

Bank Asia's profits almost double in Q2

STAR BUSINESS REPORT

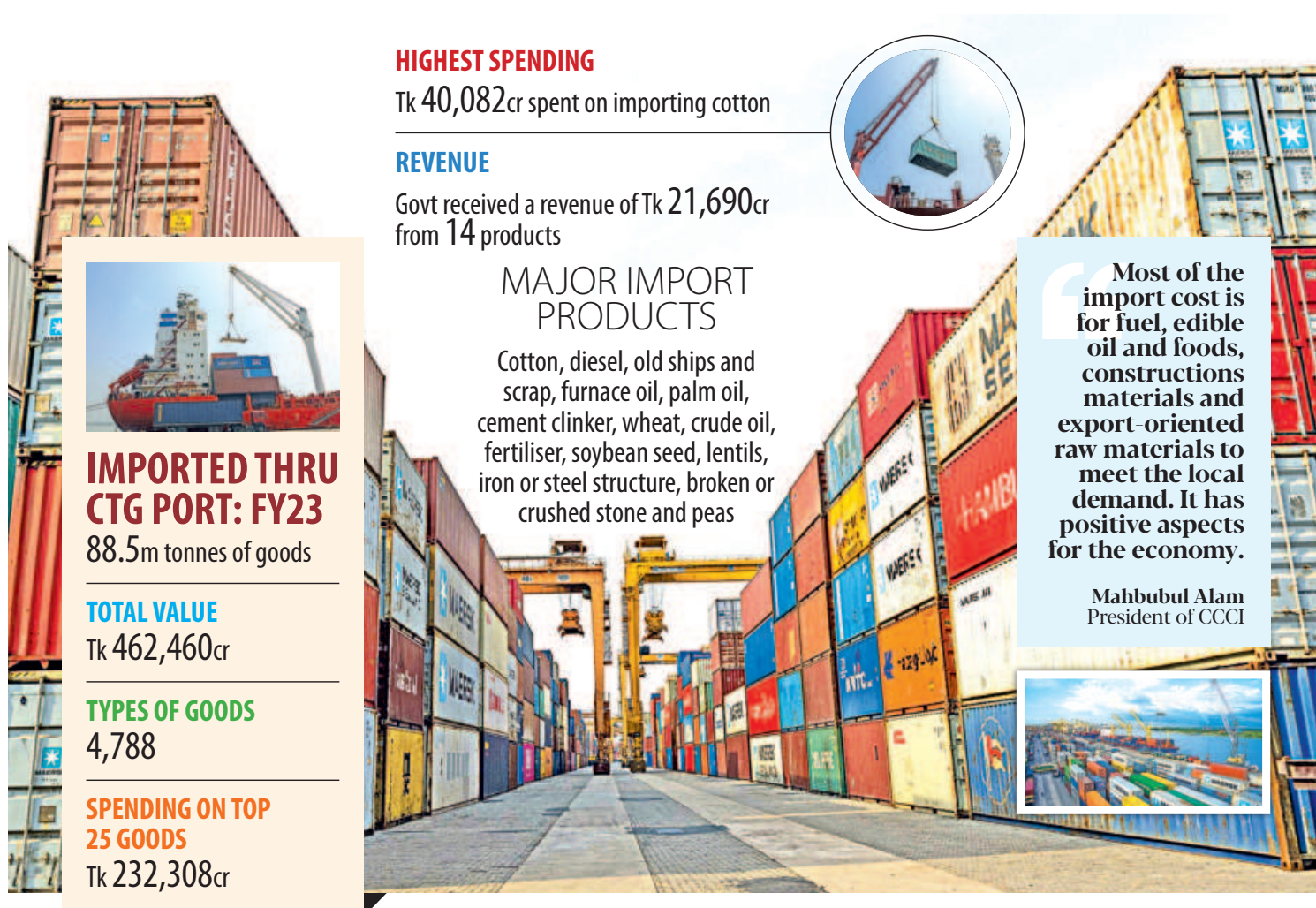
Bank Asia saw its profits almost double in the April-June period of the current calendar year, according to a disclosure posted on the Dhaka Stock Exchange (DSE) website.

