

# Star BUSINESS

A major hub for the sale and repair of motor vehicles has gradually emerged in Bogura over the past two years



Story on B4

## Fitch lowers Bangladesh rating as external buffers weaken



### WHAT'S WHAT

"BB" ratings indicate an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time

"B" ratings indicate that material default risk is present, but a limited margin of safety remains

### OBSERVATIONS

Stable outlook reflects mitigation of external refinancing risks thanks to IMF's loan

Recent reforms to stabilise reserves  
Medium-term growth outlook is favourable

Remittances through formal channels should accelerate

Removal of lending rate caps a significant step towards improving banking sector profitability

Current debt composition is favourable

Projected external debt service is low relative to peers

### RISKS

Downgrade reflects sustained weakening of external buffers

Policy actions insufficient to stem the fall in forex reserves

It is unclear whether crawling peg will fully address lingering forex market distortions

High inflation to persist

Banking sector's credit metrics are weak



### STAR BUSINESS REPORT

Fitch Ratings yesterday downgraded Bangladesh's long term foreign-currency issuer default rating to "B+" from "BB" owing to the lingering weakening of the country's external

buffers. However, the outlook is stable, said the agency in a report.

"BB" ratings indicate an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time. It, however, means business or financial flexibility exists that supports the servicing of financial commitments. "B" ratings indicate that

material default risk is present, but a limited margin of safety remains. It also means financial commitments are currently being met but the capacity for continued payments is vulnerable to deterioration in the business and economic environment.

Fitch said the downgrade of Bangladesh's ratings reflects the sustained weakening of the external buffers, which could prove challenging to sufficiently reverse despite recent policy reforms, leaving the country more vulnerable to external shocks.

"Policy actions since early 2022 READ MORE ON B3

## Tax benefit for infrastructure unlikely to continue

### STAR BUSINESS REPORT

The government may not extend the tax holiday to investors of physical infrastructure in the upcoming fiscal year as the revenue administration seeks to trim the list of tax-exempt items to attain higher collection targets, officials said.

Currently, the National Board of Revenue (NBR) provides a 10-year tax benefit on the income from physical infrastructure such as deep-sea ports, sea and river ports, elevated expressways, flyovers, toll roads and bridges, ICT parks, hi-tech parks, liquefied natural gas terminals and transmission lines, and renewable energy generation facilities.

As per the Income Tax Act 2023, the NBR has to provide a tax break on the income from physical infrastructure if it begins commercial operations within June 2024.

However, the tax administration is unwilling to continue the tax exemption for any projects that begin commercial operations after June this year.

"We are considering the measures to reduce tax exemptions to augment collection," a senior official of the NBR said.

Such a move would mean that investors of such facilities may not enjoy the tax holiday from next fiscal year.

The tax administration

READ MORE ON B3

## Govt begins formal talks with Japan to sign trade deal

### REFAYET ULLAH MIRDHA

Bangladesh and Japan have formally begun the negotiation to strike a trade deal to allow manufacturers to keep enjoying duty-free export benefits in the post-LDC era and draw investments from the Far East nation.



### KEY POINTS

First round of EPA negotiation with Japan ended on May 23

Negotiators discussed issues on 17 sectors

Bangladesh wants to retain duty benefit by signing EPA with Japan

With LDC graduation, Bangladesh will face 18% duty on export to Japan if the EPA is not signed

85.4% Japanese companies in favour of FTA between the two countries

### Post-LDC scenario

Bangladesh may lose exports worth \$8b a year because of LDC graduation

Currently, 73% of Bangladesh's exports enjoy LDC-linked benefit

The first round of the talks aimed at signing an Economic Partnership Agreement (EPA) started in Dhaka on May 19 and ended on May 23. Details of the meeting were not made public.

"In this round of negotiation, both sides exchanged their views on the method of negotiations and a broad range of negotiating areas," said a press release.

"At the meeting, we mainly shared information on the 17 sectors that were identified in the joint study," said a senior official of the government of Bangladesh and a member of the negotiation team, requesting anonymity.

The joint study group has identified the sectors, which include trade in goods, trade remedies, rules of origin, customs procedures, and trade facilitation, sanitary and phytosanitary measures.

The other sectors are technical barriers to trade, trade in services, investment, electronic commerce, government procurement, intellectual property, competition, improvement of the business environment, labour, environment, transparency, cooperation, and dispute settlement.

The meeting was attended on the Japanese side by Taketani Atsushi, ambassador in charge of economic diplomacy and deputy director general of the Economic Affairs Bureau of the foreign affairs ministry, and representatives from other ministries, according to the statement.

Ahmad Munir Saleheen, chairman of the Bangladesh Trade and Tariff Commission, and representatives from relevant ministries attended from the host side.

Iwama Kiminori, Japanese ambassador to Bangladesh, and Ahasanul Islam Titu, state minister for commerce, took part in the opening session.

READ MORE ON B3

## Dhaka Bank PLC. Strongly Stable in Excellence

Credit Rating (ECRL)		INTERPRETATION
Year 2023	Year 2022	
Long Term AA+	Long Term AA	Commercial Bank rated "AA+" has a very strong capacity to meet its financial commitments, and is generally in a position to withstand adverse development in the economy, in business and other external conditions. The Bank typically possess a good track record and have no readily apparent weaknesses.
Short Term ST-2	Short Term ST-2	Commercial Bank rated "ST-2" has a strong capacity to meet its financial commitments in a timely manner; however, it is somewhat susceptible to adverse developments in the economy, in business and other external conditions.
Outlook Stable	Outlook Stable	"Stable" indicates that a rating is likely to remain unchanged.

