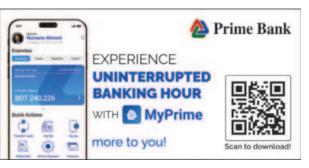
BUSINESS



CPD raises flag over US turning into top remittance source

STAR BUSINESS REPORT

The Centre for Policy Dialogue (CPD) yesterday raised the flag over the US replacing Saudi Arabia to become Bangladesh's foremost source of remittance in the July-April period of the current fiscal year.

A vested quarter might be sending back black money, which they had earlier illegally taken out of the country, in the form of remittance availing an existing 2.5 per cent government incentive, said the think-

A total of 9.22 lakh people went abroad for work during the first 10 months of the current fiscal year of 2022-23, which is significantly high, said Fahmida Khatun, executive director of the CPD.

A majority of these people went to the Gulf countries but the remittance flows from this region did not match this rising number, she said.

During this period, remittance coming from Saudi Arabia came down to \$3.04 billion from \$3.86 billion in the same period of fiscal year 2021-22, said the CPD's study.

Meanwhile, remittance from the US increased to \$3.05 billion from READ MORE ON B2

Premier Cement to get Tk 350cr loan from Idcol

STAR BUSINESS REPORT

Premier Cement PLC will get a Tk 350 crore long-term loan for expanding production at two new units.

Development Infrastructure Company Limited (Idcol) is providing

An agreement was signed between Idcol and Premier Cement to this end at Pan Pacific Sonargaon Dhaka vesterday.

have already started "We production at the two units in . Narayanganj and Chattogram involving Tk 1,300 crore," said Mohammed Amirul Haque, managing director of Premier Cement.

READ MORE ON B3



The government is likely to introduce a carbon tax for the owners who possess more than one car in the upcoming fiscal year with a view to discouraging the ownership of multiple vehicles and curbing carbon emissions and air pollution. Nearly 100 passenger cars, jeeps and microbuses hit the streets of Bangladesh on average daily in 2022. PHOTO: ANISUR RAHMAN

Surcharge likely on second car

Govt plans measures to contain carbon emissions

SOHEL PARVEZ

Owners of more than one car are likely to face an environmental protection surcharge from the upcoming fiscal year as the government plans to discourage the use of vehicles in a bid to contain carbon emissions and air pollution.



According to the plan, the owners of multiple passenger may have to pay the surcharge depending on their engine capacity.

considering imposing a carbon tax to the surcharge from all car when an increasing number



pollution. This tax exists in various other countries too," said a senior official of the finance ministry.

FOR INQUIRIES

CALL US AT

The finance minister is cars, jeeps and microbuses expected to propose the too in other countries. But the budget for 2023-24 in parliament on June 1.

"We are planning to collect

'Corporate tax

was good, but

The reduction of tax payable by

companies by 2.5 percentage points

cut of FY23

conditions

didn't help'

STAR BUSINESS REPORT

and firms. If a company has more than one vehicle, it is likely to come under the carbon tax," the official added.

Officials said the carbon tax is imposed on industries surcharge while placing Bangladesh may introduce the tax in FY24 and start with jeeps and cars.

of personal cars are hitting the streets, particularly in the capital city, which suffers from serious air pollution and huge traffic congestion.

Bangladesh has more than 57 lakh registered vehicles and the number of personal passenger cars, jeeps and microbuses stands at over 600,000, data from the Bangladesh Road Transport Authority showed.

The finance ministry official said the partial operation of the metro-rail has already improved the public transport system in Dhaka and it would give a further boost when it runs in full swing.

As per the finance ministry's plan, owners of cars up to 1,500cc may need to pay Tk The move comes at a time 25,000 in surcharge for every READ MORE ON B3



FY23 budget was a disappointment Says PRI vice-chairman **Sadiq Ahmed**

STAR BUSINESS REPORT

The national budget for the current fiscal year has been a disappointment as it did not address the macroeconomic crisis emanating from the joint impacts of global inflationary pressure and Russia's invasion of Ukraine.

"The budget should have adopted an austere stance with an effort to tighten domestic demand through an

increase in taxes and the reduction of subsidies and fiscal deficit. The FY2023 budget did not deliver on any of the above," said Sadiq Ahmed, vice-chairman of the Policy Research Institute of Bangladesh, a think-tank.

In an interview with The Daily Star, he said evidence shows that the tax to gross domestic product (GDP) ratio is falling from its already very

For FY2023, the most likely outcome would be a further reduction in the tax-GDP ratio to a mere 7.1 per cent as compared with 7.6 per cent in FY2021 and 7.7 per cent in FY2019.

READ MORE ON B3



OIL	COMMODI	TIES AS OF FRIDAY	
	Gold 📤	Oil 📥	
	\$1,946.67 (per ounce)	\$72.85 (per barrel)	
	(50. 541100)	(60. 201101)	

	ASIAN MARKETS			FRIDAY CLOSINGS
	MUMBAI	ТОКУО	SINGAPORE	SHANGHAI
	1.02% 62,501.69	0.37% 30,916.31	0.33% 3,207.39	0.35% 3,212.50

AT A GLANCE

- > Commercial production of new unit begins in November this year
- Expansion to help raise exports and local market share

INVESTMENT

- Total amount: Tk **764**cr
- **EBL-led syndication provided Tk 25**cr

PRODUCTION CAPACITY

STAR BUSINESS REPORT

to a press release.



Existing production capacity **11,000** tonnes per day



Production capacity to reach **19,500** tonnes per day after expansion

Crown Cement in

Tk 764cr expansion

Will raise production capacity by 40%

Crown Cement PLC is going to increase its annual production capacity

by 40 per cent this year by establishing its sixth manufacturing facility,

which will turn it into the country's fourth largest cement manufacturer.

which is being availed from local and foreign banks.

Tk 25 crore from a syndicated loan facility.

Asia Limited and Dhaka Bank Limited.

chairman of Crown Cement.

