DHAKA THURSDAY MARCH 28, 2024, CHAITRA 14, 1430 BS ● starbusiness@thedailystar.net

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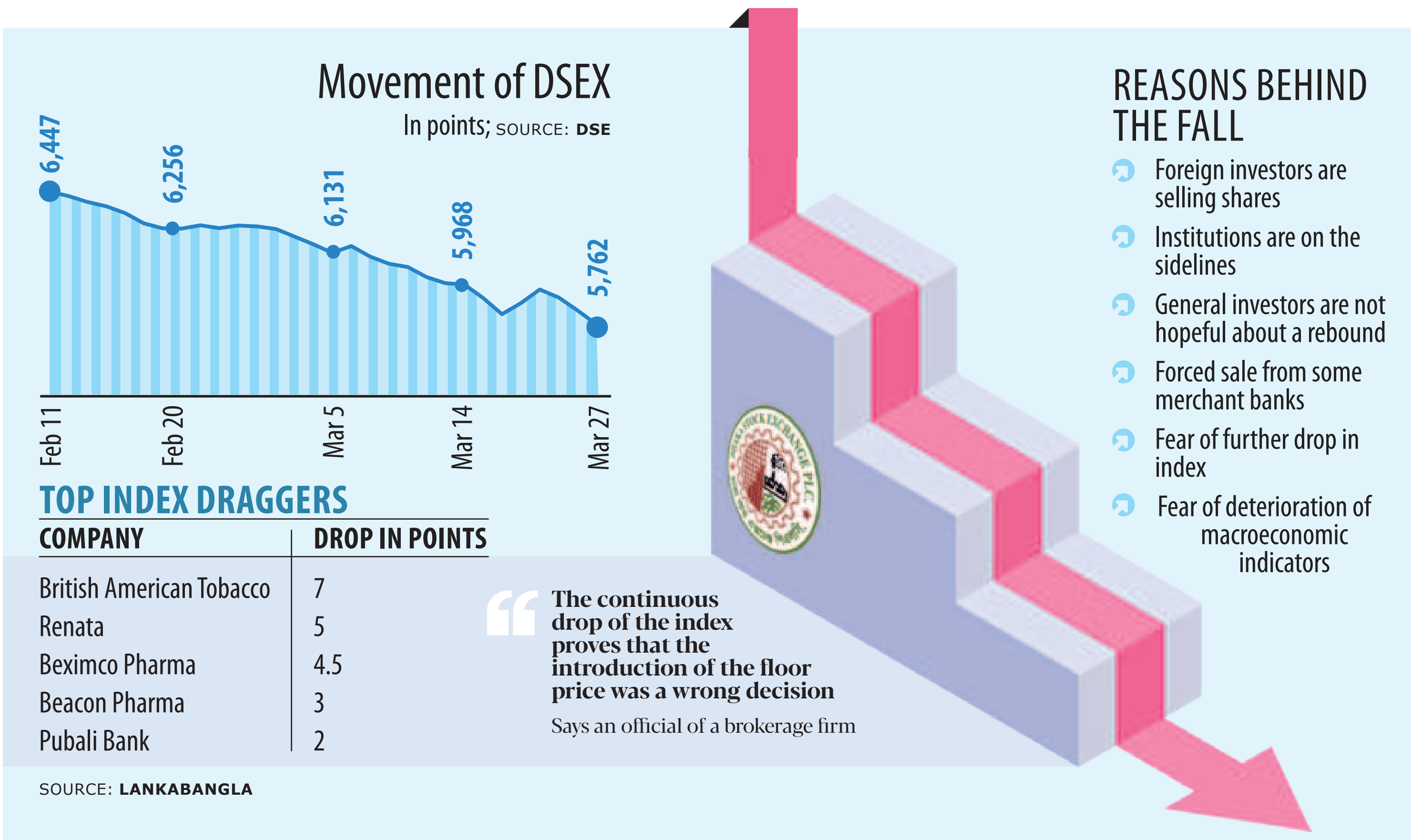
Mobile makers demand the activation of the National Equipment Identity Register as informal channels capture about 35 to 40 percent of the market

Story on B4

Stocks sink to lowest level in 3 years as investors sell and go away

Lingering economic uncertainty continues to hurt sentiment



TOP INDEX DRAGGERS

COMPANY	DROP IN POINTS
British American Tobacco	7
Renata	5
Beximco Pharma	4.5
Beacon Pharma	3
Pubali Bank	2

SOURCE: LANKABANGLA

"The continuous drop of the index proves that the floor introduction of the floor price was a wrong decision

Says an official of a brokerage firm

AHSAN HABIB *and* MD ABU TALHA SARKER

Bangladesh's stock market has been going through a bear run for the last two months despite petering out of election-linked uncertainty, signaling that the worries about the macroeconomic challenges are far from over.

The falling trend comes after the regulator lifted the floor price, handing investors the long-awaited freedom to sell shares at their will, a liberty they could not enjoy for the 18 months to January this year owing to the artificial measure.

The selling spree among foreign investors who fear that the local currency might fall further following a 25 percent depreciation in the past two years since the foreign currency reserves have stayed at a far lower level, and the concern among local investors that the key indexes would slide more are hurting the overall sentiment.

