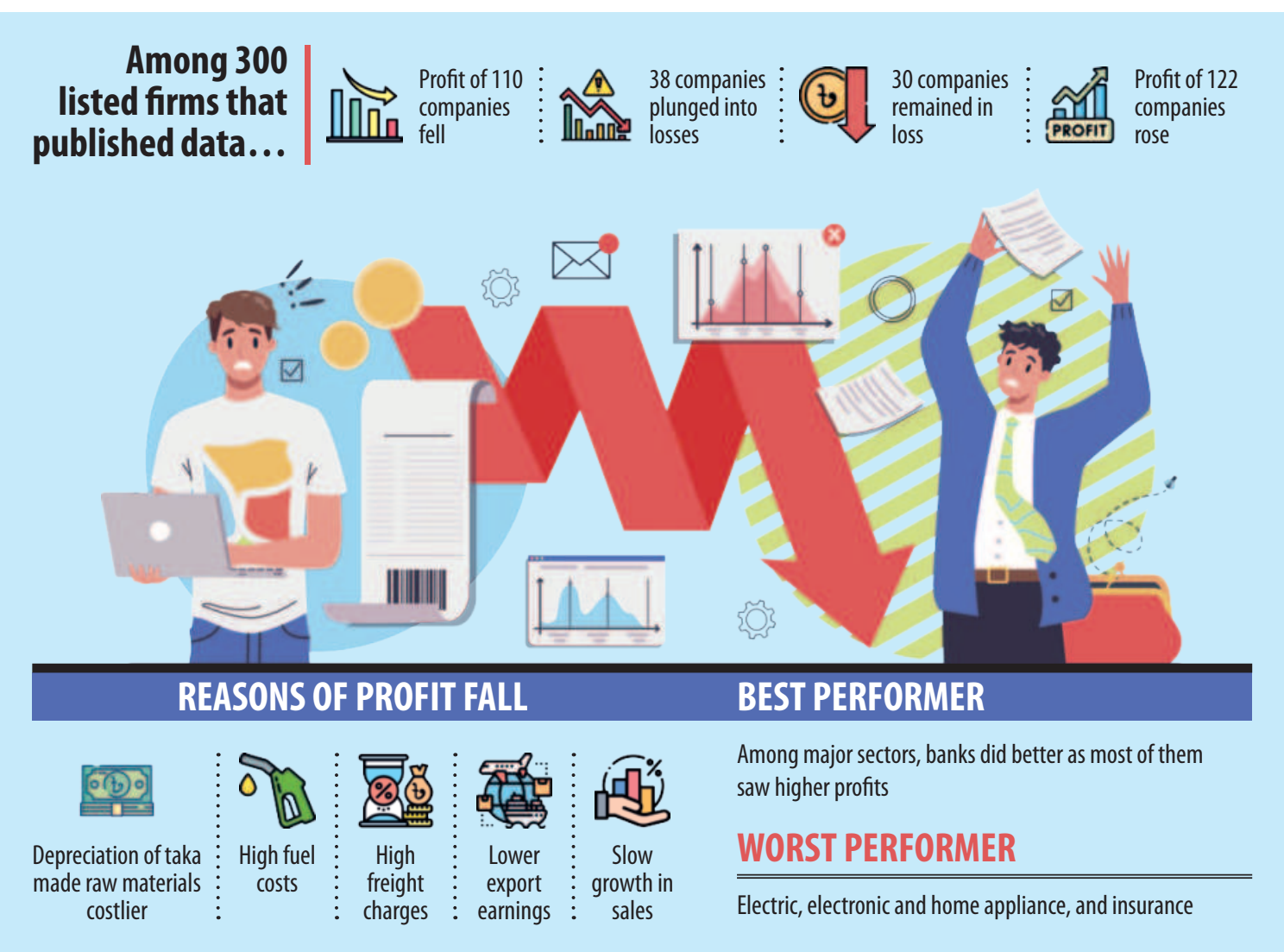
The main reason was a low collection of direct tax, which needs to be increased to reduce income inequality, he added.