The company will go for the expansion investing around Tk 764 crore

A "significant" portion is being secured from an overseas lender while

Eastern Bank Limited (EBL) arranged the syndicated loan facility and

The others involved in this facility are the State Bank of India, Bank

"We are increasing the capacity of production to meet growing

demand for cement in Bangladesh and boost exports to neighbouring

'The Seven Sisters' Indian states," said Mohammed Jahangir Alam,

a deal was signed in this regard at Sheraton Dhaka on May 25, according



Tk **1.52** in Jan-Mar 2023

Tk **0.16** in Jan-Mar 2022



at the beginning of this fiscal year of 2022-23 was a good move a precondition on limiting cash transactions has not helped businesses reap the benefit. "It did not help the business

Aameir Alihussain

community," said Aameir Alihussain, managing director of Bangladesh Steel Re-Rolling Mills Ltd, commonly known as BSRM.

The top official of one of the largest steel mills in Bangladesh shared the view in an interview with The Daily Star on the impact of tax measures taken by the National Board of Revenue (NBR) on businesses.

The 2.5 percentage points cut offered by the tax authority brought down the applicable corporate tax rate for companies listed on the stock market to 20 per cent and for nonlisted companies to 27.5 per cent.

READ MORE ON B2

READ MORE ON B3



"সকল প্রশংসা আল্লাহ তা'আলার যিনি সমগ্র সৃষ্টিজগতের পালনকর্তা"

ডিবিএইচ নিয়ে এলো শরিয়াহভিত্তিক ফাইন্যানিং উইং

ডিবিএইচ ইসলামিক

আমাদের সেবাসমূহ:

- মুদারাবা ডিপোজিটস
- ইসলামিক হোম ফাইন্যান্সিং
- ইসলামিক কার ফাইন্যানিং











Low growth, high inflation are top risks for India

Say economists

REUTERS, Bengaluru

India's economy will grow about 6 per cent this fiscal year with a small increase in private investment, according to a Reuters poll of economists who said lower growth and high inflation were the biggest risks to the outlook.

While that was expected to be faster than other major economies, India needs higher growth and investment to create enough jobs for the millions of people joining the workforce every year.

Gross domestic product (GDP) was forecast to have grown at an annual 5.0 per cent in January-March, up from 4.4 per cent in the preceding quarter, the May 16-25 poll of 56 economists showed. Forecasts ranged widely, from 3.4 per cent to 6.0 percent.

Growth was forecast to average 6.0 per cent for the current fiscal year and then improve to 6.4 per cent in 2024-25, survey medians showed. Those estimates were largely unchanged from an April poll.

But many economists say this is still below potential. "The issue now is (to) move back to over 7 per cent we saw during high-growth years...we need to bring in a lot more reforms," said Sakshi Gupta, principal economist at HDFC Bank.

A moderate global economic outlook and the high risk of belowaverage rainfall in India this year suggest Asia's third-largest economy may grow by less than expected but still generate high inflation

"The current growth momentum doesn't seem to suggest we will be able to reach it if we continue on this path." A moderate global economic outlook and the high risk of below-average rainfall in India this year, which threatens agricultural production and food supplies, suggest Asia's third-largest economy may grow by less than expected but still generate high

Nearly 60 per cent of respondents, 22 of 38, said that was the biggest economic risk this year. A further 12 chose low growth with low inflation, while four said high growth and high inflation.

Inflation was predicted to average 5.1 per cent and 4.8 per cent this fiscal year and next, respectively, above the Reserve Bank of India's medium-term target of 4 per cent, suggesting interest rate cuts are unlikely in the short term after a year of rate rises.

Ongoing price pressures and flagging private investment pose challenges for Prime Minister Narendra Modi's government as it readies for national elections next year.

Private investment as a proportion of the economy has consistently declined since 2011. Over 55 per cent of economists, 21 of 38, predict a modest increase this fiscal year. Another 13 expect it to stay the same and four said it would fall.

"We anticipate private investment to grow, but growth will remain lacklustre against a backdrop of slowing private and external consumption demand, Alexandra Hermann at Oxford Economics.



Mohammed Amirul Haque, chairman of Premier Cement Mills, and Alamgir Morshed, executive director and CEO of Infrastructure Development Company Limited (Idcol), signed an agreement on a long-term loan facility at Pan Pacific Sonargaon Dhaka yesterday. Among others, Nazmul Haque, chief investment officer of Idcol, Humaira Azam, managing director of Trust Bank, and Md Amin Helaly, vice-president of the Federation of Bangladesh Chambers of Commerce and Industry, were present. Story on B1



Aziz Al Mahmood, chairman of IDLC Finance, virtually attended its 38th annual general meeting last week. The shareholders approved 15 per cent cash dividend for 2022. Atiqur Rahman, Nurullah Chaudhury, Mahia Juned, Md Kamrul Hassan and Sayed Bealal Hossain, directors of the non-bank financial institution, Faroog Sobhan and Md Khalilur Rahman, independent directors, and M Jamal Uddin, managing director, also joined the meeting. PHOTO: TDLC FINANCE

IMF lifts US growth forecast for 2023

AFP. Washington

The International Monetary Fund slightly raised its forecast for 2023 US economic growth Friday while noting that a slowing economy will likely lead to a small increase in unemployment in 2024.

"The US economy has proven resilient," IMF managing director Kristalina Georgieva said in a press conference, shortly after the updated figures were released.

Georgieva also sounded a warning about the ongoing stalemate in the United States over raising borrowing limits before a June 1 deadline, and called for Republicans and Democrats in Congress to come to a 'speedy resolution.'

We think of the US Treasury market as an anchor for the global financial system, and this anchor needs to hold," she said.

Real GDP growth in the United States is expected to rise by 1.7 per cent this year, up from 1.6 per cent forecast earlier this year, before slowing to 1.0 per cent in 2024, the IMF said in a statement.

The US unemployment rate, which is currently at near-record lows, is expected to tick up slightly, with "slowing, but still-solid, growth" pushing it to increase to 4.4 per cent by the end of next year, the IMF statement said.

The IMF's new US forecast follows recent data which indicates — Fed's job of raising interest rates "is a resilient economy in spite of an not quite yet done.

aggressive campaign of interest-rate hikes to counter high inflation by the US Federal Reserve, and recent stresses in the banking sector.

Addressing inflation, Georgieva said resilient demand and a strong labor market had been "something of a double-edged sword" for the US "They have been certainly a boost

to American families, but they have also contributed to more persistent inflation than had been anticipated,"

The IMF now expects inflation to remain stubbornly above-target into

As a result, Georgieva said, the

bKash in Kotler's marketing book

STAR BUSINESS REPORT

Two case studies of mobile financial service provider bKash have been featured in a local edition of the "Essentials of Modern Marketing", a marketing book written by professor Dr. Philip Kotler narrating market-specific success stories across the world.

