



Watermelon saplings being watered individually by farmhands in Amtola village of Khulna's Batiaghata upazila. Farmers have to pay each farmhand Tk 450 daily and will end up incurring around Tk 40,000 in different expenses against each bigha of land by the time harvest comes around. The photo was taken last week. PHOTO: HABIBUR RAHMAN

## Dollar rises to more than one-week high

REUTERS, New York

The dollar rose to a more than one-week high on Friday after a mixed batch of data showed the US economy remained stable with small pockets of weakness, suggesting the Federal Reserve could keep interest rates higher for longer or reduce the planned number of rate cuts this year.

The dollar index, which tracks the US currency against six major peers, was on pace to post a weekly gain of 0.7 percent, the largest since mid-January. The index was last flat at 103.43.

Data on Friday showed a solid US manufacturing sector, with output rebounding by 0.8 percent last month after a downwardly revised 1.1 percent decline in the prior month. Analysts at Citi, however, said in a research note that the rebound in February partly reflects the revisions lower to January output and the reversal of a "weather-related drag in January in non-durable goods manufacturing sectors."

US consumer sentiment and inflation expectations were little changed in March, a survey showed on Friday. The University of Michigan's preliminary reading on the overall index of consumer sentiment came in at 76.5 this month, compared to a final

reading of 76.9 in February.

The survey's reading of one-year inflation expectations, a measure tracked by the Fed, was unchanged at 3 percent in March. The survey's five-year inflation outlook held steady as well at 2.9 percent for the fourth straight month.

The Fed is scheduled to meet next week and while it is not expected to make any interest rate moves, hotter-than-expected US producer and consumer price data this week has led traders to rein in bets on future cuts.

"Ahead of the meeting, there's nothing to indicate that the Fed can afford to be dovish at this point," said Eugene Epstein, head of structuring for North America at Moneycorp in New Jersey.

"That's why we have Treasury yields going up and that's why we have the dollar stronger. Gold fell as well. It's all the standard correlations. So the Fed maybe gets higher for longer: they're not being given any room to cut sooner than later."

The rate futures market on Friday was priced in a 57 percent chance of the Fed cutting rates in June, compared to 71 percent on Monday, according to LSEG's rate probability app. The market has also reduced the number of rate cuts it expects this year to less than three, from between three and four earlier this year.

## NBR grants tax benefits for 3 sectors

STAR BUSINESS REPORT

The government has provided tax benefits to three sectors, namely leather, asset management, and research, to boost competitiveness and foreign currency earnings.

The National Board of Revenue (NBR) issued three separate statutory regulatory orders (SROs) to that end last Thursday.

**A three-year tax exemption, meaning till FY2026-27, was allowed on foreign grants availed by local researchers.**

The source tax on the export of leather goods, including leather, has been halved to 0.5 percent.

Meanwhile, a 15 percent tax payable by asset management companies on their income from mutual fund management fees, which was set to expire at the end of this fiscal year (FY), has been extended till FY2026-27.

The companies had paid at the rate

of 37.5 percent till 2013 before the NBR reduced it to 15 percent.

The extension was granted based on an application from the Association of Asset Management Companies and Mutual Funds (AAMCMF), according to NBR sources.

Welcoming the move, the AAMCMF said NBR has shown a strong commitment to supporting the institutional fund management industry and, through it, the broader capital market, according to press release, which was signed by Hasan Imam, president of AAMCMF and Waqar Ahmad Choudhury, vice-president of AAMCMF.

"The institutional fund management and mutual fund industry pledges to keep its commitment to better serve our investors and promote the capital markets," it said.

Moreover, a three-year tax exemption, meaning till FY2026-27, was allowed on foreign grants availed by local researchers.

Researchers currently pay taxes of up to 30 percent on foreign grants.

The NBR asked researchers to apply for a certificate acknowledging the tax exemption.

## Cars are moving into the fast lane for Tata

REUTERS, Bengaluru

Natarajan Chandrasekaran is splitting Tata Motors from a position of strength. Cars used to be a top headache for the chair of the Indian salt-to-hotels conglomerate but the latest plan to separate the company's commercial vehicles and its passenger vehicles into two listed entities signals confidence in an important turnaround.