The Emerging Credit Rating Ltd. (ECRL) has rated Dhaka Bank PLC. for the year of 2023 up to April 07, 2025. A brief information of the rating based on Financial Statements is presented here.

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# Pubali Bank launches co-branded Visa debit and credit cards with BSMMU

STAR BUSINESS DESK

Pubali Bank yesterday signed an agreement with Bangabandhu Sheikh Mujib Medical University (BSMMU) to launch co-branded Visa debit and credit cards.

Mohammad Ali, managing director and CEO of the bank, and Professor Deen Mohd Noorul Huq, vice-chancellor of the BSMMU, penned the deal at the Shahid Dr Milon Auditorium in the university premises in Dhaka, the bank said in a press release.

Under this agreement, the bank committed to providing innovative banking solutions, excellent customer service and offering a convenient, secure and rewarding banking experience.

This co-branded card is a symbol of the long-lasting bond between the two organisations.

It is a significant milestone in enhancing collaboration between the two organisations and providing enhanced financial services and facilities to doctors, officers and students of BSMMU.

The cards offer various benefits, including discounts, cashback offers and



Professor Deen Mohd Noorul Huq, vice-chancellor of the Bangabandhu Sheikh Mujib Medical University (BSMMU), and Mohammad Ali, managing director and CEO of Pubali Bank, pose for photographs after signing an agreement at the BSMMU's Shahid Dr Milon Auditorium in Dhaka yesterday.

PHOTO: PUBALI BANK

enhanced security measures.

Professor Saif Uddin Ahmed, pro-vice chancellor (admin), Professor Md Moniruzzaman Khan, pro-vice chancellor (research and development), and Professor

Mohammed Atiqur Rahman, pro-vice chancellor (academic), were present.

Among others, Md Kamruzzaman, general manager and regional manager of Dhaka central region of the bank, NM

Firoz Kamal, deputy general manager and head of card business division, and Masuma Khatun, deputy general manager and head of Shahbag Avenue branch, were also present.

# City Bank gets new DMD

STAR BUSINESS DESK

City Bank has recently appointed an official to the post of deputy managing director (DMD).

The appointee, Arup Haider, was serving the bank as a senior executive vice-president and head of retail banking concurrently prior to his new role, the bank said in a press release.

Arup joined City Bank in 2016 and made significant contributions to the growth of its retail banking business.

He transformed the bank's credit and collection processes before assuming the role of head of retail banking in 2018.

His efforts were instrumental in ensuring City Bank's prominence in the credit card business as well.

Additionally, Arup played a key role in making Citytouch, the bank's digital banking platform, one of the most popular platforms for retail banking in the market, shaping its future momentum. He began his professional

banking career as a management trainee officer at Prime Bank in 2003.

He previously worked at BRAC Bank and Standard Chartered, gaining expertise in areas such as SME underwriting and consumer credit.

Arup obtained his bachelor's and master's degrees in economics from the University of Calcutta and completed an MBA from the Institute of Business Administration at the University of Dhaka.



# StanChart invests in the future of business education at IBA

STAR BUSINESS DESK

Standard Chartered Bangladesh and the Institute of Business Administration (IBA) of the University of Dhaka recently launched a number of new facilities -- a conference centre and a teacher's lounge, along with a fully landscaped garden area.

Naser Ezaz Bijoy, chief executive officer of the multinational bank, and Prof Mohammad A Momen, director of IBA, inaugurated the facilities, according to a press release.

These new campus resources, a contribution to the educational institution from Standard Chartered, reflect the bank's commitment to nurturing the next generation of business leaders, fostering academic excellence, and supporting faculty and professional development.

"This initiative will help scale up on-campus facilities and resources for students and educators," said Naser.

"By investing in a new conference centre and teacher's lounge, we are investing in the future of Bangladesh's business



PHOTO: STANDARD CHARTERED BANGLADESH

Prof Mohammad A Momen, director of the Institute of Business Administration (IBA) of the University of Dhaka, and Naser Ezaz Bijoy, chief executive officer of Standard Chartered Bangladesh, cut a ribbon to inaugurate a number of facilities on the IBA campus premises recently.

community."

"We are confident that these upgrades will enable IBA to continue to produce exceptional graduates and academicians who will spur on the nation's sustained growth and development," he added.

Given its long-standing reputation for producing some of the country's brightest business minds, IBA can utilise the facilities to boost the teaching experience as well as the academic experience.

The garden space will also

serve as a location where students, teachers, and guests can interact and enjoy the greenery.

"I am thrilled to launch the new conference centre and teachers' lounge here at IBA in collaboration with Standard

Chartered," said Prof Momen.

"The facilities will help deepen our current aspirations for interdisciplinary discourse outside of the formal curricula.

"I sincerely thank Standard Chartered for coming forward and helping us in evolving the next stage of business education in Bangladesh," he added.

Creating a variety of spaces across campuses enables students, professors, and guests to share experiences, learn from one another, and network with greater ease and efficacy.

The bank's contribution will also help IBA uphold its legacy of creating a steady stream of qualified educators, who are sharing their knowledge in Bangladesh and across the world.