One of the case studies "bKash: Bangladesh's MFS Story" states bKash's journey, particularly how its founder Kamal Quadir steered the largest MFS provider in the country, said a press release.

It also talks of how bKash brought a breakthrough in financial inclusion; the company's core values in business and its impactful role as an alternative financial lifeline during the Covid-19.

The other case study, "bKash App, A Household Tool", features how an app has become a one-stop solution for household financial transactions.

It highlights the story of making peoples' lives easier through the bKash app's features like send money, cash-in, cash-out, merchant payment, mobile recharge and money transfer between banks and bKash.

The book was unveiled at an award-giving ceremony jointly organised by Kotler Impact Incorporation, Canada and Northern Education Group in a city hotel on Monday when Dr. Philip Kotler joined virtually.

MA Mannan, minister for planning, and Mashiur Rahman, economic affairs adviser to the prime minister, were present.

MetLife honours best-performing financial associates

STAR BUSINESS DESK

MetLife Bangladesh has recently honoured its best-performing financial associates, unit managers and branch managers.

In a ceremony in the capital, the insurer recognised the award recipients for their exceptional business performance, the use of digital technology, better customer service, the creation of jobs and their efforts to make insurance more accessible specifically to the people of Bangladesh.

Mohammad Jainul Bari, chairman of the Insurance Development and Regulatory Authority, attended the ceremony as chief guest, said a press

Financial associates play a vital role in taking insurance to millions of people, said Ala Ahmad, chief executive officer of MetLife Bangladesh.

"Their dedication and commitment have significantly influenced the lives of many in our community. We... remain committed to investing in their professional development to further enhance their skills and potential," Ahmad said.

Elena Butarova, regional head of MetLife for Bangladesh, Malaysia, Nepal and Vietnam, and said Jafar Sadeque Chowdhury, additional managing director of MetLife Bangladesh, were

CPD raises flag

period of the previous year, said the CPD's study.

The trends in remittance flows do not match the growing number of migrant workers leaving for the overseas job markets, said Fahmida Khatun while sharing the CPD's review of the state of the Bangladesh economy at its office.

"Consequently, the trends in sources of remittance flows raise serious concerns," she added.

The rise in inflow of remittance from the US is unusual. Many people sell their homes and take the money to the US. Many students have studied there and they cannot send money home, said Fahmida

"So where does this money come from?" she asked.

She believes this money was illegally earned and laundered abroad earlier and in recent periods was being sent back to the country in the form of remittance, thereby cleaning up its source, and in addition availing a 2.5 per cent government incentive on remittance.

"Money laundering is illegal and \$2.87 billion in the corresponding there is a tax structure in the country but they (vested quarters) are taking advantage of it using the mode of remittance," she said.

Fahmida Khatun urged the authorities concerned to delve deep into the matter and take appropriate

"We don't see any reflection (in remittance flows) of the fact that about 21 lakh people went out of the country from January 2021 to April 2023," said Prof Mustafizur Rahman, a distinguished fellow of the CPD, at the event.

should be thoroughly investigated," he said.

The government should increase its institutional capacity focusing remittance instead of adopting the usual method of offering incentives through the budget, said the economist

It should also enhance its forensic capabilities and ensure effective measures on both the demand and supply side of money transfers, he

Besides, the volume of gold being brought in from abroad has risen significantly in the country instead of remittance through Bangladesh Bank, said Prof Rahman.

In 2020, around 5 tonnes entered whereas in 2022 it rose to 54 tonnes. In contrast, the country's annual demand is around 20 tonnes, he said quoting media reports.

The money, which is supposed to improve the foreign currency reserves, is coming into the country through other ways and might be flying out to other countries," said Rahman.

"Why would the government not intervene?" he asked.

The economist also criticised the role of the government's financial intelligence unit was playing with regard to stopping money laundering and recovering money laundered

He suggested that the government sign bilateral deals with countries on issues such as recovery of laundered money and repatriating citizens being held as prisoners abroad.

Among others, Khondaker Golam Moazzem, research director of the CPD, and Towfiqul Islam Khan, senior research fellow, were present.

Mercantile Bank puts customers

accommodative and expansionary monetary policy, coupled with stable inflation, is bound to generate positive sentiments relating to the country's economic revival.

"Despite the current uncertain environment, we remain hopeful of growing our business. As the crisis gradually recedes, there would be a greater ease of doing business and we will forge ahead riding on that."

In order to achieve its targets for 2023, the private commercial bank plans to continue to strengthen its technology and improve service standards and operational processes in a bid to meet the expectations of customers.

'There is no denying that digital banking has already become a part of our clients' lifestyles," said Chowdhury.

"We also think it is important to collaborate with like-minded partners to deliver practical solutions and high-quality products that are unique in the market."

The CEO says the aim of Mercantile Bank is to serve the people in a unique way and it has kept its promise. He also touched upon the current

financial health of the banking sector. The post-pandemic situation

and the Russia-Ukraine war have taken their toll on the global economy as well as the economy of Bangladesh. "Still, Bangladesh's economy is

stronger compared to many other countries," Chowdhury said, adding that Bangladesh has taken the initiatives to strengthen the foreign exchange market in order to stabilise the ongoing situation.

Non-performing loans reduce automatically once the economy overcomes the impacts emanating from the pandemic and the war, he said, suggesting ensuring adequate collaterals against loans, carrying out feasibility studies of projects before sanctioning loans, proper documentation, and strong

In 2022, Mercantile Bank inaugurated a Shariah-based branch in the capital's Dilkusha. Its all branches and sub-branches will also provide Islamic banking services to

The private commercial bank received the "National Productivity and Quality Excellence Award 2016' from the National Productivity Organisation under the industries ministry in recognition of its unwavering commitment towards best customer service, CSR activities and good governance.

The bank won the "US Dollar Clearing MT202 Elite Quality Recognition Award" from JP Morgan Chase Bank and the AmCham CSR Excellence Award.

Mercantile Bank has been awarded on a number of occasions by the Institute of Chartered Accountants of Bangladesh for best-presented annual reports.

"This testifies to our commitment promoting transparency,' Chowdhury added.

The end of King Dollar?

