

US will avoid recession: survey

REUTERS

The US economy should avoid a recession in the coming year, according to an increasingly large majority of economists polled by the National Association of Business Economics.

Some 91 percent of respondents to the latest NABE survey, published on Monday, assigned a probability of 50 percent or less to the US entering a recession over the next 12 months.

That was up from 79 percent in the October survey, and a far cry from the view a year ago, when a majority of economists expected a recession as the Federal Reserve raised interest rates to fight high inflation.

The rising optimism apparent in the survey is in line with much of the latest economic data, including a measure of consumer sentiment that last week rose to a 2 1/2-year high. Also, inflation has been falling faster than expected, and the labor market is cooling but not collapsing.

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Fed policymakers, who have held the policy rate in its current 5.25 percent-5.5 percent range since July, have signaled they are likely to cut rates this year as long as inflation continues to drop.

Economists polled by NABE expect corporate sales and profit margins to rise this year, and say supply chain problems and labor shortages are easing, potentially positive news for the inflation outlook.

Some 63 percent of respondents in the latest survey reported no shortages of input materials, up from 46 percent three months ago; and just over half of respondents reported no labour shortages, up from 38 percent from the prior report. Both are among the best readings since the pandemic began, NABE said.

Higher interest rates, increased geopolitical instability, and higher costs pose the biggest risks to that picture of broadly healthy business conditions in the new year, according to the survey of 57 NABE members, conducted December 28-January 9.



A number of skyscrapers have popped up in Dhaka in recent years, indicating a thriving business environment and rising investment in the capital city.

PHOTO: AMRAN HOSSAIN

Dhaka's changing skyline indicative of growing economic strength

Say experts of the construction industry

JAGARAN CHAKMA

Although infrastructural development in Bangladesh has been mostly Dhaka-centric, the capital city's ever-changing skyline is a testament to the country's economic growth, according to experts.

High-rise buildings improve the efficiency of land use by providing more residential or commercial space per square metre, making them more suitable for densely populated areas.

As such, a number of skyscrapers have popped up in Dhaka, indicating a thriving business environment and rising investment in the capital city.

Although there is no universally accepted definition of a skyscraper, they are generally defined as being at least 100 metres, or 330 feet, in height.

A 100-metre building can have as many as 50 storeys depending on its structure, but a residential tower of that height is usually about 30 storeys tall.

And at present, there are around 20 commercial skyscrapers in Dhaka that fit the description.

For example, the City Centre Dhaka in Motijheel comprises 37 floors, the Pinnacle in Tejgaon has 40 floors and Hilton Dhaka in Gulshan features 34 floors.

Before 2012, the tallest building in the capital was the 31-storey head office of Bangladesh Bank.

"The construction of high-rises began just one and-a-half decades ago but it is common now," said Shahriar Kamal, group managing director of Concord Group of Companies.

This is because the efficiency of local civil engineering and construction companies improved over the years, making the construction of 30-storey buildings normal for them.

In the past, businesses would hire foreign firms to construct their corporate offices, but this trend has changed over time as local companies have achieved international standard capacity and efficiency.

"Now, we only hire foreign consultants for the construction design of high-rise buildings," Kamal said, adding that even this will stop after the learning process is complete.

He also said more skyscrapers are being constructed in Dhaka thanks to the availability of customers, with there being about two dozen projects for 30-storey buildings so far.

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Besides, skyscrapers reflect the country's economic capacity, Kamal added.

Kamal said he appreciates the Bangladesh National Building Code 2020 as it ensures compliance with international quality and safety standards in construction, which is encouraging for high-rise buildings.

Mahfujza Aktar, town planner (planning and implementation) of Rajdhani Unnayan Kartripakkha (Rajuk), said they approved the building code with permission from the Civil Aviation Authority (CAA).

According to her, there is no height cap for buildings in Dhaka's Purbachal. However, the skyline limit is up to 500 feet for different zones of the capital city.

Also, factors such as soil quality need to be considered when approving high-rise projects, she added.

Mehedi Ahmed Ansary, a professor of civil

engineering at the Bangladesh University of Engineering and Technology, said there is no doubt about the local companies' ability to construct high-rise buildings.

Besides, locally available construction materials like rod and cement have reached international standards. So, the construction quality is very good, he added.

Ansary informed that while there is no written guideline on building height, Rajuk and the CAA are the main regulatory bodies in this regard.

He opined that the increasing number of skyscrapers are a reflection of the country's economic resilience even in face of ongoing economic vulnerability stemming from global crises.

However, the building safety expert said Dhaka cannot support more high-rise buildings as the city lacks adequate space and connectivity.

So, developers should focus on satellite cities in order to reduce population density, he added.

The 40-storey Pinnacle, a commercial property being built by Shanta Holdings Ltd on 45 kathas of land, is set to be the country's tallest building.

Shehab Ahmed, senior general manager of Shanta Holdings, said the building could have been 45 storeys tall for being 500 feet in height.

"But we kept the ceiling height at 11.5 feet to ensure superior aesthetics, quality internal functionality, and world-class heating, ventilation and air conditioning solutions," he added.

Currently, the City Centre Dhaka, a commercial structure, is the country's tallest building while the under-construction Hilton Dhaka, a Hilton brand hotel, is the second tallest.

Ensuring level-playing field for growth of mutual funds

KAZI AHSAN MARUF

The unequal taxation policy surrounding mutual funds in the capital market of Bangladesh raises concerns regarding the fairness for mutual fund investors. Specifically, the issue lies in the taxation of cash dividends from open end funds, creating an imbalance between individual's listed securities investments and mutual fund investments.