Among others, Jamal Ahmed Sufi, managing director of Charuta Private Limited, Bitopi Das Chowdhury, head of corporate affairs, brand and marketing at Standard Chartered Bangladesh, Mesbah Uddin Ahamed, head of property, and Omar Faruque, chief compliance officer, were also present.

# Oil steadies

REUTERS, London

Oil prices were little changed on Monday, making marginal advances in muted trade owing to public holidays in Britain and United States after a downbeat week characterised by the outlook for US interest rates in the face of sticky inflation.

The Brent crude July contract was up 21 cents at \$82.33 a barrel by 0926 GMT. The more active August contract rose 26 cents to \$82.10. US West Texas Intermediate (WTI) crude futures were up 23 cents at \$77.95.

PRICES OF KEY ESSENTIALS IN DHAKA CITY			
	PRICE (MAY 27, 2024)	% CHANGES FROM A MONTH AGO	% CHANGE FROM A YEAR AGO
Fine rice (kg)	Tk 60-Tk 76	-2.86 ↓	.74 ↑
Coarse rice (kg)	Tk 48-Tk 52	-3.85 ↓	2.04 ↑
Loose flour (kg)	Tk 40-Tk 50	5.88 ↓	-20.35 ↓
Lentil (kg)	Tk 105-Tk 110	0	13.16 ↑
Soybean (litre)	Tk 145-Tk 150	-2.32 ↓	-18.06 ↓
Potato (kg)	Tk 50-Tk 55	9.38 ↑	40.00 ↑
Onion (kg)	Tk 70-Tk 75	22.88 ↑	0
Egg (4 pcs)	Tk 48-Tk 52	19.05 ↑	3.09 ↑

SOURCE: TCB

# Southeast Bank provides financial aid to HSTU

STAR BUSINESS DESK

Southeast Bank recently provided financial support to the Hajee Mohammad Danesh Science and Technology University (HSTU) for the development of the agricultural research sector under its special

corporate social responsibility (CSR) fund.

Md Masum Uddin Khan, deputy managing director of the bank, handed over a cheque to Begum Fatema Zohara, professor of the faculty of Veterinary Medicine and Animal Science, at the bank's head office in Dhaka.

Nuruddin Md Sadeque Hossain, managing director of the bank, also attended the programme, the bank said in a press release.

Among others, Abidur Rahman Chowdhury, along with other senior officials from both organisations were also present.



Md Masum Uddin Khan, deputy managing director of Southeast Bank, hands over a cheque of financial aid to Begum Fatema Zohara, professor of the faculty of veterinary medicine and animal science of Hajee Mohammad Danesh Science and Technology University, at the bank's head office in Dhaka recently.

PHOTO: SOUTHEAST BANK



PHOTO: ELCO WIRES & CABLES

Tarek Mahmud Matin, managing director of Elco Wires and Cables, poses for photographs with award-winning distributors at the "Dealers Conference-2024" at Green Garden in Dhaka's Sobhanbag recently.

# Elco Wires and Cables organises dealers' conference

STAR BUSINESS DESK

ELCO Wires and Cables Limited recently organised a "Dealers Conference 2024".

The conference brought together dealers from across the country to celebrate the company's success and to accelerate business relations.

During the ceremony, the

prominent distributors shared stories of their journeys and valuable experiences. Tarek Mahmud Matin, managing director of the company, inaugurated the conference at the Green Garden in Dhaka's Sobhanbag, according to a press release.

At the programme, the company also awarded the best distributors across the country for their

outstanding business performances.

Md Golam Morshed Rasel, director of finance, Md Kamal Hossain Mazumder Dollar, director of corporate affairs, Md Shahrir Ahmed Chowdhury, director, and DM Abu Bakar Siddique and Md Shaikat Shohid Mohammad Khayyam, executive directors, were present.

# India economy likely grew

FROM PAGE B4 consumption, which accounts for 60 percent of GDP, was also likely to appear in upcoming quarters.

Economic growth, which likely averaged 7.7 percent last fiscal year, was forecast to slow to 6.8 percent this fiscal year and 6.6 percent in the next, suggesting consistent 8 percent growth was still some distance away for the world's fastest-growing major economy.

While most economists reckon 8 percent or higher growth is needed to generate adequate job growth for millions of young people joining the work force, some are skeptical that

can be consistently achieved.

Miguel Chanco, chief emerging Asia economist at Pantheon Macroeconomics, said 5-6 percent was a "reasonable" potential growth rate for India's economy.

"For this potential to be reaped, though, reforms need to be pursued, and Modi 2.0 took some steps back on this front - a reversal of agriculture reforms, delay in the implementation of new labour codes and a broad turn away from regional trade agreements."

A growing divergence between financial economists' GDP forecasts and government estimates has also

raised questions over how India measures growth.

The National Statistical Office (NSO) said it expected GDP growth to be 5.9 percent in the January-March quarter.

"I think there is a slight overestimation of the informal sector GDP...which is why things on the ground probably do not look as exuberant as the headline numbers suggest," said Dhiraj Nim, economist at ANZ.

The informal sector contributes nearly half of the country's GDP and employs about 90 percent of India's workforce.

# Cargo delivery

FROM PAGE B4

Several pilots fell sick during the attempts, he said, adding that he had seldom witnessed such swelling in the bay.

Considering the job would be very risky, they cancelled the plan after keeping the pilots on standby till afternoon, he informed.

