

India's factory growth slows to 4-month low

REUTERS, Bengaluru

India's manufacturing sector expanded at the slowest pace in four months in February but remained relatively strong amid buoyant domestic demand, despite higher inflationary pressures, a private survey showed on Wednesday.

Rising borrowing costs and weakness in manufacturing have slowed the Indian economy. It expanded 4.4 per cent last quarter year-on-year from 6.3 per cent in the previous quarter, data showed on Tuesday, slower than the 4.6 per cent predicted in a Reuters poll.

The manufacturing sector shrank 1.1 per cent in the quarter year-on-year, the second straight contraction reflecting a weakness in exports.

The Manufacturing Purchasing Managers' Index, compiled by S&P Global dipped to 55.3 last month from January's 55.4, but it was higher than a Reuters poll expectation for 54.3 and still well above the 50-mark separating expansion from contraction for a 20th straight month.

"Companies were confident in the resiliency of demand and continued to add to their inventories by purchasing additional inputs," said Pollyanna De Lima, economics associate director at S&P Global Market Intelligence.



A number of filling stations in the capital have been accepting payments through cards for a while. The photo was taken in Tejgaon Industrial Area recently.

PHOTO: ANISUR RAHMAN

Ready infrastructure to make economic zones attractive: DCCI

STAR BUSINESS REPORT

The government should put in place required infrastructural and utility facilities to ready economic zones and draw investments, said the Dhaka Chamber of Commerce & Industry (DCCI).

"The move of implementing 100 economic zones has created huge investment potential. It is crucial to ensure necessary infrastructural and utility facilities such as gas and electricity and transport routes with necessary compliance for the effective readiness of economic zones to attract investments," said DCCI President Md Sameer Sattar.

He made the comments during a meeting with Industries Minister Nurul Majid Mahmud Humayun at the latter's office in Dhaka on Tuesday, according to a press release.

Sattar said it is extremely important to take appropriate policy reforms and ensure their implementation to retain

the existing export market and create new export destinations in the post-LDC (least developed country) era.

"For the readiness of local industries after graduation, the identification of required policy gaps and reforms in existing regulations such as the SME Policy 2019 and the National Industrial Policy 2022 is essential."

According to the business leader, for the development of cottage, micro, small and medium enterprises (CMSMEs), the definition of SME needs to be redefined to exclude medium enterprises, as cottage, micro and small entrepreneurs are deprived of financial and non-financial facilities compared to their medium counterparts.

The National Industrial Policy said the industrial contribution to GDP can be increased by strengthening the light engineering sector, which mainly involves SMEs.

Furthermore, prompt implementation

of the 10 proposed light engineering industrial parks in five districts -- Dhaka, Narayanganj, Mymensingh, Narsingdi and Jashore -- with necessary infrastructure is required to strengthen the backward linkage industries, said the press release.

"It is crucial to ensure necessary infrastructural and utility facilities such as gas and electricity and transport routes with necessary compliance for the effective readiness of economic zones to attract investments."

Sattar also shed light on the global halal market valued around \$3 trillion.

"Bangladesh has a great chance to secure the global halal market by adding halal foods, drinks, garments and cosmetics and strengthening

the Bangladesh Standards and Testing Institution with international accreditation," he said.

"We should tap the potential of the global halal market," Nurul Majid Mahmud Humayun added.

"For that to happen, the private sector should come forward with investments."

He assured to extend all possible support to industries from the government.

The industries minister said that the government is relentlessly working for the betterment of a business-friendly environment.

He urged entrepreneurs to inform the industries ministry about the specific problems that they are facing so that it can take up the issues and resolve them.

Industries Secretary Zakia Sultana, DCCI Senior Vice-president SM Golam Faruk Alamgir and Vice-president Md Junaed Iba Ali were also present during the meeting.

Ensure insurance claims are paid after proper investigation

PM says on Insurance Day

UNB

Prime Minister Sheikh Hasina yesterday called for ensuring that insurance claims were paid after proper investigation to curb anomalies in this sector.

"Make sure that you are paying the money claimed after appropriate investigation and examinations," she said.

The prime minister said this while addressing a programme to observe National Insurance Day 2023 at Bangabandhu International Conference Centre with the theme "my life and asset will be secured if these are insured".

She said there were allegations of anomalies over the payment of money claimed with unscrupulous people claiming hefty amounts of money against insured items.

"My request to the people and authority involved in the insurance sector is to remain alert to ensure inquiry for finding out the actual loss from any incident," she said.

She asked them not to pay any money without conducting proper investigations bowing down to pressure from any person.

She asked all people and authorities involved in the insurance sector to sincerely look into various anomalies in this sector.

