

## Brac Bank rated 'AAA' again

STAR BUSINESS DESK

Brac Bank again got the highest credit rating "AAA" by the Credit Rating Agency of Bangladesh (CRAB) for showing its solid financial strength and stability.

CRAB has reaffirmed "AAA" for long-term and ST-1 for the short-term with "Stable" outlook for Brac Bank, said a press release.

This latest credit rating will be valid till June 30, 2024.

"This unique achievement has resulted from the bank's continuous efforts towards improving and maintaining an industry-above capital base, better asset quality, exemplary corporate governance and superior liquidity position," said Selim RF Hussain, managing director of the bank.

The agency first assigned "AAA" to Brac Bank earlier in 2022.

## Euro zone investor morale dips unexpectedly

REUTERS, Berlin

Investor morale in the euro zone took a surprising dip in May, with stubborn inflation and energy concerns upending expectations of a spring recovery, a survey showed on Monday.

Sentix's index for the euro zone fell to -13.1 points for May from -8.7 in April. Analysts polled by Reuters had expected it to rise to -8.0 this month.

The index on expectations in particular took a fall, decreasing to -19.0 in May from -13.0 in April, its lowest level since December 2022, "wiping out all hopes of an economic revival following the outbreak of the Ukraine war", Sentix said.

The barometer plunged into negative territory in the wake of Russia's invasion last February.



Bangladesh exported apparel items worth \$9.01 billion to the US in the fiscal year of 2021-22, registering 51.57 per cent year-on-year growth. PHOTO: STAR/FILE

## China's exports seen rising in April

REUTERS, Beijing

China's exports were expected to have risen again in April, albeit at a less robust pace than a month earlier, a Reuters poll showed, supported by unfulfilled orders after last year's Covid disruptions though slowing global growth is darkening the outlook.

Outbound shipments last month from the world's second largest economy is expected to show growth of 8.0 per cent year-on-year, following an unexpected surge of 14.8 per cent in March, according to the median forecast of 27 economists in the poll finalised on Monday.

Imports are still expected to paint a less favourable picture of the overall economy, with economists predicting no growth, similar to April, 2022, after falling by 1.4 per cent year-on-year in March.

The trade data will be released on Tuesday. With many of China's major trade partners on the brink of recession, analysts remain wary about the outlook, noting that the stunning improvement in March partly reflects suppliers catching up with unfulfilled orders from last year's Covid disruptions.

The cautious stance was backed by the recent official manufacturing purchasing managers' index for April showing new export orders contracting sharply and underlining the challenge facing Chinese policymakers and businesses hoping for a robust post-Covid economic recovery.

"We believe March's 14.8 per cent year on year growth is unsustainable and monthly export growth may drop to low single digit or even into negative territory again," Ting Lu, chief China economist at Nomura, wrote in a note, citing a slowing global economy and rising geopolitical tensions.

South Korean exports to China, a leading indicator of China's imports, were down 26.5 per cent in April, continuing 10 consecutive months of decline.

## Offer duty-free access to RMG made of US cotton

BGMEA again urges US

STAR BUSINESS REPORT

Bangladesh Garment Manufacturers and Exporters Association (BGMEA) has again requested the US government to allow duty-free access to garments made from cotton imported from the United States.

"The move will benefit both Bangladeshi RMG exporters and US cotton growers, thus creating a win-win situation," said BGMEA President Faruque Hassan in a meeting with US Ambassador to Bangladesh Peter Haas at the BGMEA office in Dhaka on Sunday.

Faruque also sought cooperation from the US in making the process of importing cotton from the country easier, according to a statement from the association.

The US is the single largest export destination for Bangladesh. In the fiscal year of 2021-22, Bangladesh exported apparel items worth \$9.01 billion to the country, registering 51.57 per cent year-on-year growth.

Apparel products imported from Bangladesh are subjected to a 15.62 per cent tariff in the US market.

The US does not allow duty-free access for apparel items sourced from any country in the world, sans those from certain African countries covered by the African Growth and Opportunity Act.

Faruque also informed Haas about the BGMEA's initiative aimed at organising the Bangladesh Apparel Summit in the US in October 2023 and requested him to extend support to this effect.

In the meeting, Haas praised the RMG industry of Bangladesh for its huge progress in ensuring workplace safety and workers' rights and welfare.

The ambassador also stressed the importance of building on the accomplishments and expressed his hope that the garment industry would continue its development initiatives in the coming days, said the press release.

## Unilever Consumer Care's profit rises 17%

STAR BUSINESS REPORT

Unilever Consumer Care Ltd (UCL), the maker of Horlicks, said its profit soared 17 per cent in the first three months of this year despite the consumer goods company recorded a fall in sales.