At 5:30pm, Faruk told The Daily Star that they suspended attempts to board pilots on the 19 vessels as the high tide had receded in the afternoon, which would make navigating the port channels at night difficult. Once the sea becomes calmer, they will take steps to bring the vessels back to the jetties, he said.

# Stocks snap nine-day

FROM PAGE B4

Khulna Printing & Packaging, Index Agro Industries, Silva Pharmaceuticals and AB Bank each gained more than nine percent.

Shinepukur Ceramics, Maksons Spinning Mills, First Finance and Bay Leasing & Investment were also on the gainers' list.

Jamuna Bank shed the most, losing 10.09 percent.

Trading of the lender's shares remained suspended on May 26 as it was the record date, meaning the day the list of eligible shareholders is finalised for forthcoming dividend distribution.

First Security Islami Bank saw a loss of 5.56 percent. The company had earlier announced a 5 percent stock dividend (bonus shares) for 2023.

ONE Bank and Dhaka Bank lost more than 3 percent each while Unilever Consumer Care, Khan Brothers PP Woven Bag Industries and Northern Jute Manufacturing Company also lost more than 2 percent each.

Chittagong Stock Exchange jumped with its all-share price index (CASPI) gaining 79 points to 15,312 while its Selective Categories Index (CSCX) grew 50 points to 9,213.



**ADP ALLOCATION**

FY24: Tk 254,392cr [revised]  
Initial allocation: Tk 274,674cr

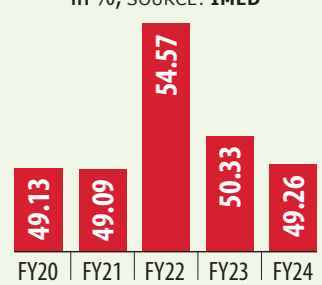
**EXECUTION**

In April of FY24, execution rate was **6.96%**  
In April of FY23, it was **8.68%**

**TOP PERFORMERS**  
Among highest recipients (Jul-Apr)

Power division: **68.29%**  
Science and technology ministry: **60.14%**  
Agriculture ministry: **58.81%**

**ADP SPENDING IN JUL-APR PERIOD**  
In %; SOURCE: IMED



# ADP implementation slows to three-year low

MD ASADUZ ZAMAN

Government spending under the Annual Development Programme (ADP) slowed to a three-year low in the first 10 months of the current fiscal year (FY) of 2023-24, with the implementation rate dropping to 49.26 percent.

According to data from the Implementation Monitoring and Evaluation Division (IMED), the government spent Tk 125,316 crore from its ADP allocation in the July-April period of FY24.

During the same period in FY23, development spending amounted to Tk 119,064 crore, representing an implementation rate of 50.33 percent.

Given the lower implementation rate, government agencies are likely to miss the revised target of spending Tk 254,391 crore on development projects by the end of the fiscal year in June.

The last two months of a fiscal year usually witness a higher trend

of implementation and speedy fund disbursement.

But such practices raise questions about the quality of implementation, according to an analyst who spoke with The Daily Star yesterday.

"There is a trend of spending around 80 percent to 87 percent of the ADP allocation in the entire fiscal year," said Mustafa K Mujeri, executive director of the Institute for Inclusive Finance and Development (InM), an independent non-profit institution.

At present, less than half of the work has been done.

So, if implementing agencies want to keep pace with the normal trend, they have to spend over 35 percentage points of the ADP allocation in the next two months.

In April, the execution rate was only 6.96 percent of the total ADP allocation, down from 8.68 percent in the same month of the previous fiscal year, as per IMED data.

"It just shows hurriedness at the end. It may create an opportunity for corruption or to waste money," Mujeri said.

In some cases, many contractors try to implement projects by ignoring quality, which creates persistent problems for beneficiaries, he added.

An IMED official, seeking anonymity, said implementing agencies initially move slowly due to various factors, including land acquisition and import activities.

As a result, disbursement also slows, leading to time overruns, he said.

"When deadlines approach, they try to execute promptly," the official added.

Mujeri also underscored the need to implement projects under the health services division and education sector on a priority basis.

In the July-April period of this year, the health services division spent Tk 3,494 crore, or 37 percent of its total allocation.

That made it one of the worst

performers in terms of implementation among the 15-highest ADP allocation recipients alongside the shipping ministry and the Prime Minister's Office.

"The trend of lower execution in health and education projects is alarming," Mujeri said.

"It has a far-reaching effect on public health and education as many low-income people can't afford their expenses," added Mujeri, also a former director general of the Bangladesh Institute of Development Studies.

In the last fiscal year, the IMED received over 350 proposals from ministries and divisions seeking to extend deadlines for various projects.

In this regard, Prime Minister Sheikh Hasina directed officials at a National Economic Council meeting on March 12 to ensure feasibility studies to improve the quality of implementation and speed up implementation of projects that would serve people immediately, according to the IMED official.

## Pran-RFL gets nod to use land of shuttered govt textile mills

STAR BUSINESS REPORT

Pran-RFL Group is going to build factories to manufacture products related to textiles on the land of two shuttered mills of the Bangladesh Textile Mills Corporation under a public-private partnership.

The cabinet committee on economic affairs approved proposals in this regard at a meeting yesterday, Cabinet Secretary for Coordination and Reforms Mahmudul Hossain Khan told journalists after the meeting.

A total of 20 acres of land of RR Textile Mills located in Sitakunda of Chattogram will be leased out to the group for 30 years, he said.