The dollar is on one side of almost 90 per cent of global forex transactions, representing about \$6.6 trillion in 2022, according to

About half of all offshore debt is in dollars, the BIS said, and half of all global trade is invoiced in dollars.

The dollar's functions "all reinforce each other", said Berkeley economics and political science professor Barry Eichengreen. "There just isn't a mechanism

for getting banks and firms and governments all to change their behaviours at the same time.' While there may not be a single

dollar successor, mushrooming alternatives could create a multipolar world.

BNY Mellon's Yu said nations of the Treasury market is a big were realising that one or two dominant reserve asset blocks was "just not diversified enough."

Global central banks are looking at a wider variety of assets, including corporate debt, tangible assets such as real estate, and other currencies.

"This is the process that is underway," said Mark Tinker, managing director of Toscafund Hong Kong. "The dollar is going to be used less in the global system."

Because large bank deposits are not always insured, businesses use government bonds as a cash alternative. The dollar's status is therefore underpinned by the \$23 trillion US Treasury market - viewed as a safe haven for money.

"The depth, liquidity and safety

reason why the dollar is a leading reserve currency," said Brad Setser. Council on Foreign Relations fellow who tracks cross-border currency flows.

holdings International Treasuries are vast and there's no credible alternative yet. Germany's bond market is relatively small, at just over \$2 trillion.

Commodities producers may agree to trade with China in yuan, but recycling cash into Chinese government bonds remains tricky due to difficulties opening accounts

and regulatory uncertainty. "But you can hop on an app and trade Treasuries from anywhere," Natwest Markets emerging markets strategist Galvin Chia said.

Corporate tax cut of FY23

FROM PAGE B1

But the precondition was that nonlisted companies had to use banking channels to receive all revenues and receipts, conduct all single transactions exceeding Tk 5 lakh, and execute expenses and investments

worth over Tk 36 lakh annually. In case of failure to do so, companies will have to pay a 30 per cent tax on their profits.

"It was not practical to limit cash transactions to Tk 36 lakh," Alihussain said.

An increase in value added tax (VAT) on mild steel products and high tax deduction on suppliers' bills increased the cost of doing business, he said.

However, the NBR's decision to simplify the central VAT registration process for manufacturing companies was favourable for reducing tax burdens. saved time and brought ease to the process of doing business, he said.

Besides, the tax authority's decision to increase limits of perquisites reduced companies' tax burden, he added.

As the government is set to unveil tax measures for fiscal year 2023-24, Alihussain urged the tax authority to reduce minimum tax.

He also demanded formulation of a policy to determine prices of imported goods to assess customs duties. "This can be done through coordination between local and international customs organisations," he said.

The BSRM chief wanted reduction in the import duty on all types of raw materials, including

scrap metal. "As utility expenses has increased and the dollar becomes costly, the manufacturing cost for steel products is increasing. Hence, VAT on per tonne of rod should be reduced," he said.

"Uninterrupted electricity and supply of gas, assurance of allowing opening letters of credit for importing raw materials and a stable exchange rate of the US dollar against the taka need to be ensured, he said.

Alihussain also urged the tax administration to expand the tax network across the country.

"In a country like Bangladesh, where few people pay income tax, the theory of imposing higher taxes on the rich to reduce inequality will not work, rather it will always encourage tax avoidance," he said.

"Overall income tax rates on individual income needs to be reduced to encourage more people to come under the tax net," he said.

Also, the revenue authority should take steps to ensure issuance and use of VAT receipts for all sorts of product and services, he added.

City

BUSINESS

Women should participate more in internet governance **Experts say**

STAR BUSINESS REPORT

Female representation in the decision-making processes related to the internet is crucial for addressing the digital divide in Bangladesh, experts said yesterday.

"Women are still underrepresented in internet governance. Women's participation in internet governance can help to address the digital divide," said Farha Mahmud Trina, secretary general at the Bangladesh Women Internet Governance Forum.

increasing participation in internet governance, we can help close the digital divide and ensure that everyone has access to the benefits of the internet.'

The internet can be a powerful tool for women's empowerment, she said.

It can provide women with access to information, education, and employment opportunities and also help women connect with each other and build networks of support, she

She made the comments while presenting a paper titled "Role of women internet governance forum for achieving SDGS 5" at a session of the third edition of the threeday Bangladesh Youth Internet Governance Forum 2023 at the CIRDAP auditorium in Dhaka.

Although women are victims of violence on the internet, there is no alternative to connectivity for women, said Amrita Choudhury, vice chair for Asia Pacific at the Internet Governance Forum.

She warned that algorithms of artificial intelligence platforms like ChatGPT could also be used for violence against women.

The three-day Youth IGF ended on Saturday with a total of eight sessions and workshops.

Oil prices rise

REUTERS, Houston

Oil prices ticked up on Friday as US officials appeared close to striking a debt-ceiling deal, and as the market weighed conflicting messages on supply from Russia and Saudi Arabia ahead of the next Opec+ policy meeting.

Brent crude settled 69 cents, or 0.9 per cent, higher at \$76.95 a barrel. US West Texas Intermediate closed up 84 cents, or 1.2 per cent, at \$72.67 a barrel.

On a weekly basis, both benchmarks posted a second week of gains with Brent climbing 1.7 pe cent, while WTI rose 1.6 per cent.



Nikhil Sarker polishes an Indian version of the harmonium, a free-reed aerophone used in music of all kinds, including folk, light, semiclassical and classical. One can take around one month to make out of wood, metal, brass and cloth. The veteran artisan charges anywhere from Tk 25,000 to Tk 60,000 for each depending on the quality. The photo was taken next to Khulna Press Club on Sir Iqbal Road in Khulna city recently.

PHOTO: HABIBUR RAHMAN

Make tax return submission mandatory for all NID cardholders

Foreign minister says at an event paying tribute to AMA Muhith

STAR BUSINESS REPORT

Submitting income tax returns could be made mandatory for every national identification (NID) cardholder with a view to expanding the tax net, Foreign Minister AK Abdul Momen said yesterday.

Momen said he had proposed making return submission mandatory for all NID cardholders when his elder brother, the late AMA Muhith, was the finance minister of Bangladesh.

And although Muhith wanted to implement it, he was unable due to bureaucratic tangles, Momen added.