The lender's earnings per share soared 92.5 per cent year-on-year to Tk 1.81 during the second quarter compared to Tk 0.94 in the same period of the previous year.

Bank Asia's earnings per share stood at Tk 2.88 in the first half of the year while it was Tk 2 during the January-June period of 2022, DSE data shows.

Stocks of Bank Asia traded at Tk 20.20 yesterday. The A category stock was listed with the stock exchange in 2004.

The bank provided 15 per cent cash dividend for its shareholders for the year 2022.



HIGHEST SPENDING
Tk 40,082cr spent on importing cotton

REVENUE
Govt received a revenue of Tk 21,690cr from 14 products

MAJOR IMPORT PRODUCTS

Cotton, diesel, old ships and scrap, furnace oil, palm oil, cement clinker, wheat, crude oil, fertiliser, soybean seed, lentils, iron or steel structure, broken or crushed stone and peas

Most of the import cost is for fuel, edible oil and foods, constructions materials and export-oriented raw materials to meet the local demand. It has positive aspects for the economy.

Mahbubul Alam
President of CCCI

IMPORTED THRU CTG PORT: FY23
88.5m tonnes of goods

TOTAL VALUE
Tk 462,460cr

TYPES OF GOODS
4,788

SPENDING ON TOP 25 GOODS
Tk 232,308cr

Berger Paints sees profits rise 5% in Q1

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Berger Paints, the lone listed multinational paint producer in Bangladesh, saw 5 per cent higher profits in the first quarter (April-June) of 2023.

The company registered profits of Tk 97 crore in the April-June period, up from Tk 92 crore in the same quarter of the previous year.

Berger's net asset value per share rose to Tk 300 up from previous year's Tk 279 at the same time.

After news of the higher profits broke, stocks of the company advanced 1.04 per cent to Tk 1,771 at the Dhaka Stock Exchange yesterday.

Berger provided 400 per cent cash dividend for its shareholders for the year 2022.

German inflation slows

AFP, Berlin

German inflation slowed in July after rising in June, official data showed Friday, but remained at levels that could trouble policymakers at the European Central Bank as they battle stubbornly high prices.

The annual inflation rate in Europe's largest economy fell to 6.2 per cent, down from 6.4 per cent in June, federal statistics office Destatis said in preliminary figures.

US chipmaker to invest \$400m in India by 2028

REUTERS, Gandhinagar, India

US chipmaker Advanced Micro Devices said on Friday it will invest around \$400 million in India over the next five years and will build its largest design center in the tech hub of Bengaluru.

AMD's announcement was made by its Chief Technology Officer Mark Papermaster at an annual semiconductor conference that started Friday in Prime Minister Narendra Modi's home state of Gujarat. Other speakers at the flagship event include Foxconn Chairman Young Liu and Micron CEO Sanjay Mehrotra.

Despite being a late entrant, the Modi government has been courting investments into India's nascent chip sector to establish its credentials as a chipmaking hub.

AMD said it will open its new design centre campus in Bengaluru by end of this year and create 3,000 new engineering roles within five years.

"Our India teams will continue to play a pivotal role in delivering the high-performance and adaptive solutions that support AMD customers worldwide," Papermaster said.

The new 500,000 square foot (55,555 square yards) campus will increase AMD's office footprint in India to 10 locations. It already has more than 6,500 employees in the country.

From personal computers to data centers, AMD chips are used in a wide range of devices. The Santa Clara, California-based firm is also working on an artificial intelligence chip that will take on market leader Nvidia Corp.

TRADE THRU CHATTOGRAM PORT

25 products dominated imports in FY23

As most of them are essentials, experts call for increasing local production

MOHAMMAD SUMAN, Chattogram

About half the imports through Chattogram port during fiscal year (FY) 2022-23 were made up of just 25 products that have industrial or household applications, according to data of the Chattogram Custom House.