Besides, Choraka Textile of the group will set up mills by taking lease of 26 acres of land of Rajshahi Textile Mills for 30 years.

The cabinet committee on government purchase also decided to buy electricity from gas-based Shahjibazar Power Company for five more years.

During the period, the government will purchase electricity from the company at Tk 7.04 per kilowatt.

Besides, the committee also approved proposals to purchase 50 lakh litres of soybean oil at Tk 151.45 per litre, 1.30 crore litres of palm oil at Tk 143 per litre, and 10,000 tonnes of lentils at Tk 101.30 per kilogramme from local markets.

## Automation a must for better customs management

FBCCI chief says

STAR BUSINESS REPORT

Full automation and proper implementation of the customs laws are a must now to simplify customs management, said Mahbul Alam, president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI).

The customs management should be fully automated as trade gets disrupted due to various complications related to declaration, customs and harmonised system (HS) code, he said.

"No matter how beautiful the law is, if it is not properly implemented, it will not be beneficial."

If the act is implemented with necessary amendments, businesses, trade and economy will be dynamic, he said.

Alam made the comments at a workshop at the FBCCI office in Dhaka on Sunday jointly organised by the FBCCI and the National Board of Revenue (NBR).

Necessary amendments will be made in the Customs Act considering the logical proposals of the business community, said Abu Hena Md Rahmatul Muneem, chairman of the NBR.

## China vows to help foreign firms

AFP, Seoul

China's Premier Li Qiang said his country will always be open to foreign companies and promised steps to boost their confidence in the world's second-largest economy, state media reported.

Li made the comments during his meeting with the chairman of South Korean tech titan Samsung in Seoul on Sunday, the eve of a trilateral summit between South Korea, China and Japan. A world leader in chips and smartphones, Samsung is one of the most prominent foreign companies in China, investing billions of dollars over the years into facilities that produce semiconductors and other electronics.

"Foreign-funded enterprises are an indispensable force for China's development and China's megamarket will always be open to foreign-funded companies," Li said during the meeting with Samsung boss Lee Jae-yong, according to the Xinhua news agency.

China will take steps including expanding market access to improve the business environment so that foreign companies "can rest assured in their investment and development in China", he added.

"China welcomes South Korean companies including Samsung to continue to expand investment and cooperation in China."

The European Union Chamber of Commerce in China said this month that its member firms were suffering because of issues such as market access and regulatory barriers.

During his meeting with Samsung's chairman, Premier Li also "called on enterprises of China and South Korea to tap deeper into their cooperation potential in new areas such as... artificial intelligence", Xinhua reported.

## Govt begins formal talks

FROM PAGE B1

Three rounds of meetings of the joint study group were held last year to pave the way for last week's formal launch of the negotiation.

Bangladesh is in talks with major trading partners to pen pacts such as the Free Trade Agreement (FTA), the Preferential Trade Agreement (PTA), the Comprehensive Economic Partnership Agreement, and the EPA to retain the zero-duty benefit on exports after the graduation of the country from the group of least developed countries (LDCs) in November 2026.

Bangladeshi products will be subject to up to 18 percent duty in the Japanese market from the current zero-duty benefit if the EPA is not signed.

Bangladesh risks losing \$8 billion in exports annually in the post-LDC era if the trade preference ends in all markets. Currently, 73 percent of the country's shipments enjoy LDC-linked benefits.

Japan is Bangladesh's 12th largest trading partner in exports and seventh-largest in imports. It is the lone country in Asia where Bangladesh's exports crossed the \$1-billion mark nearly a decade ago on the back of the duty benefit.

The export of merchandise, especially garment items, to the Far East nation stood at \$1.90 billion in the last fiscal year of 2022-23 while imports amounted to \$2.02 billion, data from the commerce ministry showed.

## Tax benefit for infrastructure

FROM PAGE B1

started granting tax exemptions for physical infrastructure in July 2011 to encourage private investment and meet the country's infrastructure deficits. It extended the benefit on several occasions since then.

At present, investors of such infrastructure enjoy a tax break on 90 percent of their incomes in the first two years after beginning commercial operations.

The tax exemption benefit on the income declines to 75 percent in the third year.

In the 10th year, investors get a tax

About 85 percent of the local and Japanese companies with operations in both nations want their governments to sign an FTA, according to a survey of the Japan Bangladesh Chamber of Commerce and Industry in 2021.

About 15 years ago, textile and logistics industries from Japan began to expand their footprint in Bangladesh thanks to its abundant and inexpensive labour force.

In recent years, firms such as motorcycle manufacturers, major telecommunication companies and IT companies have invested in the country to tap the business potential in the fast-growing consumer market of 17 crore, the joint study group report said.

The number of Japanese companies operating in Bangladesh has tripled over the past decade to nearly 350. The stock of foreign direct investments from the country was \$533.66 million in December 2023.

More investments are expected through the Bangladesh Special Economic Zone, which partially opened in December 2022. Located in Narayanganj, it is the first zone developed by a Japanese company in partnership with the Bangladesh Economic Zones Authority.

Both sides have targeted to conclude the negotiation by December 2025.

In December 2020, Bangladesh signed a PTA with Bhutan to safeguard the duty benefit, its first bilateral trade deal with any nation.

break on 25 percent of their incomes, according to the law.