The foreign minister made these comments at a programme, styled "Remembering Abul Maal Abdul Muhith", organised by the Economic Reporters' Forum (ERF) at its office in Dhaka.

At the event, Momen recalled the Momen said Muhith, in his book, hackers. had identified foreign nationals wno

Bangladesh in 1971.

Now, the government is awarding those foreign nationals for their outstanding contributions, he added.

A group of ERF members who had a warm professional relationship with the former finance minister also recalled their memories with Muhith.

Fazle Kabir, former governor of Bangladesh Bank, said Muhith was a great economist as well as a versatile and robust genius.

Kabir also narrated how the \$1 billion meant for the construction of Padma Bridge was withdrawn by the World Bank.

It was Muhith who then took the initiative to make it clear that Padma Bridge would be constructed with the country's own financing, said Kabir, who was finance secretary at the time.

Kabir recalled how Muhith handled the cyber heist incident, where \$81 million was contributions his brother made to the nation. stolen from the central bank by a group of

Self-efface and neutrality were two contributed to the Liberation War of rare personal traits of the former finance Ullah Mirdha.

minister, he added.

Mahbub Ahmed, former senior finance secretary, said Muhith had unofficially told him to negotiate with the US for signing a Trade and Investment Cooperation Forum Agreement (TICFA) with Bangladesh as the issue was pending for many years.

Finally, both Bangladesh and the US signed the TICFA for resolving different bilateral trade issues between the two countries through discussions and consultation, Ahmed added.

The former senior finance secretary went on to say that Muhith was involved in Paribesh Bachao Andolon, a movement for saving the environment.

Being the finance minister, Muhith had instructed Ahmed to form the climate change trust fund to this end.

Muhith was a patriotic and hardworking person, Ahmed said.

ERF General Secretary Abul Kashem moderated the event, which was chaired

Next budget not aimed at pleasing IMF: Mannan

STAR BUSINESS REPORT

The upcoming budget will not be aimed at pleasing the International Monetary Fund (IMF), said Planning Minister MA Mannan yesterday.

While speaking at a pre-budget discussion jointly organised by the FBCCI and NTV, a news channel, he said many are making criticisms, saying that the budget for 2023-24 will be framed in a way that would make the IMF happy.

"I strongly disagree with them. The IMF has nothing to do with our budget. We have prepared

The comments from the planning minister come as the finance minister is expected to present a budget that may take into account the conditionalities attached by the IMF with its \$4.7 billion loan programme.

In order to secure the loan, the government has agreed to time-bound conditions, including some key structural reforms stalled for years, that would preserve macroeconomic stability and support strong, inclusive and green growth while protecting the vulnerable.

Speaking at the discussion, Muhammad Abdur Razzaque, agriculture minister, said the government is working to keep the prices of essential commodities within the purchasing power of the people.



Md Jasim Uddin, president of the Federation of Bangladesh Chambers of Commerce and Industry, termed the current situation as the worst for businesses in four decades.

"Reining inflation would be the main challenge for the upcoming budget," he said, calling for adjusting tax and VAT on the imported essentials.

The business leader called for strengthening Bangladesh Petroleum Corporation so that the country can tackle the energy crisis the nation is experiencing currently.

He also said uninterrupted gas supply should be ensured for industries so that production does not face any disruption.

Mohammad Hatem, executive president of the Bangladesh Knitwear Manufacturers and Exporters Association, said in the past one year, businessmen had faced multiple challenges that they usually experience throughout their

Mustafizur Rahman, a distinguished fellow of the Centre for Policy Dialogue, urged the government to expand the tax net.

"There should be a coordination between the monetary policy and the fiscal policy."

Salehuddin Ahmed, a former governor of the central bank, said local economists and experts have long recommended the government address the issues that have now been set as conditions by the IMF, but the government did not pay heed.

Alam, chief news editor of NTV.

FY23 budget was a disappointment

"This is hardly surprising as no serious tax reforms have happened since FY2012," Ahmed said.

"Bangladesh has substantial structural and institutional problems with the tax system and unless these are tackled, ad-hoc measures announced during the budget season are not going to work as amply demonstrated by the experiences of past several years.

Subsidies are likely to increase to 2 per cent of GDP in FY2023 mainly triggered by the surge in global energy prices. So, the government will need to find a way to contain subsidies to below 1.5 per cent of GDP, especially when it is unable to increase the tax-GDP ratio.

Ahmed said the government is cutting development and social protection spending to contain the budget deficit. Even so, the fiscal deficit will likely increase from 3.7 per cent of GDP in FY2021 to 5 per cent in FY2023.

"Furthermore, the financing of this deficit has relied substantially on bank financing that is causing an increase in domestic credit growth at a time when credit growth has to fall to reduce demand pressure on inflation.'

"Rising fiscal deficit and greater reliance on bank financing are both inconsistent with macroeconomic

stability. The former senior official of the World Bank said the ongoing macroeconomic crisis is of serious

"While the origins of the crisis lay in the heightening of global inflationary pressure that was further accentuated by the Ukraine War, the inadequate policy response has also played a role.'

To manage the balance of payments, he said, the government responded by increasing tariffs and adopting a range of import control measures.

These policies drastically reduced the growth of imports and the current account deficit substantially outcome in FY2022.

But Ahmed said: experience shows that import controls can at best be a temporary measure and not a sustainable way to manage the balance of payments. So, while imports fell and the current account balance improved, the flip side was a substantial slowdown in GDP growth."

The GDP growth is now estimated at 6.03 per cent for FY2023 against the original target of 7.5 per cent. The economy expanded by 7.1 per cent in

"Additionally, these measures could not prevent a substantial worsening on the capital account as foreign direct investments did not expand as projected, short-term trade credit dried up and medium and long-term credit also slowed down," Ahmed said.

"Furthermore, there is evidence of significant capital flight. The signal value of import and exchange controls was highly negative for foreign direct investment, suppliers of trade credit, and the confidence of private investors."

The noted economist cited inflation management by the authorities and said: "The most surprising and negative policy stance was the absence of any demand control measures.

The government's responses to inflation reduction comprised of control over the exchange rate and the use of subsidies to prevent a pass-through of global energy price increases. Contrary to lowering demand, the government policy sought to boost demand by increasing domestic credit through controls over

interest rates and a higher fiscal deficit. These policies further added to inflationary pressures," said Ahmed.