The UCL logged Tk 20.13 crore in profits in January-March this year up from Tk 17.26 crore a year ago.

The earnings per share (EPS) of the company, a part of Unilever's group of companies, rose to Tk 16.72 in the first quarter of this year from Tk 14.33 the same period a year ago.

"Despite significant increase in raw and packing material costs, EPS shows an improvement mainly due to efficiency in operating expenses, increased finance income as well as one-off benefit coming

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out of assessment of past liabilities and obligation in the light of current business development," the UCL said.

The UCL posted spike in its net asset value during the quarter resulted from the improved profitability.

The company cut its operating expenses by 23 per cent year-on-year in January-March quarter of 2023.

It, however, said its net operating cash flow per share (NOCFPS) plummeted 80 per cent year-on-year to Tk 6.21 in the first quarter of this financial year.

"The decrease in NOCFPS is mainly due to significant increase in raw and packing material prices along with significant increase in foreign exchange rate partly offset by efficiency in operating expense," said Unilever.

UCL reported a profit of Tk 73.05 crore in the financial year that ended on December 31, up 38.45 per cent year-on-year, the company said.

PRICES OF KEY ESSENTIALS IN DHAKA CITY			
	PRICE (MAY 8, 2023)	% CHANGES FROM A MONTH AGO	% CHANGE FROM A YEAR AGO
Fine rice (kg)	Tk 60-Tk 75	0	5.47 ↑
Coarse rice (kg)	Tk 46-Tk 50	0	6.67 ↑
Loose flour (kg)	Tk 55-Tk 58	0	48.68 ↑
Lentil (kg)	Tk 90-Tk 100	-2.56 ↓	-7.32 ↓
Soybean (litre)	Tk 170-Tk 180	2.04 ↑	-3.31 ↓
Potato (kg)	Tk 35-Tk 40	59.57 ↑	108.33 ↑
Onion (kg)	Tk 50-Tk 60	57.14 ↑	69.23 ↑
Egg (4 pcs)	Tk 45-Tk 50	9.2 ↑	31.94 ↑

SOURCE: TCB



Sheikh Kabir Hossain, president of Bangladesh Insurance Association (BIA), attended a daylong conference styled "Reimagining the Paradigm Shift in Bangladesh Insurance Industry - Bridging the Protection Gap" organised by the BIA in association with the Birla Institute of Management & Technology (BIMTECH) and the Professional Advancement Bangladesh, at Sheraton Dhaka in Banani yesterday. Sheikh Mohammad Salim Ullah, secretary of the Financial Institutions Division of the finance ministry, Mohammad Jainul Bari, chairman of the Insurance Development and Regulatory Authority, and Prof Abhijit K Chatteraj, chairperson of PGDM-IBM at the BIMTECH, were present. PHOTO: GREEN DELTA INSURANCE

## Bad loans pile up at state banks

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Rupali Bank's profits plummeted 44 per cent to Tk 28 crore. Bad loans rocketed 228 per cent to Tk 858 crore.

According to Mirza Azizul Islam, banks do not take timely action against defaulters.

"Even when they take action, borrowers file writ petitions and the issues linger for a longer period."

He also said the efficiency of many bankers of state-run banks is not up to the mark.

"And, they do not bother how banks perform as the officials who were allegedly involved in irregularities were not punished. The officials believe that the government will not allow the state-run banks to collapse and will unveil bailout packages, if necessary."

The former secretary called for restoring accountability in the state-run banks.

Islam emphasises taking effective actions against bad loans by filing cases and taking over collaterals. "The central bank, along with the finance ministry, should meet with the chief justice to find out a way in order to

have loan-related cases resolved as early as possible."

Salehuddin Ahmed blamed the central bank's lack of complete control over the state banks for their deteriorating financial health since they are controlled by the finance ministry.

"The government needs to pay more attention to reducing bad loans in the banking sector."

The state-run banks provided many loans owing to political influence. At the same time, they also lent to various sectors at the direction of the government. Many of them have become bad loans, according to Anis A Khan, a former chairman of the Association of Bankers, Bangladesh.

He said since the moratorium on loan classification ended in 2022, the real scenario of bad loans is getting clearer. "If all of the bad loans were recognised properly, they would have incurred losses."

The former managing director of Mutual Trust Bank recommended setting up asset reconstruction companies, which are specialised financial institutions that buy bad

assets from banks and financial institutions so that the latter can clean up their balance sheets.

"The merger can also be a part of the thinking of the government in order to strengthen capital and assets and increase acceptance among foreign banks to run trade finance business," he added.