The NBR may be tasked with collecting Tk 4.80 lakh crore in fiscal year 2024-25, which would be 17 percent higher than the current year's target.

The tax administration's average annual growth in revenue collection has been 11 percent for the past five years.

The NBR has been under pressure to improve collection and thereby fulfill one of the conditions for a \$4.7 billion loan approved by the International Monetary Fund last year.

## Fitch lowers Bangladesh rating

FROM PAGE B1

have been insufficient to stem the fall in foreign exchange reserves and resolve domestic dollar tightness."

The central bank has raised the policy rate by 375 basis points in the last three years to tame inflation. Still the situation has not come under control owing to external and internal factors and cheaper funds driven by the lending rate cap and market mismanagement.

Similarly, the foreign currency reserves are down substantially due to continued interventions, capital outflows, and the persistent use of informal channels for remittances.

Reserves have fallen by 15 percent from January 2024 levels to \$18.4 billion. It is, however, far lower than the \$41 billion accumulated in August 2021. "We project reserves to stabilise on recent reforms," Fitch said.

The recent shift to a crawling peg aims to increase exchange-rate flexibility. Whether this will fully address lingering forex market distortions and support significant reserve build-up remains unclear, according to the report.

Fitch said the stable outlook reflects the mitigation of external refinancing risks by a favourable external creditor composition -- the International Monetary Fund (IMF) programme, which aims to improve macroeconomic stability and address banking sector weaknesses, moderate government debt and favourable medium-term growth prospects.

It, however, said uncertainty remains around the implementation of the new forex regime, and to what extent the official rate will be permitted to align with the parallel market rate.

Bangladesh Bank has said the crawling peg is an interim arrangement before moving to a fully flexible market-based exchange rate.

"Further moves to increase exchange rate flexibility may be complicated by persistent high inflation," the ratings agency said.

In Bangladesh, the domestic US dollar scarcity has resulted in effective

import restrictions, as authorities manage the allocation of forex. Lower imports from such measures and sustained export growth drove the current account surplus to a Fitch-estimated 1.4 percent of GDP in the fiscal year ending on June 30.

"Greater forex flexibility should ease US dollar shortages, which could drive up imports in the next few years."

According to the US firm, the impact on the current account should be modest, as remittances through formal channels should also accelerate with better alignment between the official and parallel market exchange rates.

Fitch expects high inflation to persist due to domestic supply shortages, import restrictions and a weaker exchange rate.

Inflation in FY24 has so far averaged 9.7 percent, far above the central bank's target of 7.5 percent. It averaged 9.02 percent in the last financial year.

The removal of interest rate caps for banks and non-bank financial institutions could bode well for monetary policy transmission, it said.

It also highlighted the country's low revenue collections.

The low revenue-GDP ratio is a long-standing fiscal weakness. At 8.2 percent of GDP, this is far lower than the 19.5 percent "B" median.

Revenues continue to underperform budget targets owing to prevailing tax exemptions, weak tax administration and challenges in implementing tax reforms.

Several tax reforms are planned under the IMF programme, which was agreed in January 2023. Some measures to increase revenue collection, including tax hikes on tobacco and land registration, have been implemented. These measures pose an upside risk to its revenue forecasts, said Fitch.

The report describes the medium-term growth outlook as favourable, supported by a well-established ready-made garment sector, demographic dividend, and stable remittance inflows.

In the near term, however, it expects growth to moderate to 5.3 percent in FY24 due to the US dollar shortage that is likely to weigh on investment and the high inflation-reducing consumption.

The current debt composition was termed as favourable.

The medium-term external debt is owed either to bilateral or multilateral partners, and financing from these sources is likely to continue, supporting ongoing debt service capacity, notwithstanding US dollar shortages.

Projected external debt service is low relative to peers, averaging about 9.2 percent of current external receipts over 2024-2025, against a "B" median of 20 percent. The IMF programme also supports continued access to multilateral and bilateral financing, subject to meeting programme targets.

It said gross government debt would increase gradually to about 40 percent of GDP over the medium term, from about 36 percent in FY23, but still well below the current "B" median of 55 percent.

Budget underperformance owing to a revenue shortfall, high borrowing costs, extension of forbearance measures to the banking sector and potential contingent liabilities owing to weaknesses in the banking sector and debt of state-owned enterprises are risks to the fiscal position.

Speaking about the weak banking sector, it said the sector's credit metrics - asset quality, capitalisation and governance standards - are weak, especially those of public sector banks.

The non-performing loan ratio was 9 percent in 2023, while that of state-owned banks was about 21 percent.

"These ratios could rise once forbearance measures are withdrawn. The sector could be a source of contingent liability for the sovereign if credit stress intensifies."

The removal of lending rate caps on banks and NBFIs is a significant step towards improving the banking sector profitability, Fitch added.

## Standard Ceramic's Q1 loss up by 60%

STAR BUSINESS REPORT

Standard Ceramic Industries Ltd's loss increased by 60 percent year on year in January-March of 2024 as higher production costs and the taka's rapid depreciation weighed on its bottom line.

The ceramic maker reported a loss of Tk 2.1 crore in the first quarter, up from Tk 1.31 crore. Thus, the loss per share was Tk 3.26 against Tk 2.03, according to a filing on the Dhaka Stock Exchange.

Standard Ceramic said that an overall dull economic condition due to the combined effect of the Covid-19 pandemic and the Russia-Ukraine war and the high cost of imported raw materials amid rising sea transport costs hit the company's profitability.