"Evidence shows that countries that adopted demand reduction policies through hikes in interest rates have all succeeded in reducing inflation substantially.

Inflation in Thailand decelerated from 7.7 per cent in June 2022 to 2.7

in FY2023 as compared with the per cent in February 2023. In the US, inflation plunged to 4.9

per cent in April this year from its peak of 9.1 per cent in June last year. India's inflation fell by 40 per cent year-on-year to 4.7 per cent in April. In Vietnam, the inflation rate spike has been successfully curbed and contained in the 2-3 per cent range,

Ahmed said. "As compared with these successful outcomes of inflation reduction, Bangladesh did not achieve any success with inflation control."

The PRI vice-chairman said the Bangladesh Bank must act fast and with determination to lower the growth of credit by abandoning the 9 per cent interest rate policy and using interest rate flexibly.

The central bank has maintained the lending rate cap since April 2020. Ahmed recommended the central bank use the interest rate to target domestic credit growth in a way that lowers domestic demand and reduces

inflationary pressure. "The central bank should also fasttrack the development of a secondary market for treasury bills to facilitate an interest rate-based monetary policy management."

The economist urged government to support this inflation control strategy by keeping fiscal deficits below 5 per cent, increasing the tax-GDP ratio, phasing the implementation of large capitalintensive projects, and mobilising low-cost foreign financing.

financing of budget deficit by increasing its reliance on market borrowings using the secondary market for treasury bills." Ahmed said these reduction policies would also help

stabilise the balance of payments

without the need to resort to import

"It should also reduce bank

or exchange controls. "Bangladesh Bank should also swiftly move to a market-determined and uniform exchange rate policy. This will support the growth of exports and remittances while also lowering demand for imports."

in Tk 764cr expansion

"We are expanding to a 6th production facility where 8,500 tonnes of cement will be produced per day. We are investing around Tk 764 crore for the facility," he said.

According to Alam, with the new unit in operation, the total production capacity of Crown Cement PLC will reach approximately 19,500 tonnes per day whereas currently it is around 11,000 tonnes per day.

According to his estimates, its annual production capacity would increase to 4.62 million tonnes from an existing 3.3 million tonnes.

The new facilities will established next to the company's existing Muktarpur factory Munshiganj, said Masud Kahan, chief adviser of Crown Cement PLC. "We have a target to go into

commercial production in November this year and setting up of the equipment is almost complete," he Regarding the investment, he said

significant percentage has come from an overseas lender. He did not state the name of the entity. According to him, the company

was using modern equipment, most of it from Germany and a very small portion from China, which adhered to environmentally friendly manufacturing processes produced high-quality cement. The expansion will turn Crown

Cement PLC into the fourth largest cement manufacturer in Bangladesh in terms of annual production capacity, according to industry

Currently Shah Cement Ltd, a concern of Abul Khair Group, has the highest annual production capacity of 10 million tonnes, followed by Premier Cement Mills PLC (5.2 million tonnes) and Bashundhara Cement, a concern of Bashundhara Group (5 million tonnes).

Crown Cement Surcharge likely

is equal to the advance tax that a car owner has to pay to the state coffer.

The surcharge will double to Tk 50,000 for the second and subsequent vehicles that have an engine capacity of 1501cc to 2,000cc. The tax authority considers

slapping Tk 75,000 as the environmental protection surcharge on every second car, jeep or microbus with a capacity of 2,001cc to 2,500cc. The amount is equal to the withholding tax that a car owner has to pay during the renewal of the fitness of a vehicle.

The amount rises for the owners of vehicles with an engine capacity of more than 2,500cc, said officials.

For example, a person, company or firm that owns second or third cars over 3,000cc is likely to face Tk 200,000 as the environmental protection surcharge, which is 33 per cent higher than the advance tax levied on such vehicles.

In the case of possession of second cars or jeeps with 3,500cc and above collected should be used to cut engine capacity, the amount of carbon emissions, he added.

surcharge may be Tk 350,000, up 75 vehicle after the first one. The amount per cent from the withholding tax for the vehicle.

> Officials said the tax authority may slap rules that the surcharge will have to pay during the registration or renewal of fitness of vehicles.

> Ahmad Kamruzzaman Majumder, dean of the science faculty and the chairman of the Department of Environmental Science at Stamford University Bangladesh, welcomes the carbon tax move.

"This is a timely decision. Bangladesh has more than 57 lakh vehicles and Dhaka accounts for onethird of them. Every day new cars are hitting the streets of the capital although the city does not have the carrying capacity. It is needed to halt this and protect the environment," he

He said public transport, mainly buses, is polluting the environment more than personal cars. "But it is a good initiative to collect surcharges from rich taxpayers."

The surcharge that will be

Premier Cement to get Tk 350cr loan from Idcol

Of the total investment, the company spent Tk 800 crore for establishing the Narayanganj unit and Tk 500 crore for the Chattogram unit.

Standard Chartered Bank, Pubali Bank and City Bank provided 70 per cent of the cost as loans while a Danish bank gave another \$35 million, or Tk 280 crore, for the purchase of capital machinery.

Haque said they will repay the earlier loans with the funds from Idcol as they were short-term financing.

"We will get time of 10 years to repay the Idcol loan as the state-

owned lender provides such facilities for green factories," he added.

Haque claims the expansion in their annual output from 2.4 to 5.2 million tonnes is a record for a single entity in the country.

Idcol is providing long-term financing to expand the capacity of Premier Cement through a vertical roller mill (VRM).

Premier Cement has increased its capacity at the existing ball mill facility to 19,040 tonnes per day from 8,000 tonnes previously by adding

the VRM. The new VRM unit began commercial operation in July 2022.

BUSINES

FBCCI hands over Tk 1cr donation to Bangabazar fire victims

STAR BUSINESS REPORT

The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) has handed over a Tk 1 crore cheque that it promised to give to the traders who got affected by the recent fire incident at Bangabazar clothing market in

FBCCI President Md Jashim Uddin handed over the cheque to the leaders of the Bangabazar Complex Dokan Malik Samity yesterday at the FBCCI office in the capital.

A massive fire ripped through the capital's Bangabazar Shopping Complex on April 4 this year, burning down 2,931 shops full of clothes and ruining the livelihood of several thousand traders just weeks before Eid-ul-Fitr.

