

star BUSINESS

Bangladesh leaps to top position in RMG export to EU in volume

REFAYET ULLAH MIRDHA

Bangladesh secured the top position in garment shipments to the European Union during the January-March period, overtaking China in terms of quantity, as retailers in the trade bloc have started diversifying their sources to reduce overdependence.

Exports to the EU from Bangladesh declined 3.67 per cent, or 11.84 million kilogrammes (kgs), to roughly 310 million kgs in the first three months of 2023, according to the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

In terms of value, the country retained the second position in garment shipments to the bloc, as per data from Eurostat

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Despite the fall, the EU's imports from Bangladesh grew 3.9 per cent to \$5.6 billion, driven by a rise in unit prices owing to the higher cost of raw materials, transportation and other inputs.

Unit prices increased 7.86 per cent on average in January-March, the BGMEA said.

On the other hand, China's exports to the EU declined 22.46 per cent year-on-year, or 65 million kgs, to 224.54 million kgs in the quarter.

Similarly, the EU's imports from China, the second-largest source for apparel, declined 17.80 per cent in terms of value to \$5.7 billion from \$6.99 billion.

With a 24.07 per cent share of the EU's total garment imports in terms of value, Bangladesh remained the

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Govt to buy soybean oil, sugar for TCB

STAR BUSINESS REPORT

The government has decided to buy 70 lakh litres of soybean oil from a local company at Tk 183 per litre for the Trading Corporation of Bangladesh and 1.10 crore litres from US-based company Accentuate Technology Inc at Tk 140 per litre.

The cabinet committee on government purchase approved proposals in this regard yesterday.

The commerce ministry gave the proposal to buy the 70 lakh litres of soybean oil through an open tender locally. City Edible Oil Company was chosen.

The ministry also proposed buying 12,500 tonnes of sugar under a direct purchase method at Tk 105 per kilogramme.

Meanwhile, Bangladesh Agricultural Development Corporation (BADCO) will purchase 30,000 tonnes of triple superphosphate fertiliser from OCP of Morocco at \$368 per tonne under a state-level contract.

The BADCO will also purchase 50,000 tonnes of muriate of potash from Canadian Commercial Corporation at \$418 per tonne under another state-level contract.

Chinese company opens \$22m factory

STAR BUSINESS REPORT

ISMARTU Technology BD Ltd, a concern of Chinese mobile assembling company Transsion Holdings, has inaugurated a factory inside Meghna Industrial Economic Zone in Narayanganj yesterday.

Representing brands such as TECNO, itel, Infinix, oraimo and Syinix, the ISMARTU invested about \$22 million to set up the smart device manufacturing plant inside the zone of the Meghna Group of Industries (MGI).

The ISMARTU officials said it has a manufacturing capacity of one million mobile phones per month, including smartphones and feature phones.

Keep provision against loss in securities investments Bangladesh Bank asks banks

STAR BUSINESS REPORT

Banks will have to keep provisions if the market price of the investments made in listed and non-listed companies falls or their net worth deteriorates, according to the central bank.

If the net worth of the investment in non-listed companies declines, banks will have to set aside provisions in proportion to the funds invested

If the net worth – the difference between assets and liabilities – of the investment in non-listed companies declines, banks will have to set aside provisions in proportion to the funds invested, said the Bangladesh Bank in a circular yesterday.

The instructions will come into effect on June 30.

The notice said if non-listed companies go out of business or have

no visible activities, lenders will have to keep provisions against their entire investments.

If banks don't get interest or dividend from their investments in non-convertible cumulative preference shares, they will have to keep a provision equivalent to 25 per cent of the investments in the first year.

Another 25 per cent provision will have to be kept in the second year and it would go up to 100 per cent in the third year if the interest or dividends remain unrealised.

The same provision rates will be applied if the profit or coupon payments remain due in the case of non-convertible bonds and debentures.

When the surrender price drops below the purchase price regarding the investments in open-ended and non-listed mutual funds, banks will have to keep a provision that is equivalent to the gap between the two values, the BB notice said.

The surrender value is the actual sum of money mutual fund-holders receive if they try to access the cash value of the investments.



SOURCE: IMF (ACCESSED IN APRIL 2023), OECD (2022) AND TANZANIA REVENUE AUTHORITY DATA (ACCESSED IN APRIL 2023)

Property taxes as share of total tax revenue in Bangladesh (%)

TYPE OF PROPERTY TAXES	2018-19	2019-20	2020-21	2021-22
Land development	0.29	0.30	0.34	0.29
Wealth surcharge	0.23	0.27	0.19	0.18
Stamp duty collection	1.87	1.36	1.08	1.13
Capital gains tax (+ Income)	29.76	33.98	32.37	25.50
Gift tax	0.0001	0.0001	0.0001	0.0001

SOURCE: AUTHORS' COMPILATION BASED ON MOF MONTHLY REPORTS (2018-2022) LRGD YEARLY REPORTS (ACCESSED IN APRIL 2023), NBR ANNUAL REPORT (ACCESSED IN APRIL 2023)

HIKE PROPERTY TAX to curb accumulation of wealth, inequality

Say CPD, analysts

STAR BUSINESS REPORT

An increase in property tax is needed to curb rapid wealth accumulation and rising inequality as the rate in Bangladesh is one of the lowest in the world, said the Centre for Policy Dialogue (CPD) and analysts yesterday.