"The dollar rate fluctuation and around 155 percent increase in gas price adversely reduced sales and gross profits. In addition, the temporary closure of our factory reduced production and sales of our products," it said in its unaudited financial statements.

The ceramics manufacturer's net operating cash flow per share (NOCFPS) doubled to Tk 12.71 in negative in July-March of 2023-24 period from Tk 6.36 in negative in the corresponding period last year.

## Aman Cotton's loss narrows as yarn sales rise

STAR BUSINESS REPORT

Aman Cotton Fibrous Ltd reported a 91 percent year-on-year decline in losses in January-March 2024.

The loss stood at Tk 60.49 lakh in the third quarter of the financial year, down significantly from Tk 6.95 crore. As a result, the loss per share declined to Tk 0.06 from Tk 0.69.

In a filing on the Dhaka Stock Exchange, the yarn manufacturer attributed an 11.13 percent price decline of raw cotton, the key production material, and a 3.4 percent increase in carded yarn sales for the fall in losses.

However, Aman Cotton's net operating cash flow per share (NOCFPS) fell to Tk 0.30 in the first nine months of FY24. It was Tk 6.38 in the same period of 2022-23.

The company's rising payments to suppliers, employees and others contributed to the decline in the NOCFPS, according to the unaudited financial statements.



A five-kilometre stretch of road along the Baragola-Matidali highway in Bogura has quickly turned into a hub for automobiles, with numerous showrooms and auto-repair workshops offering their services. The biggest draw, however, remains used cars, which can be bought for cheaper prices than in Dhaka.

PHOTO: MOSTAFA SHABUJ

# Bogura emerging as a hub for used automobiles

MOSTAFA SHABUJ, Bogura

A major hub for the sale and repair of motor vehicles has gradually emerged in Bogura over the past two years, drawing an estimated investment of Tk 1,000 crore.

At least 15 showrooms and 20 workshops offering repairing services have been established along a five-kilometre stretch on the Baragola-Matidali highway.

New and reconditioned vehicles of renowned brands, including BMW and Mercedes-Benz, are also available here.

However, cars that have changed ownership multiple times are a big draw, with overall monthly sales reaching at least Tk 10 crore.

Moreover, around 2,000 people have found direct employment in this hub.

For this, many of the local investors now term Bogura as the heart of North Bengal's motor vehicle business.

Due to the global economic recession following the Covid-19 pandemic and a crisis of US dollars in Bangladesh, automobile sales have declined in Dhaka.

Many businesspeople believe Bogura offers an alternative investment destination for showrooms to keep their business running at reduced costs.

The latest to open shop here is world-renowned South Korean automobile giant Hyundai.

"Hyundai has three service centres in Dhaka...an outlet was opened in Chattogram last



November and this one in Bogura last March," Delowar Hossain, service manager of the outlet, told The Daily Star.

"We have not officially inaugurated the Bogura outlet yet. But we launched all services last March, including paint booths. We have already received orders for two cars," he said.

Asked why Hyundai chose the location for an outlet, Hossain said: "In short...to capture the North Bengal market."

He added: "Moreover, we have already sold over 50 cars in the northern districts. So those cars can easily avail servicing. Now Hyundai car owners in North Bengal no longer have to go to Dhaka for servicing."

Monowar Islam, owner of Jara Car House in Bogura, said: "I opened the business on a very small scale in 2019. Now I sell 12 to 14 cars every month."

"Nowadays businesspeople from many parts of the country come to Bogura to start a car

business. So far, the investment here has exceeded Tk 1,000 crore," he said.

Regarding the buyers, Monowar said: "Generally, I sell cars in 64 districts of the country through brokers and my online platforms."

Mezbaul Jannat Piyas, owner of Bogura Active Auto Care Showroom, said: "I have been doing business here for one and a half years. I am now selling six to eight reconditioned cars a month and making a profit of Tk 3 lakh to Tk 5 lakh."

Regarding the rise of Bogura's vehicle trading hub, he said operational costs were lower here than in Dhaka while prices can be anywhere from Tk 1 lakh to Tk 3 lakh cheaper.

"The security deposit for a showroom in Dhaka is over Tk 1 crore. But it is possible to set up a new business with such a huge amount. That's why Bogura has become a promising place in North Bengal for the automobile

business," he said.

Moreover, traders from Dhaka have opened workshops and are doing very good business in Bogura, Piyas added.

Alamgir Hossain, manager of Dhaka Auto Space in Bogura, said: "We came here from Dhaka in 2023...We are doing well...The business is growing rapidly and our workload is increasing too."

Bogura Toyota Motors showroom owner Abu Nasir told The Daily Star: "Two years ago there were only two car showrooms in Bogura. I started the business in 2022. I am selling around 7 to 10 cars every month. I mainly sell old cars."

Mehdi Hasan Anik, a customer arriving from Dhaka's Tangail last Sunday to buy a used microbus, told The Daily Star: "Car prices are lower in Bogura than in Dhaka. Moreover, there are a lot of additional facilities."

"Almost all the showrooms in Bogura offer instalment facilities. We are also selling cars at zero down payment. Besides, we give loans to buyers at 11 percent to 13 percent interest," Nasir said.

Aminur Rahman, general secretary of the Bogura Chamber of Commerce and Industry, said: "In the last two to three years, many automobile showrooms have been established in Bogura."