At the event, Jashim Úddin urged the business leaders and market committees to be aware of the risky markets and to do necessary reforms.

FBCCI Senior Vice President Mostofa Azad Chowdhury Babu said the fire service unit has marked the Bangabazar market as risky and warned several times about its dilapidated condition, but the market committee did not pay heed to the matter.

He urged everyone to be more responsible instead of blaming the government for such accidents.

Bangladesh Dokan Malik Samity President Helal Uddin said the existing markets in the capital are being

If any type of risk is noticed, they will be warned as well as instructions will be given to reform the markets within a stipulated time.



US, China wrangle on trade issues

AFP, Washington

The United States and China sparred over trade issues Friday but promised to keep lines of communication open as Beijing's commerce minister paid a rare visit after a period of soaring tensions.

Minister Wang Wentao met US Trade Representative Katherine Tai on the sidelines of an Asia-Pacific Economic Cooperation trade meeting in Detroit, a day after he saw his counterpart Gina Raimondo in Washington.

Tai "discussed the importance of the US-China trade relationship in the global economy and the need for both sides to continue engaging with one another," her office said in a statement.

China's state-run Xinhua agency said that the i in Detroit was "candid, pragmatic and in-depth."

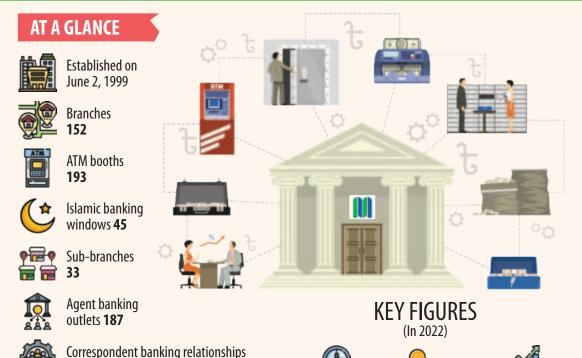
It said Wang raised concern about US trade policies as well as in Taiwan, the self-ruling democracy which Beijing claims and has not ruled out taking by force. Both Tai and Raimondo in turn voiced concern about China's actions against US companies. China recently restricted purchases from US chip giant Micron, citing security risks.

The move was widely interpreted as retaliation after President Joe Biden imposed a sweeping ban on China's access to US advanced semiconductors, fearing that Beijing will put them to military use and dominate the global market for emerging technologies.

It was one of the first visits by a high-ranking Chinese official since Biden took office, although the environment minister traveled to Washington last year.

High-level dialogue ground to a halt during the Covid-19 pandemic as Chinese officials stayed home and Biden's predecessor Donald Trump sharply raised the tone against Beijing, including over the virus.

MERCANTILE BANK



Mercantile Bank puts customers, operational efficiency at heart

MD and CEO Md Quamrul Islam Chowdhury talks to The Daily Star

STAR BUSINESS REPORT

Raising the standard of customer driven by a bold transformation service and operational efficiency, beefing up risk management and continuing digital transformation and all of these have put us in a will be at the heart of the strategies sound position and paved the way of Mercantile Bank Ltd as it looks to power its growth in the coming years, said its top executive.

with 618 banks abroad

Remitters can send money through **32** local and foreign exchange houses

"Ensuring smart banking through bringing in technological excellence will be our priority," said Md Quamrul Islam Chowdhury, managing director and chief executive officer of Mercantile Bank, in an interview with The Daily Star recently.

"Besides, we will continue our endeavours to strengthen our position in the banking sector by elevating the skills of the workforce and striking a balance between risks and profits."

He said the bank would cut its renance on corporate deposits and redirect its focus to retail deposits as well as broaden the capital base and bring down the nonperforming loans.

The comments from the top official come as Mercantile Bank is set to celebrate its 24th founding network, products and services anniversary next week.

According to Chowdhury, a group of visionary entrepreneurs a high-quality credit rating, and set out in 1999 to contribute to strict ethical and moral practices. the economy of Bangladesh in a sustainable way. Mercantile Bank, which was set up on June 2 of the same year, was the result of that particular vision.

bank has created a credible brand impression and achieved

customers' trust and loyalty.

"Mercantile Bank has been strategy, dynamic leadership and decisive management interventions



Md Quamrul Islam Chowdhury

The top banker says the core in its operations. strengths of Mercantile Bank are strong brand value, an experienced board of directors, a pool of efficient human resources, a wide range of branches and ATM at competitive prices, a strong financial position to meet liabilities,

Mercantile Bank is rated by the international rating agency Moody's which reflects the private commercial bank's good profitability, well-matched Since its inception, the maturity profile, modest asset quality, and solvency profile.

The bank serves a large customer

base comprising individuals and institutions through a network of 152 branches, supplemented by 193 ATM booths, 45 Islamic banking windows, 33 sub-branches, and 187 agent banking outlets.

Deposits Loans and advances Operating profit

Tk **29,406**cr : Tk **28,087**cr : Tk **713.89**cr

It is also providing services through three subsidiaries, two offshore banking units, internet banking and mobile banking. It has put in place a network to reach unbanked and under-banked sections of society.

Chowdhury said from the beginning, Mercantile Bank has adopted modern technologies to provide fast-track customer-centric services. As part of the process, it introduced real-time online banking services and set up ATM booths.

The bank's core banking software -- TEMENOS T24 -- is a world-class proven technology platform and it has been upgraded

The bank has rolled out the internet banking service "MBL Rainbow" to allow customers to carry out banking services from the convenience of their homes or workplaces.

"This has made banking more customer-friendly and digitalised. It is in line with the country's goal of becoming a cashless society."

Chowdhury is optimistic about the prospects presented by the country's projected economic

He said though the global crisis has made the prospect for 2023 a bit gloomy, the continuation of the READ MORE ON B2

Handling nonperforming loans

MAMUN RASHID

Though it is deemed to be much higher in numbers, Bangladesh's banking sector reportedly has the second-highest ratio of non-performing loans (NPLs) in South Asia, with only Sri Lanka having a greater ratio. This was revealed in a recent World Bank report which also found that Bangladesh had the highest NPL ratio among non-banking financial institutions (NBFIs) in the region.