When an investor engages in direct listed securities investment and realises a capital gain after holding for a period of time, the gain remains untaxed. However, if the same investor opts for an open-end fund, the capital gain generated by the fund when distributed as cash dividends becomes subject to taxation. This incongruity arises due to the mandatory provision which is compelling open end funds to distribute realised gains as cash dividends.

We have analyzed the financial statements of all 91 funds of the mutual fund industry in 2021 and found that 62 percent of the total income of all mutual funds comes from capital gain, 26 percent from dividend income, and the rest from interest income. This means most of the portion of dividends distributed to investors comes from capital gain.

Consider an open-end fund that purchases the shares of Square Pharma Ltd at Tk 200 each and sells it at Tk 300, resulting in a capital gain for the fund. While the fund itself incurs no tax, a subsequent Tk 100 dividend declaration triggers a tax on dividends at source.



Further, investors, who face additional taxes based on their marginal tax rates, experience an overall tax burden on their investment. This disparity discourages mutual fund growth compared to direct securities investments in the exchanges.

Investors often choose mutual funds for professional management as they lack the time or expertise for securities analysis. However, current tax structures favour direct investments, contributing to a retail-driven market where brokers function as de facto fund managers. This retail-driven dynamic leads to herd behaviour and increased market volatility during bearish movements.

The Income Tax Act of 2023 further exacerbates the issue by offering higher tax rebates for direct market investments compared to mutual funds. If a person invests in mutual funds, she will get a tax rebate on a maximum of Tk 5 lakh.

If she invests directly in the market, she will get a tax rebate on Tk 67 lakh. This discrepancy acts as a deterrent for potential mutual fund investors, hampering the sector's growth.

Globally, mutual funds get preferential treatment so general investors are encouraged to invest through professional fund managers. Comparisons with other markets reveal that India maintains an equitable tax treatment for equity and mutual fund investments, promoting a balanced investment landscape.

An Indian invests 40 times more than what we Bangladeshis do in mutual funds. Even Pakistan, despite its lower GDP than Bangladesh, witnesses three times more investment per citizen.

Addressing discriminatory taxation policies is crucial for the sustained growth of mutual funds in Bangladesh. Without a level-playing field, inefficiencies in financial intermediation, a lack of depth in the capital market, and increased volatility may persist. It is imperative for stakeholders to acknowledge and rectify this issue to ensure a robust and equitable financial ecosystem.

The author is managing director of Ekush Wealth Management Limited

Red Sea crisis seeps into German chemicals sector

REUTERS, Frankfurt

Germany's chemicals sector, Europe's largest, is starting to feel the pinch from delayed shipments via the Red Sea, becoming the latest industry to warn of supply disruptions that have forced some companies to curb production.

Crucial Asian imports to Europe ranging from car parts and engineering equipment to chemicals and toys are currently taking longer to arrive as container shippers have diverted vessels around Africa and away from the Red Sea and Suez Canal, following attacks by Yemen's Houthis.

While German industry has got used to supply disruptions in the wake of the pandemic and Ukraine war, the impact of reduced traffic via the trade artery is starting to show, with Tesla's Berlin factory the most prominent victim so far.

Germany's chemicals sector, the country's third-biggest industry after cars and engineering with annual sales of around 260 billion euros (\$282 billion), relies on Asia for around a third of its imports from outside Europe.

"My procurement department is currently working three times as hard to get something," said Martina Nighswonger, CEO and owner of Gechem GmbH & Co KG, which mixes and bottles chemicals for big industrial clients.

As a result of the delays, Gechem, which makes annual sales in the double-digit millions of euros, has lowered production of dishwasher and toilet tablets because it can't get enough trisodium citrate as well as sulfamic and citric acid.

Mac computers could ride AI wave or be left behind

AFP, San Francisco

Forty years after igniting a PC revolution, Apple's Mac is stronger than ever and could reach new glory due to AI computing — or be left behind.

Apple launched the Macintosh in 1984 with a history-making television ad pitching the machine as an anti-establishment blow against a dystopian future.

The computer, referred to simply as a Mac, won fans with user-friendly features such as a graphical interface, clickable icons, and a mouse.

"The influence of the Mac is massive," Futurum Group research director Olivier Blanchard told AFP.

"Every laptop and every PC (personal computer) has tried to emulate the Mac and its success."

Macs became the preferred choice for Apple fans along with artists, film makers and other creative professionals.

Windows powered computers, however, dominated business workplaces with lower cost machines that synced with ubiquitous productivity tools like data-bases or spreadsheets made by Microsoft and others.

More recently, Apple has been making inroads in business, getting help from iPhone lovers using their smartphones for work and Macs becoming more compatible with programs used on the job.



Workers assemble Apple's Mac Pros at the Flextronics computer manufacturing facility in Austin, Texas.

PHOTO: AFP/FILE

The Mac's market has expanded to "basically everyone," Dag Spicer, senior curator at the Silicon Valley Computer History Museum, told AFP at an exhibit to mark its anniversary.

"A lot of the advertising and marketing

is directed at making people feel special for buying a Mac," Spicer said.

"You know — be a rebel, be an outsider, fight the system, even from the first 1984 ad."

Even Apple's soon to be released "special computing" headgear, the Vision Pro, plays up work-related uses — and its compatibility with the Mac.

"Apple is doing more to get into businesses," said Creative Strategies analyst Carolina Milanese.

"It is clear that with Vision Pro they want to get into the enterprise space, and they linked the Vision Pro to the Mac."

The Mac's 40th birthday comes when the global PC market has sagged with the rise of smartphone lifestyles.

But it is being reinvigorated by remote work trends as well as keen interest in upgrading to machines tuned to handle AI computing, according to analysts.

The PC market for years now has been iterative, with incremental improvements that weren't sexy and gave users little reason to upgrade, according to Blanchard.

"AI is a once-in-a-generation change in the PC market," Blanchard told AFP.