"Please do not give in to any pressure. Many people come to us, to me and the ministers or any other person, for getting favour, but you have to find out the actual loss," she said.

Hasina said any person can claim a hefty amount for his or her insured item but the authorities concerned have to pay the money after proper investigation and examination.

"Why is not that being implemented? Then should I think that the investigators are also the beneficiaries of this (anomaly)? I doubt they also have involvement in this," she said.

She mentioned that she does not want insurance companies to earn a bad name because she was also a member of this family. "I have to look after this."

STOCKS	
DSEX ▼	CASPI ▲
0.03%	0.05%
6,214.69	18,336.39

COMMODITIES	
Gold ▲	Oil ▼
\$1,836.04	\$76.16
(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.76%	▲ 0.26%	▼ 0.23%	▲ 1.00%
59,411.08	27,516.53	3,255.08	3,312.35

Insurers' asset, investment

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adverse effect on companies' wealth and investment.

"The period was so tough that many insurers had to settle claims even if they didn't make profit. As a result, many of them had to settle claims by encashing their fixed deposit receipts [FDRs]," he said.

"So, how can investment grow when they are settling claims by pouring cash and FDRs?" Chowdhury added.

Investments by insurance companies rose by around 1 per cent to Tk 46,484 crore in 2022 while it had increased by 5.80 per cent and 8.34 per cent respectively in the two years prior, IDRA data shows.

Premiums collected by the insurance sector rose nearly 17 per cent year-on-year in 2022 even though the business continued to face the challenges of Covid-19 and Russia-Ukraine war.

"Insurance companies suffered due to the recent US dollar shortage as the subsequent economic fallout impacted the overall business," said Md Sana Ullah, managing director and CEO of Bangladesh National Insurance Company Limited.

Businesspeople were facing obstacles to import raw materials by opening letters of credit (LCs) but even so, they had to bear all the expenses on a regular basis.

So, the growth of the assets of the companies was hit. Besides,

investment growth slowed down too, he added.

LC opening slumped 14 per cent year-on-year in the July-December period of the current financial year (2022-23). Meanwhile, settlements declined 9 per cent, as per Bangladesh Bank data.

Ullah expressed concerns that the year 2023 will be the worst for the insurance industry compared to its performance in the last three years.

Sheikh Rakibul Karim, CEO of Guardian Life Insurance Limited, blamed the economic recession caused by Covid-19 for the sufferings of the insurance sector as the situation has had a huge effect on business.

"When a company gets older, their insurance maturity increases so their life fund drops," said Jalalul Azim, managing director and CEO of Pragati Life Insurance.

If the life fund drops, then the asset does not rise at the previous rate. Assets of insurance companies can also drop due to embezzlement.

In addition, assets can fall due to huge losses incurred from stock market investment, he added.

Currently, there are 35 life insurance and 46 non-life insurance companies active in the country. Of them, 49 are listed with the stock market.

The insurance industry contributes only 0.4 per cent to Bangladesh's growing gross domestic product.

Reduced corporate tax

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companies and the higher rate of tax deducted at source.

"We can't enjoy the benefit of the reduction of corporate taxes. In reality, the tax rate goes up to 50 per cent for listed companies, although the present rate is 20 per cent," Barua said.

"The effective tax rate is extravagant," said FICCI President Naser Ezaz Bijoy.

Though the applicable corporate tax is 20 per cent and 27.5 per cent for publicly traded and private limited companies, respectively, the effective tax rate is much higher due to the implication of some provisions in the tax laws and the deduction of tax at source, he said.

"Therefore, we are proposing to reduce the effective tax rate in conjunction with the tax rate in our neighbouring countries."

The FICCI demanded rationalisation of the tax deducted at source, saying in certain cases, the tax is considered as the minimum tax for that source of income.

In response, NBR Chairman Abu Hena Md Rahmatul Muneem said a lot of transactions and expenses are done through outsourcing and payments can be done without cash.

He urged the FICCI to give a list of items that are purchased using cash.

The FICCI suggested the NBR collect the data on deposits against

bank accounts in order to find out whether taxpayers have declared them in their returns.

"Some taxpayers may not declare all of their bank accounts in their tax returns in order to evade taxes," said the FICCI.

"This reconciliation process can be automated," said Barua.

The FICCI also suggested the tax authority update the land value to reflect market realities and reduce the registration cost and tax rates to curb the scope of undeclared incomes.

At present, land and properties are mainly transferred based on the official rates although the actual value of the properties is higher.

Barua said: "This creates black money."

In the budget proposals, the FICCI demanded the NBR make the VAT online system user-friendly.

"It is getting difficult for users to use the online portal. If the suggested improvements are incorporated, the portal will be user-friendly."