Thus, the DSEX, the benchmark index of the Dhaka Stock Exchange, gave up 680 points, or 10 percent, in the last two months. Yesterday, it plunged 71.71 points, or 1.22 percent, to close the day at 5,762, the lowest level in three years.

Turnover, however, rose to Tk 538 crore from Tk 445 crore.

After recovering from the lows caused by the coronavirus pandemic, the economy came under renewed pressure in the middle of 2022 after the Russia-Ukraine war broke out. The conflict crippled global supply chains, hurting import-dependent economies like Bangladesh since reserves began drying up.

The deepening crisis prompted the Bangladesh Securities and Exchange Commission (BSEC) to reintroduce the floor price to prevent the market from a sharp fall.

The initiative paid well when it came to obviating the freefall of shares, but it ultimately turned the market illiquid since investors could not transact scrips at will because shares were not allowed to be changed hands below the floor price. So, when the BSEC began to lift the restrictions, both local and foreign investors breathed a sigh of relief.

An asset manager, however, said foreign investors started to sell their stake gradually in 2019 when they realised that the local currency was overvalued against the US dollar.

However, they could not continue to sell owing to the floor price mechanism, which was first rolled out at the height of the pandemic in 2020. Sales hunger were unaddressed for most of the four years between 2020 and 2023.

"Now those sales are taking place," the asset manager said.

"Foreign investors are selling shares but institutional investors are not extending enough backing to the market because the latter are also worried about the direction of the market.

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Govt extends electricity purchase contracts with Summit

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The government has extended its contracts with Summit Group's three gas-based power plants for the purchase of electricity in the next five years.

The plants, having a combined power generation capacity of around 50 megawatts (MW), are located in Dhaka's Ashulia, Narsingdi's Madhabdi and Cumilla's Chandina.

The cabinet committee on government purchase approved the extension yesterday.

The plants were established in 2003 and the contracts expired in November last year.

There is no provision of capacity payments in the contract extension, said Md Mahmudul Hossain Khan, secretary to the cabinet division for coordination and reforms.

"They will only get the operational charges which would cost Tk 6.04 per unit," he said.

In the next five years, the government would save Tk 0.0725 per unit of electricity, meaning a total of Tk 6.81 crore.

There is no provision of capacity payments in the contract extension, said a government official

Meanwhile, Summit Group informed the cabinet meeting on economic affairs that it has formed a special purpose vehicle company named Summit LNG Terminal II Co, which will build and operate the country's third floating storage and regasification unit.

The unit, with a capacity of 600 mmcfd, was supposed to be built by the Summit Oil and Shipping Co Ltd.

Removal of tax exemptions to boost revenue by Tk 30,000cr

Says an economist

STAR BUSINESS REPORT

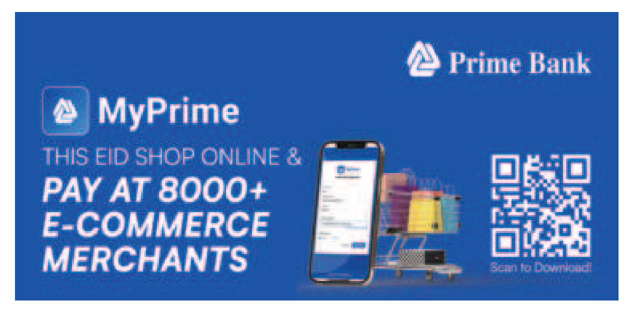
The government can generate additional revenue of Tk 30,000 crore in the next fiscal year of 2024-25 if it reduces existing tax exemptions for various sectors, according to a noted economist.

"It is not possible to increase the tax-GDP ratio to 15 percent without reducing tax exemptions," said Ahsan H Mansur, executive director of the Policy Research Institute (PRI).

This is currently the fastest way to increase revenue generation, he told a press briefing at the PRI's office in Dhaka yesterday.

However, he did not explain in detail the exemptions.

Bangladesh's tax-to-GDP ratio stands at 8.4 percent, one of the lowest in the world, despite rising per capita income.



Revenue generation needs to be increased for the implementation of the entire fiscal policy, he said.

"It will not happen with the management (procedures) of the British period. For this, fundamental reforms are needed," he said.

The government is now on a new tenure and it is high time for fiscal reforms, said Mansur. "But we don't see any sign (of it) yet," he said.

The budget for the upcoming fiscal year will be placed soon and it should reflect the reforms, he added.

A delegation of International Monetary Fund (IMF) had made some suggestions for the next budget during a recent visit to Bangladesh.

One was for the National Board of Revenue (NBR) to restructure personal income tax slabs and increase the tax-free income limit to Tk 5 lakh from the existing Tk 3.5 lakh.

"It will be logical," said Mansur.

Political uncertainty has dissipated following the national elections, for which now is the right time for major reforms, said MA Razzaque, research director of the PRI.

He also suggested increasing taxes on the wealthy.

At the event, the PRI presented findings of a study titled "Connecting fiscal policy changes to economic outcomes: Evidence from a quantitative exercise".

"Bangladesh would receive an additional Tk 65,000 crore in tax revenue if the tax revenue collection increases by 2 percentage points

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