The National Board of Revenue (NBR)'s recent announcement to attempt increasing the share of direct tax in total revenue from 35 per cent to 70 per cent would drive economic growth and strengthen the government's ability to provide essential public services, Razzaque also said.

It will also allow Bangladesh to generate higher revenue more sustainably and help tackle rising inequality, he said, adding that despite significant growth in per capita income, income inequality has risen in recent years.

Razzaque also said domestic revenue generation in Bangladesh was historically low and the

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FIRMS' FALLING PROFITS testify to slowing business, economy

AHSAN HABIB

Businesses in Bangladesh went through a tough time in recent months due to a dearer US dollar that pushed up their costs of raw materials and a rocketing fuel bill that contributed to the surge in operating expenses.

The fear of an economic slowdown because of the dragging Russia-Ukraine war and the global energy crisis has made inflation-hit people more cautious, forcing them to tighten their purse strings that hurt the bottom line of companies.

It was evident again in the financial performance of 300 companies listed on the Dhaka Stock Exchange in the July to September quarter of the current financial year of 2022-23. They represented almost all sectors of the economy.

Of them, 110 companies posted a reduced profit in the three-month period compared to the identical quarter a year earlier.

Thirty-eight companies slipped into losses for the first time while the losses for 30 firms widened in the quarter, data compiled by Sandhani Asset Management showed.

Some 122 companies showed higher profits despite the mounting challenges, at home and abroad.

"The performance was not

surprising as the whole world is suffering because of the Russia-Ukraine war. We are also facing the heat of the global crisis," said Kazi Iqbal, a senior research fellow at the Bangladesh Institute of Development Studies.

Firms are facing monumental challenges on both the demand and supply sides.

On the demand side, people are buying less since their purchasing power has been squeezed for higher consumer prices, which surged to a decade high in Bangladesh in August.

People are also worried that the economy may slow down further since the factors responsible for the current global crisis and the strain facing Bangladesh's economy are still there. And there are little signs that they would disappear anytime soon.

On the supply side, the cost of production has gone up for the

higher global commodity prices, the unprecedented US dollar rate, and the fuel prices locally.

Since November last year, the government has hiked the diesel price twice, sending it to Tk 109 per litre from Tk 65 to minimise the subsidy on petroleum products.

"All of the factors have combined to hit the businesses," Iqbal said.

Among the major sectors, the banking sector did comparatively better. The worst performers include electric, electronic and home appliance, and insurance sectors, the data showed.

"The export-based companies also suffered in the July-September quarter as the world economy and the export destinations of Bangladesh, especially, are seeing high inflation. So, demand for imported goods in these

countries has dropped," said Rizwan Rahman, president of the Dhaka Chamber of Commerce and Industry.

Inflation in the 19-member eurozone surged to 10 per cent in September, the highest since records began. In the US, it was 8.2 per cent in the month, hovering near the highest levels since the early 1980s.

Amid the worsening cost-of-living crisis, nearly three-quarters of European consumers are cutting back spending on everyday items, including food, to make ends meet, according to IRI, a data analytics and market research company, reported Bloomberg recently.

The EU and the US together account for more than 80 per cent of Bangladesh's export earnings.

Exports from Bangladesh dropped 6.25 per cent year-on-year to \$3.9 billion in September, the first fall in 14 months, leading to an overall slowdown in shipment.

The FMCG (fast-moving consumer goods) companies that serve the local consumers were also suffering from a lower profit since the cost of operation rose, said Rahman.

"The depreciation of the local currency against the US dollar sent the raw material costs soaring."

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Remittance, export to go up slightly in Q2

Imports will also rise, MCCI projects

STAR BUSINESS REPORT

Bangladesh's export and remittance receipts and import payments may increase slightly in the second quarter of the current fiscal year, according to a projection of the Metropolitan Chamber of Commerce and Industry, Dhaka (MCCI).

The country's oldest chamber made the projection in its review of the economic situation for the July-September quarter.

Although the increase in exports and remittances would be a positive development for the country, the slight rise in import bills would not bode well for the economy.