A central banker said the moratorium on loan classification was extended to help borrowers ride out the impacts of Covid-19.

"Many facilities were in place in 2022. Still, the bad loans rose. This means the volume of bad loans of the state-run banks has gone up only because of the absence of the facility. In fact, these banks have problems when it comes to lending."

According to the World Bank, the extent of troubled assets is obscured by lax regulatory definitions and reporting standards, extended forbearance, as well as weak supervisory enforcement.

Published NPL statistics do not reflect internationally accepted definitions (90 days past due) of non-performing exposures, it said in April.

## Tax collection growth halves in March

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Mohammad Abdur Razzaque, chairman of the Research and Policy Integration for Development, said the slowdown in revenue collection will further constrain Bangladesh's fiscal space or spending capacity from its own coffers.

And if the collection growth continues to slow down, the government will have to cut public spending, particularly development spending, this year and next year to avoid excessive borrowing from the banking sector and other sources.

The government may also need to reduce the subsidies it provides to various sectors, he added.

Razzaque then said the slowdown in collection makes it obvious that the NBR would miss the tax collection target of Tk 370,000 crore for the current fiscal year.

Until March, the NBR logged three-fifths of the target, meaning that it needs to collect roughly Tk 145,000 crore in the remaining three months of the fiscal year ending in June.

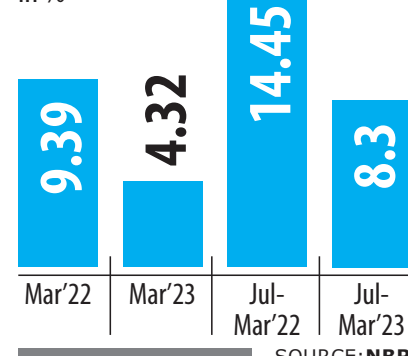
It is likely to miss the revenue collection target of Tk 345,630 crore given by the International Monetary Fund (IMF) as a part of its \$4.7 billion loans.

"Meeting the IMF's target will be very difficult too," he added.

The Centre for Policy Dialogue earlier projected that overall

## TAX COLLECTION GROWTH

in %



revenue collection shortfall from the government's target would be approximately Tk 75,000 crore if the current trend of revenue mobilisation persists.

During July-March of fiscal year 2022-23, the NBR logged Tk 71,227 crore in direct tax collection, registering 4.87 per cent year-on-year growth.

VAT receipts soared 15.4 per cent year on year to Tk 86,905 crore in the nine-month period.

At the same time, customs tariff collected on imported goods grew 3.6 per cent year-on-year to Tk 67,380 crore, according to the NBR.

## Google, Facebook to face

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deduction of tax during payment to non-resident firms or multinational tech companies that do not have office in Bangladesh.

The NBR said withholding tax should be deducted at 15 per cent on payment to tech firms for advertisement in the internet, and 20 per cent of tax to be cut during

payment to foreign TV channels and radios for broadcasting ads until June 30 this year.

Following the clarification, the NBR asked banks to deduct the taxes during remitting money to non-resident companies.

"We expect to get a good amount of tax after the clarification," said a senior official of the NBR.

## Forex reserves fall

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months of fiscal year 2022-23. Export earnings dipped 16.52 per cent to \$3.95 billion in April, data from the Export Promotion Bureau showed yesterday. But it was up 5.38 per cent to \$45.67 billion during the 10-month period.

Although import bills fell 10.27 per cent to \$48.79 billion in the first eight months of 2022-23, it was not enough to stop the depletion of the forex. Import data for March and April has not been published yet.

A central bank official said the reserves faced trouble after every ACU payment in recent months.

The ACU is an arrangement for settling payments for intra-regional transactions among member countries, including Bangladesh.

India, Bhutan, Iran, the Maldives, Myanmar, Nepal, Pakistan and Sri Lanka are other members of the Tehran-based ACU. Member countries of the ACU clear their payments once every two months.

Bangladesh's foreign exchange reserves soared to a historic high of \$48 billion in August 2021.

Although the deficit in trade and current account decreased significantly in the last couple of months, the shortfall in the financial account widened to a large extent, worsening the volume of the reserves.

Under such a situation, the central bank injected US dollars into banks almost every working day.

Between July 1 and April 27 of the ongoing financial year, the central bank supplied a record \$11.79 billion to banks in contrast to \$7.62 billion for the entire fiscal year of 2021-22.

## Budget

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The budget of the 2023-24 financial year will be around Tk 759,955 crore, which will be the highest-ever budget in the history of Bangladesh.

The National Economic Council is scheduled to announce the new annual development programme of Tk 2.74 lakh crore on May 11, according to an official of the planning commission.