NPL rates in most South Asian countries stayed below the 2021 levels and the 10 per cent threshold, often used to signify systemic stress in the region. Bangladesh and Sri Lanka were the only outliers, with the Bangladeshi NPL ratio exceeding the 2021 level and being perilously close to the 10 per

cent threshold (at 9.4 per cent).
As of December 2022, defaulted loans at banks had increased 16.8 per cent year-on-year to Tk 120,656 crore. The ratio accounted for 8.16 per cent of the outstanding loans given out by banks as of December, up from 7.93 per cent a year ago. This happened despite Bangladesh Bank loosening the limits on rescheduling to reduce the rate of default loans in July. Experts have consistently stated that lowering standards will not tame defaulted loans. This is alarming, as most banks here lack a robust

risk management culture.

The IMF named the banking sector's issues, which include a substantial amount of NPLs, as one of the three major domestic risks that could

cause the economy to crash in the short- to medium-term and stated

a medium- to high-probability that these issues will spread to

the broader economy.

Our troubled past had seen a period of 30 per cent-40 per cent classified loans. However, risk managers at private and foreign commercial banks contributed significantly to improving their asset portfolio despite large growth due to reforms driven by

development partners.

As a banker having worked in large global banks and across regions, fellow bankers frequently ask me: "How can we avoid loan defaults?" My nearly 15 years' experience as a risk officer with global banks taught me: Loans usually go bad due to improper need assessment, wrong facility structuring, security/ collateral shortfall, weak internal cash generation, lending based on borrowers' names, ignorance about competition, economic downturn, poor loan appraisal, failure to manage foreign exchange risk, lending officer's corruption or ignorance, and poor or no approval condition/covenant compliance/ monitoring.

Noncompliance with sustainable finance guidelines can also lead to loan defaults, as social protest groups pressure authorities to close these businesses. Faulty land titles, grabbing of school/prayer places, and non-core businesses to key entrepreneurs have often caused increased project costs or relocation of companies, leading to further defaults.

It is the loan officer's responsibility to ensure the identification and mitigation of any risks connected with the portfolio or firm. Lending officers often become captive to large clients due to their perceived muscle power, or emotional blackmailing. These clients dictate terms and can divert excess money out of the business or falters timely repayment. Loan officers must do an "in-depth" need assessment to determine the client needs. They must review the projected turnover, tenor, and bank financing need of an end-to-end transaction. To penetrate the priority client segment, loan pricing must be reflective of risk or government subsidies must be provided. Many financial institutions in Bangladesh yet lack a risk policy or structured approach to loan appraisal, disbursement, and repayment. They have a large pool of people in their credit departments, yet they rely on the board for each loan approval.

We should also remember that change of heart for willful defaulters is not possible because defaulting willfully is generally profitable. While we should instill proper legal process to recover failed loans, simultaneously big focus should be on the institutions and their failed risk evaluation, governance structure and process.

The writer is an economic analyst.

China steel prices hit three-year low on demand woes

REUTERS, Beijing

Steel rebar prices in China hit their lowest in three years this week, underscoring flagging growth in the world's second-largest economy, particularly in its weak property

The spot price of HRB400 20mm steel rebar - used to reinforce concrete for buildings and infrastructure - fell to 3,510 yuan (\$507.80) per tonne in Shanghai on Thursday, data from consultancy Mysteel showed.

That's the lowest since April 2020, when the start of the Covid-19 pandemic in China had curbed most industrial

Disappointing demand in what is normally the peak construction season during March and April kicked off the decline, reflected in steel rebar futures falling nearly 17 per cent since late March, with any recovery some months off as China enters its typically slow summer months.

"China's situation is quite bad. The outlook for steel demand in China has deteriorated compared to three months ago," Takahiro Mori, executive vice president of Japan's Nippon Steel Corp, told Reuters on Wednesday. Property and infrastructure account for about 60

per cent of demand in the world's largest steel sector but infrastructure stimulus has slowed and the property market is showing little growth. China steel demand declined by 3.4 per cent in April

from a year earlier versus an increase of 8.7 per cent in March, analysts at Huatai Futures said in a research note

Demand in May fell 2.5 per cent on the year, they said.

The end of King Dollar?

The forces at play in de-dollarisation

REUTERS, London

Rivalry with China, fallout from Russia's war in Ukraine and wrangling once again in Washington over the US debt ceiling have put the dollar's status as the world's dominant currency under fresh Russia's sanctions-imposed exile

from global financial systems last year also fuelled speculation that non-US allies would diversify away from dollars. Below are some arguments why de-

dollarisation will happen - or possibly why it won't. The dollar share of official FX reserves

fell to a 20-year low of 58 per cent in the fourth quarter of 2022, according to International Monetary Fund data.

Stephen Jen, CEO of Eurizon SLJ Capital Limited, said that shift was more pronounced when adjusted for

"What happened in 2022 was a very sharp plummeting in the dollar share in real-terms," Jen said, adding this was a reaction to the freezing of half of Russia's \$640 billion in gold and FX reserves following its 2022 invasion of Ukraine. This had sparked a re-think in almost a similar level as 1995.



A foreign currency dealer counts US dollar notes at a shop in Karachi of Pakistan.

countries such as Saudi Arabia, China, India and Turkey about diversifying to other currencies.

The dollar share of central banks' foreign reserves in the final quarter of 2022 did hit a two-decade low, but the move has been gradual and it is now at raising living costs and fuelling inflation. decide to use other currencies. Unlikely.

Central banks put rainy day funds in dollars in case they need to prop up exchange rates during economic crises. If a currency weakens too far against the dollar, oil and other commodities traded in the US currency become expensive,

Many currencies, from the Hong

Kong dollar to the Panama balboa, are pegged against the dollar for similar reasons. The almighty dollar has had a lock on commodity trading, allowing Washington to hinder market access for producer nations from Russia to Venezuela and Iran.

But trade is shifting. India is purchasing Russian oil in UAE dirham and roubles. China switched to the yuan to buy some \$88 billion worth of Russian oil, coal and metals. Chinese national oil company CNOOC and France's TotalEnergies completed their first yuan-settled LNG trade in March.

After Russia, nations are questioning "what if you fall on the wrong side of sanctions?" said BNY Mellon strategist Geoffrey Yu.

The yuan's share of global overthe-counter forex transactions rose from almost nothing 15 years ago to 7 per cent, according to the Bank for

International Settlements (BIS). De-dollarisation would require a vast and complex network of exporters, importers, currency traders, debt issuers and lenders to independently

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