Roughly 88.5 million tonnes of goods worth Tk 4.62 lakh crore were imported through the country's premier seaport in the previous fiscal year.

But of the 4,788 types of goods imported, Tk 2.32 lakh crore was spent on just 25 products that are either kitchen essentials, used in construction or other industrial purposes.

The top imported items are cotton, diesel, used and scrap ships, furnace oil, palm oil, cement clinker, wheat, crude oil, fertiliser, soybean, hot rolled steel, lentils, iron and steel structures, broken or crushed stones, and peas.

And although these products make up a lion's share of Bangladesh's imports, there is no chance of decreasing dependency on them as they are mostly used for essential purposes, said Dr Moniul Islam, a professor of economics at Chattogram University.

"First we have to increase local production of these items to decrease import dependency," he added, citing how just 15 per cent of the country's demand for wheat is met through local production.

Khondaker Golam Moazzem, research director of the Centre for Policy Dialogue, said the composition of imports shows that a significant portion of these items are essential food, such as wheat and soybean.

Meanwhile, petroleum and fertiliser are inputs for industrial and agricultural production.

"A good amount of product is imported as raw materials and intermediate goods for use in export and domestic market-oriented industries," said Moazzem, adding that increased industrialisation fuels demand for machinery and raw materials.

He also said the import data also shows increasing dependence on the international market for fertiliser because of the diminishing domestic reserve of natural gas.

Moazzem recommended the government emphasise renewable energy or solar power-based irrigation to cut the use of fossil fuels and thereby reduce import reliance in this regard.

The composition of imports shows that a significant portion of these items are essential food, such as wheat and soybean.

Khondaker Golam Moazzem
Research director of CPD

The government collected revenue of Tk 21,690 crore from 14 of the 25 top import products in FY23 while the remaining 11 were allowed duty-free entry for being daily essentials or raw materials for export-oriented industries.

Besides, the import of such goods increased by 3.7 million tonnes, or Tk 38,687 crore, from 62 million tonnes in FY22, when overall imports stood at 88.7 million tonnes worth Tk 4.07 lakh crore.

And although this actually shows a downward trend in import volume, the total cost rose as a result of the ongoing US dollar crunch and hike in global commodity prices.

Mahbubul Alam, president of the Chattogram Chamber of Commerce and Industry, said most of the import cost is spent on fuel, edible oil, construction materials and raw materials of export products.

"This has positive aspects for the country as several government projects are ongoing,"

he added. As per customs data, about 8.7 per cent, or Tk 40,082 crore, of the total import cost was spent on importing cotton, which enjoys duty-free entry as a key raw material for the garment industry.

Three types of fuel, namely diesel, furnace oil and crude oil, came in second in terms of import cost.

About 9.34 million tonnes of the three fuels were imported at a cost of Tk 48,900 crore in FY23, down from 9.62 million tonnes worth Tk 41,053 crore the previous year.

Meanwhile, some 5.19 million tonnes of used and scrap ships worth Tk 26,360 crore were imported during the last fiscal year while the import was 6.81 million tonnes worth Tk 33,380 crore in the previous fiscal year.

At the same time, some 3.46 million tonnes of palm, soybean and soybean seeds worth Tk 34,789 crore were imported, down from 3.87 million tonnes worth Tk 31,218 crore in the same period of the previous year.

Also, Tk 10,421 crore was spent for importing 12 lakh tonnes of fertiliser while Tk 11,304 crore was spent for 17.7 million tonnes of cement clinker, and Tk 11,099 crore for 25 lakh tonnes of wheat.

In addition, Tk 6,623 crore was spent for 42 lakh tonnes of coal, Tk 4,949 crore for 7 lakh tonnes of hot rolled steel, Tk 4,660 crore for 4.96 lakh tonnes of lentil and Tk 2,831 crore for 12 million tonnes of stone.

Mohammad Fyuzur Rahman, commissioner of Chattogram Custom House, said these products are on the list of top import products every year due to the country's ongoing infrastructural development.