The MCCI said the economy is gradually trying to overcome the difficulty caused by the Covid-19 pandemic and the war between Russia and Ukraine. Therefore, the performances of the selected economic indicators are mixed.

The foreign exchange reserves are likely to fall in November due to the payment to the Asian Clearing Union against imports, the MCCI said

The foreign exchange reserves are likely to fall in November due to the payment to the Asian Clearing Union against imports.

On November 7, reserves slipped to around \$34.5 billion after the central bank cleared \$1.3 billion worth of import bills.

The decline in reserves is adding to financial strains the country is already facing for a record current account deficit amid a sharp depreciation of the local currency against the US dollar, said the MCCI.

The reserves may improve to \$35.99 billion at the end of December, it projected.

In another encouraging sign, inflation could go down slightly in the second quarter of the current fiscal year and may stand at 8.95 per cent in November and fall further to 8.80 per cent in December.

According to the Bangladesh Bureau of Statistics, inflation was 8.91 per cent in October.

The tapering of the global pandemic and the Russia-Ukraine war on its close heels were the strongest drivers behind the price rises across the world and in Bangladesh.

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STOCKS				WEEK-ON WEEK
DSEX ▼		CASPI ▼		
1.38%		1.43%		
6,265.99		18,492.98		

COMMODITIES				AS OF FRIDAY
Gold ▼		Oil ▼		
\$1,751.04		\$80.17		
(per ounce)		(per barrel)		

ASIAN MARKETS					FRIDAY CLOSINGS
MUMBAI	TOKYO	SINGAPORE	SHANGHAI		
▼ 0.14%	▼ 0.11%	▼ 0.42%	▼ 0.58%		
61,663.48	27,899.77	3,272.23	3,097.24		



Sales of rice and wheat flour at subsidised rates through the government's open market sale initiative have declined 25 per cent year-on-year to 2.71 lakh tonnes in the first four months of the current fiscal year, according to the food ministry.

PHOTO: STAR/FILE

SUBSIDISED PRICE

Govt's food distribution slumps

SOHEL PARVEZ

While the queue of people behind open market sale (OMS) trucks of the food ministry continues to remain fairly long, food grain distribution by the ministry was said to have dropped 19 per cent year-on-year in the first four months of the current fiscal year.

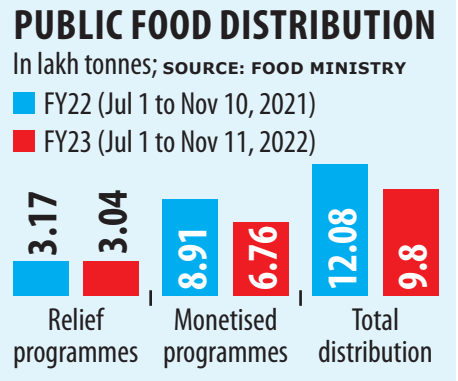
Between July 1 and November 10 this year, the food ministry distributed 9.8 lakh tonnes of rice and wheat flour among low-income people at subsidised rates under its various monetised and non-monetised programmes.

These include the OMS, food friendly programme (FFP) and vulnerable group feeding (VGF). The amount distributed was 12.08 lakh tonnes from July 1 to November 11, 2021, according to food ministry data.

Of them, sales of rice and wheat flour through the OMS declined 25 per cent year-on-year to 2.71 lakh tonnes, according to the food ministry.

One analyst expressed surprise over the dip in the distribution of staple grains as high inflation was forcing many low and fixed-income families to stand in queues behind the OMS trucks to buy rice and wheat flour at lower-than-market prices.

The Bangladesh Bureau of Statistics



claims that food inflation had declined to 8.5 per cent in October this year.

The markets were portraying a different picture. At present, rice is selling at high prices. In October, prices of wheat flour, the second most consumed item, hit a new record high level as domestic availability fell for a slump in imports.

The food ministry data showed that the distribution of food grains through the FFP slumped by one third year-on-year to 2.57 lakh tonnes between July 1 and November 10 this year.

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