The property tax, which is collected in the form of land taxes and stamp duties, accounts for 0.27 per cent of the of Bangladesh's gross domestic product (GDP), close to the average in African countries.

In the overall revenue collection, the share of property tax has been constantly declining for the last five years. In 2021-22, it made up about 5 per cent of the total direct tax raised by the Internal Resources Division and other agencies.

The amount of tax generated from properties, mainly land, is supposed to increase in line with the growth of the economy: if the GDP per capita of a country goes up by one per cent, the property tax as a percentage of GDP should increase by 0.47 per cent.

"An additional Tk 6,000 crore were supposed to come in the form of property taxes. We have not got that," said CPD Distinguished Fellow Debapriya Bhattacharya while presenting the findings of a study on property taxes in Bangladesh at a dialogue.

The think-tank organised the event at the Lakeshore Hotel in Dhaka to discuss the findings of the study, supported by the European Union, on the limitations and opportunities for collecting property taxes.

Property tax is an important source of revenue for Organisation for Economic Co-operation and Development countries after income tax, value-added tax and excise duties.

More than 10 per cent of the total tax revenue came from the property tax in 2021 in Australia, Canada, the United Kingdom and the United States, whereas it constituted only 0.24 per cent in Bangladesh, Bhattacharya said.

"Collection of property tax

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Enforcing rules by CEOs may cut banks' NPLs BB governor says

STAR BUSINESS REPORT

Corporate governance and non-performing loans are now the burning issues in the country's banking sector, said Bangladesh Bank Governor Abdur Rouf Talukder yesterday.

Only enforcing prudential guidelines and strong rules by top management, like chief executive officers of banks, may solve the NPL issue, he said while inaugurating a summit.

The two-day summit titled "Banking on Digital Transformation" was organised by the Association of Bankers, Bangladesh (ABB) at Pan Pacific Sonargaon Dhaka.

"We need to bring in cultural changes and enforce ethics and good practices in the banking sector. So training and proper education should be offered to the workforce," he said.

Default loans in the banking sector increased 16.8 per cent year-on-year to Tk 120,656 crore in 2022.

"Not only are we emphasising on digitalising the existing legacy system, but soon we will introduce a digital



Abdur Rouf Talukder

bank in the country," he said.

The central bank is also planning to introduce an online and real-time based credit scoring system very soon, said Talukder.

"We are very close to issuing our own national debit card," he said.

There will be newer risks with newer business models. When banks are getting bigger across diverse jurisdictions, they need to address what kind of risks they are facing with the new business models, he said.

"A good governance framework and effective risk and compliance will help banks keep a safe distance from risks," Talukder said.

The two-day event brought together more than 150 participants from Bangladesh's 46 commercial banks, aiming to explore the digital transformation journey of the banking industry in the country.

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National BUDGET FY2023-24

Fiscal policy barely prioritises macroeconomic stability

Says economist Zahid Hussain in interview

SOHEL PARVEZ



The fiscal policy for the ongoing fiscal year has shied away from prioritising macroeconomic stability although several key indicators have come under serious stress owing to internal and external factors, said a noted economist.

Zahid Hussain, a former lead economist of the World Bank's Dhaka office, says the budget deficit widened in the first eight months of 2022-23, with domestic financing, largely monetised, on course to overshooting the budget target.

"External stabilisation is in dire need of course correction."

He said the fiscal measure that matters directly for external balance is public expenditure on imports not financed externally. The promised effort to cut import-intensive domestically financed projects is awaiting visibility in the fiscal outcome data.

"The fiscal policy in FY23 so far has shied away from prioritising macroeconomic stability."

According to the economist, the FY23 budget faced several challenges in adapting to macroeconomic stress amidst post-pandemic recovery, global supply chain disruptions and a deeply uncertain external outlook.

The budget makers sought to expand the fiscal deficit hoping global headwinds will fade, thus allowing the FY23 fiscal measures to catalyse investment, growth, employment, disinflation, and building up foreign exchange reserves.

"The outcomes on all the above so far have not been the desired direction, only partly due to tight external financing conditions, a strong dollar, and elevated international commodity prices," Hussain said.

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DSEX	CASPI ▲
Flat 6,305.90	0.07% 18,596.48

COMMODITIES	
Gold ▲	Oil ▲
\$1,977.37 (per ounce)	\$74.07 (per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.34% 61,773.78	▼ 0.89% 30,682.68	▼ 0.12% 3,214.21	▼ 1.28% 3,204.75

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