The rejig is underpinned by improvements at Jaguar Land Rover which Tata acquired for \$2.3 billion in 2008. Those luxury marques are largely sold outside of India and accounted for 78 percent of the company's overall EBITDA in the quarter ended December. The passenger cars entity that JLR will anchor includes electric vehicles Tata mostly sells within the South Asian nation. The EV unit counts private equity firm TPG among its investors.

After burning money for years, JLR has generated positive free cash flow for five straight quarters. There is strong demand for its higher-



priced Range Rover and Defender sport utility vehicles (SUV), including in China. And following a multi-year effort to cut manufacturing costs, average revenue per car has risen to about 70,000 pounds (\$89,614) from over 40,000 pounds between the financial years 2019 and 2023. JLR's operating profit margin more than doubled in the three months ended December, compared with a year earlier.

That strength enables a strategically sensible carve-up. Infrastructure spending drives demand for commercial vehicles like trucks. But sales of SUVs and electric cars are fuelled by splurging consumers. Though JLR and the rest of Tata's cars target two different customers, both are premium in their own right: Range Rovers cost over 100,000 pounds and Tata's electric cars can be 40 percent 75 percent more expensive than their petrol variants.

Shareholders may have to be patient to feel the benefits of a split however. Tata Motors' shares have edged down a smidge since the March 4 announcement after rallying 24 percent this year and analysts see little immediate upside in their sum-of-the-parts analyses.

STOCKS		WEEK-ON-WEEK
DSEX ▼	CASPI ▼	
2.37%	2.62%	
5,968.04	17,090.37	

COMMODITIES		AS OF FRIDAY
Gold ▼	Oil ▼	
\$2,156.08	\$81.03	
(per ounce)	(per barrel)	



Hasan Imam, president of the Association of Asset Management Companies and Mutual Funds, greets Ahasanul Islam Titu, state minister for commerce, with a bouquet while making a courtesy call at his office in Dhaka last week. PHOTO: AAMCMF

## CPD prescribes

FROM PAGE B1 expenses, the CPD said this tax should be slashed as well.

In view of the persisting high inflation, the second slab for personal income tax, which is 5 percent for every additional Tk 1 lakh, should be increased to Tk 2 lakh to provide a cushion to limited income earners, the CPD said.

The first slab of the tax-free income level was raised to Tk 350,000 from Tk 300,000 in the current fiscal year.

In the FY21 budget, the highest rate for personal income tax was reduced to 25 percent from 30 percent. The CPD argued that reducing the highest tax rate went against the cause of promoting tax justice.

"So, the highest tax rate should be reinstated at 30 percent for top earners in the FY25 budget."

In the FY23 budget, the gap in corporate income tax rate for listed and non-listed companies was reduced to 5 percent, which is discouraging companies from

entering the capital market. The think-tank proposed restoring the gap to 7.5 percent.

Regarding the issue of undisclosed income, the CPD said rather than continuing such measures year after year, more proactive actions should be taken against tax dodgers by enforcing appropriate laws.

Historically, governments gave opportunities to taxpayers to legalise their undisclosed income or wealth by paying a nominal tax rate.

At present, taxpayers can legalise their undeclared income by paying tax at regular rates on their total income, including undisclosed amounts. On top of that, they have to pay a fine of 10 percent equal to the tax on the undisclosed income.

Prof Mustafizur Rahman, a distinguished fellow of the CPD, Khondaker Golam Moazzem, research director, and Muntaseer Kamal and Syed Yusuf Saadat, both research fellows, also spoke at the event.

## 'Bearish market resulted from floor price'

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The prime index has returned to what it was before the imposition of the floor price, meaning the regulator is again faced with what it sought to prevent almost two years ago, said Rahman.

"The long-term imposition of the floor price has had a detrimental impact on market dynamics," he said.

Due to the floor price, only those stocks that account for small amounts in market capitalisation and low paid-up capital and float were consistently traded, he said.

Market capitalisation refers to the value of a company calculated by multiplying the total number of shares by the present share price.

Paid-up capital is the amount of money a company has received from shareholders in exchange for shares of stock.

A stock with a small float means it has few shares available and will generally be more volatile than a stock with a large float.

With the market suffering from a lack of liquidity, whatever money available was logically injected into such stocks, explained Rahman.

"However, since the floor price has now been removed, these stocks, which previously rallied irrationally, are now behaving more rationally," he said.