The MCCI called for bringing down the number of areas where the submission of the proof of tax returns is mandatory from the present 38 and automating the tax system.

Muneem said: "The present VAT law is designed to implement through automation. If we want to implement it properly, we will have to go there. We are working to make the VAT return system easy."

Stalemate eases

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container ships from the Chattogram-Colombo route on February 20.

The Bangladesh Flag Vessel (protection of interest) Act 2019 priorities locally-owned vessels and stipulates that they must carry 50 per cent of all sea-borne cargo.

The certificate waives this rule and obtaining it is mandatory for foreign ships intending to carry cargo to and from Bangladesh.

The DG, Commodore Md Nizamul Haque, chaired the meeting which was attended by representatives of both Bangladesh and foreign flagged vessels.

The meeting took some decisions.

One was that main line operators (MLOs) would give cargoes to Bangladesh flagged vessels and also enter into a common carrier agreement with them at the lowest or a competitive freight rate as determined by the annual tender, said sources attending the meeting.

Upon receiving the online applications, the MMD will decide on issuing the waiver certificate within a prescribed 72 hours.

If a decision is not provided by then, it will be assumed that the

waiver certificate has been granted automatically, they said.

In case of a denial, Bangladesh Ocean Going Vessel Owners Association (BOGSOA) will need to give detailed information of the vessel which would carry the associated cargo at the particular port and date.

If a vessel is not made available, penalty provisions will be invoked.

Confirming the decisions, the DG told The Daily Star that interests of both Bangladeshi and foreign flagged vessels need to be ensured to keep foreign trade smooth.

He said Bangladeshi flagged vessels need to take part in the trade with competitive freight rates while the MLOs and feeder vessels should also share cargo with the locally owned vessels showing respect to the law.

A senior official of a foreign shipping line attending the meeting said they have no problem to share cargo with the Bangladeshi flagged vessels if they offer competitive freight rates through annual tender.

Bangladesh Shipping Agents Association Chairman Syed M Arif said they would observe the procedure in the coming days.

Saudi assures of help

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Mentioning the excellent relationship between the two countries, Qasabi said he would provide all kinds of support towards this end, according to a press release of the Bangladesh embassy in Riyadh.

In a separate meeting, Saudi Basic Industries Corporation (SABIC) CEO Abdulrahman Al-Fageeh also welcomed the concept note on the fertiliser factory presented by Salman F Rahman. He agreed to proceed with the idea.

Al-Fageeh also agreed to go ahead with Bangladesh's idea of establishing a strategic business relationship in manufacturing artificial fabric as Bangladesh's readymade garment sector has the associated capability.

He said Bangladeshi businesspeople could discuss the matter with SABIC.

Qasabi will lead a delegation to the

Bangladesh Business Summit, to be held in Dhaka on March 11-13.

They also talked about a joint business council meeting to be held in Bangladesh during the summit.

About two million Bangladeshis work in Saudi Arabia, which is a major source of migrant remittances and fuel oil. Bangladesh maintains a strong relationship with Saudi Arabia, a major member of the Organisation of Islamic Cooperation.

Bangladesh's Ambassador to Saudi Arabia Javed Patwary and other officials of the embassy were also present during the meetings.

In fiscal year 2021-22, Bangladesh's exports to Saudi Arabia amounted to \$290 million against imports of \$1,693 million in the same period, according to data from Bangladesh Bank and the Export Promotion Bureau.

Banks hike dollar

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Importers have to buy the US dollar based on the weighted average exchange rate plus Tk 1.

Banks started to offer multiples rates for the US dollar since the middle of September 2022 in order to contain the volatility in the foreign exchange market resulting from higher imports than exports and remittance earnings.

Foreign currency reserves fell to \$32.45 billion on February 22, down from \$45.84 billion a year earlier, BB data showed. The taka has lost its value against the US dollar by more than 22 per cent during the period.

Remittance rises in Feb

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Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, said the inflow should have crossed \$2 billion each month given the human resources being exported abroad.

"But we can't maintain the ceiling thanks to the dominance of the hundi cartel. Although remittances have increased a bit in recent months, this is not enough to tackle the stress that is prevailing in the economy," he said.

More than 11.35 lakh Bangladeshis left the country for jobs abroad last

year, the highest in history, data from the Bureau of Manpower of Employment and Training showed.

Remittances in February, however, declined 20.3 per cent from that in January when expatriate Bangladeshis sent home \$1.95 billion, according to data from the central bank.

A Bangladesh Bank official said the month of January contains 31 days whereas February was of 28 days, so it was logical for a lower amount of remittance to come last month.

Between July and February of this fiscal year, remittance inflow