Moreover, food products and raw materials for export-oriented and domestic industries are also on top of the import list.

"In this case, considering their importance, we emphasise on clearing these products quickly while also assessing them at the actual prices," he added.

Reforming revenue administration

MAMUN RASHID

The government is consistently failing to meet its tax collection targets. In 2022-23, its target fell short by Tk 44,728 crore. This phenomenon has been going on for the last 11 consecutive fiscal years. Clearly, our existing taxation system is not efficient enough, so something needs to change and change fast.

No doubt, the last three years have been difficult economy-wise. The fallout from the pandemic and the war in Ukraine caused shocks in the global economy, the ripples of which were felt strongly in Bangladesh.

Bangladesh's tax-GDP ratio was 7.5 per cent in 2021-22, the lowest in South Asia, and one of the lowest in the world. Given the rate at which our economy has grown, such an abysmally low ratio is unacceptable.

But the ratio is not much different from the previous years too. It is safe to assume that the core issues that are hindering tax collection are not being addressed appropriately by the government.

Bangladesh is reportedly losing \$361 million a year due to multinational companies shifting profit to tax havens and \$26 million a year due to individuals evading tax. This amount is equal to one-third of the country's health budget, so the implications are not negligible.

For most countries in the world, the most important source of government revenue is income tax. However, in Bangladesh among more than 8 million taxpayer's identification number holders, 2.4 million submit returns.

Owing to individuals' reluctance to pay income taxes coupled with an ambitious budget, the government might opt for more indirect taxes like increased VAT and import duty. A further increase in indirect tax is not ideal for Bangladesh as it is imposed equally on all income groups from a day labourer to a millionaire.

To address these issues, experts have long been suggesting an overhaul of our taxation system. Malpractice related to tax payments and collection takes place at several levels. There are instances of businesses either not collecting VAT to keep product prices low or collecting the VAT but not reporting it to the government.

There is room for tax collection agents to collude with taxpayers to not collect tax following prescribed procedures. There is also a considerable portion of the economy that is still outside the formal financial system and there is no record of their income.

The media as well as think-tanks published several analyses explaining why and how the system should be reformed. To this end, several recommendations have been made, such as expansion of the tax net, modernisation, and capacity-building of the National Board of Revenue (NBR), crackdown on tax evasion, further rationalisation of tax rates, reducing dependency on indirect taxes, and finding new sources of tax revenue.

There is a crying need to stop malpractices by tax collection agents and taxpayers as well. Anti-collusion policies should be put in place and enforced strongly. Reform is also crucial to meet the conditionalities set by the International Monetary Fund for the \$4.7 billion it is lending to Bangladesh. There is no point in delaying the reform that must happen if we want to improve our revenue growth and domestic resource mobilisation.

Since the government has set an ambitious tax collection target of Tk 430,000 crore for the NBR for FY2024, it must introduce systematic changes in our taxation process as soon as possible to achieve the goal. The institutional capacity of the NBR should be enhanced and there can be no margin of error in terms of transparency, diligence and enforcement of best practices.

The author is an economic analyst



People walk by a food cart in Manhattan, New York City. Excluding the volatile food and energy components, the PCE price index of the US rose 4.1 percent from a year ago last month, easing from May's 4.6 percent rate.

Key US inflation gauge cools further

AFP, Washington

A key indicator of US inflation cooled in June to the lowest annual rate in over two years, although this remains above the central bank's target, according to government data released Friday.

The Federal Reserve's preferred gauge of inflation, the personal consumption expenditures (PCE) price index, rose 3.0 per cent last month from June 2022, down from a 3.8 per cent jump in May, said the Commerce Department.

From May to June, the PCE price index ticked up 0.2 per cent, a touch above the 0.1 per cent rate in the prior month.

But spending climbed 0.5 per cent between May and June, up from 0.2 per cent previously, the report said, although growth in personal income slowed.

PHOTO: AFP

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