He said the investor community dislikes uncertainties and all stocks must be allowed to follow the same rules. If there is no clear visibility, the market will go into panic and impact stocks, he said.

Moreover, the DSE website recently displayed unusual data while the market was bearish, further undermining market confidence, said Rahman.

All indices of the Dhaka Stock Exchange (DSE) had showed unusual figures for around nine hours till 7:00pm on March 10 due to an

"operational error", which adversely impacted investor confidence, causing turnover to plummet amid huge sales pressure.

"Investors rely heavily on this crucial information when the market is active. The unprofessional conduct of the DSE in this regard added to investors' concerns," said the managing director of Midway Securities.

"People are hesitant to invest when they cannot access clear and accurate data," he said.

Rahman said rising interest rates were also a crucial factor.

"Stock markets worldwide are sensitive to interest rates. Investors are gradually shifting a portion of their investments into safer assets."

Brokers were recently allowed to purchase treasury bonds, which has facilitated investors in diversifying their portfolios easily. However, this also means that a certain portion of funds is exiting the equity market, said Rahman.

"To create a resilient capital market, we must acknowledge the aforementioned policy missteps and avoid them in the future," he said.

This will enable smart buyers to begin investing in undervalued stocks. While investors who are currently panicking may lose out, the astute ones will prevail, he added.

Besides, regulators should adopt a hands-off approach for the market, he said.

"Constantly amending rules creates uncertainty. Regulators should focus on fostering free and fair markets and remain vigilant against manipulators," said Rahman.

"Timely punishment of those who manipulate our illiquid markets will encourage long-term investments, which is the true backbone of this industry, to stay," he added.

## Can mergers heal

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Analysts say the merger of a weak bank with a relatively stronger one will set a bad precedence and encourage others to commit loan irregularities and finally avail bailout from the government.

In a recent central bank report on banks' health, Padma Bank was in the red zone and Exim Bank was in the yellow zone. This means both banks are weak.

When two weak banks merge, it will be difficult to form a good bank as seen in the case of BDBL.

In the merger of Padma Bank and EXIM Bank, the bad loans of the problematic bank will be bought by an asset management company of the government, according to central bank officials. But if that happens, it will be a bailout package from the government for the ailing bank.

Already Padma Bank has received regulatory forbearance from the central bank and the government. State-owned Investment Corporation of Bangladesh, Sonali Bank, Janata

Bank, Agrani Bank and Rupali Bank bought a 60 percent stake in the bank for Tk 715 crore. But it has failed to stand on its own.

Zahid Hussain, a former lead economist of the World Bank's Dhaka office, said a comprehensive audit is essential before mergers and acquisitions.

If the audit finds out Exim Bank's health to be weak, it will not be wise to merge Padma Bank with it because the move will not yield the expected outcome, he said.

The economist said some banks want to come under mergers and acquisitions due to regulatory incentives or forbearance but this is contradictory to the aim of the initiative as it looks to restore good governance.

Anis A Khan, a former managing director of Mutual Trust Bank, echoed Hussain.

"It will be hard to bring good governance through mergers because dispute may emerge in the new entity."

## Production at API park

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This is because local manufacturers will have to develop their own API formulas to avoid patent laws after Bangladesh graduates from the group of least-developed countries in 2026.

"We need API for our interest to take the pharmaceuticals sector to the next level."

Alam also said the pharmaceutical sector needs to develop biological drugs as it is dependent on non-biological medicine.

"We have realised in advance the need to make our own APIs. Therefore, we have taken the preparation to set up a factory in the park."

M Mohibuz Zaman, managing director of ACI HealthCare, said they will also start establishing their factory after gas connections are confirmed.

He informed that they delayed their plans to invest in the park amid

the ongoing economic crisis and the appreciation of the US dollar as it would increase the amount of investment required.

Sanjay Kumar Bhowmik, chairman of the BSCIC, said that gas connections will reach the industrial park within a short time.

"We already spoke with Titas Gas Transmission and Distribution Company to provide gas connections while water and other utility supplies have already been ensured."

Bhowmik also said that they would work with pharmaceutical companies to quickly set up their units after ensuring gas supply. He said large companies like Square and Beximco have obtained plots but are yet to start constructing their factories.

"We will sit soon with the companies that have not yet started setting up their factories. Gas supply will reach the facility next month."