"Businesspeople from various parts of the country are investing money in the car business, which is a milestone for Bogura's economy," he added.

## Stocks snap nine-day losing streak

STAR BUSINESS REPORT

The broad index of Dhaka Stock Exchange (DSE) staged a much-needed comeback yesterday, breaking a nine-day losing streak.

The DSEX, the benchmark index of the country's premier bourse, rose 59.67 points, or 1.14 percent, from that on the day before to close at 5,310.51.

Likewise, the DSES, the index that represents Shariah-compliant companies, edged up 13.71 points, or 1.19 percent, to 1,160.18.

The DS30, the index that comprises the best blue-chip stocks, jumped 11.94 points, or 0.63 percent, to 1,900.65.

In its daily market update, UCB Stock Brokerage said the market closed on a positive note with an increase in turnover.

Turnover, a crucial indicator of trading activity in the market on a given business day, stood at Tk 506 crore, an increase of 65.81 percent compared to the previous trading session of the market.

Among the sectors, pharmaceuticals dominated the turnover chart encompassing 17.02 percent of the daily market's total turnover.

Services and real estate, ceramics and textile were the top three sectors to close in the positive while jute is the only sector to close in the negative.

Out of the 394 scrips that changed hands, 276 saw gains, 84 remained lower and 34 did not witness any fluctuation.

Bangladesh Industrial Finance Company and Alltex Industries jointly topped the gainers' chart with a rise of 10 percent each. READ MORE ON B2

## Cargo delivery from port yards resumes partially Major operational activities suspended for second day

DWAIPAYAN BARUA, Ctg

Cargo delivery from the yards at the Chattogram port resumed partially yesterday morning and continued on a limited scale as the impact of cyclone Remal began to wane.

However, the 19 vessels that were sent out to sea from the main and specialised jetties on Sunday morning to avert any damage during the cyclone could not be brought back by the afternoon due to the rough seas and inclement weather.

As such, the loading and unloading of cargoes and containers at the main jetty remained suspended for the second consecutive day.

Additionally, 49 vessels that were shifted out to sea from the outer anchorage on Sunday had returned by yesterday afternoon. But those vessels could not be unloaded due to inclement weather.

CPA Secretary Md Omar Faruk told The Daily Star that the full team of the Chattogram Port Authority (CPA) pilots waited at ghat number 15 at Patenga near the Karnaphuli estuary for over four hours since 10:00am as they attempted to bring back the 19 vessels.

As the impact of the cyclone waned yesterday morning, the met office advised lowering the danger signal from No 9 to No 3. The CPA also lowered its security alert No 4, its highest alert, and instead issued alert No 1 at 11:00am.

Accordingly, the CPA Marine Department planned to bring back 19 vessels to the jetty by the morning tide. But they failed to cross the sea and get on board.

A senior official of the CPA Marine Department said 13 CPA pilots on three pilot boats attempted to cross the bay to reach the vessels but failed due to heavy swelling at sea, incessant showers and gusty winds. READ MORE ON B2

## India economy likely grew at weakest pace in a year in Jan-March: poll

REUTERS, Bengaluru

India's economy likely grew at its slowest pace in a year in the January-March quarter due to weak demand, according to a Reuters poll of economists who said the possibility of growth significantly surpassing their forecasts was low.

The country's gross domestic product (GDP) unexpectedly grew by 8.4 percent in October-December compared to a year earlier, thanks to a sharp drop in subsidies which provided an artificial boost to net indirect taxes. But economic activity, as measured by gross value added (GVA), showed a more modest 6.5 percent expansion.

Economists in the poll said that situation was unlikely to have been repeated in the last quarter.

Growth in Asia's third-largest economy likely slowed to an annual 6.7 percent in January-March, more in line with the long-term GDP growth rate, according to a Reuters poll of 54 economists. GVA growth was expected to slow to 6.2 percent.

Most economists in the poll said growth likely slowed due to moderation in both the manufacturing and services sectors. They also cited a muted

contribution from agriculture.

Forecasts for GDP growth were in a 5.6 percent-8 percent range. The data are due at 1200 GMT on May 31, just days before general election results will be announced on June 4. Prime Minister Narendra Modi is expected to win a rare third term in power.

"We expect some sanity to return," said Kunal Kundu, India economist at Societe Generale. "Among the components, we do not expect any major improvement."

### Most economists in the poll said growth likely slowed due to moderation in both the manufacturing and services sectors

Over two-thirds of economists who answered an additional question said the possibility of GDP growth significantly surpassing their forecast was low. The rest said it was high.

"Core inflation continuing to drop and recording the lowest growth since the onset of the pandemic is symptomatic of weak domestic demand," Kundu said.

Weaker growth in private

AFP, Shanghai

China has poured more than \$47 billion into the country's largest-ever chip investment fund, a business database showed on Monday, as Beijing seeks self-sufficiency in the crucial semiconductor manufacturing sector.

Semiconductors are an indispensable part of the modern economy, used in everything from kitchen appliances and mobile phones to cars and weapons.

The chips industry is increasingly caught in the crossfire as the United States and China vie for technological supremacy, with relations between the world's two largest economies deteriorating in recent years.

With Washington seeking to cut Chinese companies off from supply chains that give it access to advanced US technology, Beijing has ploughed billions into developing homegrown chipmakers.

China's finance ministry as well as a host of state-owned banks and other businesses have invested 344 billion yuan (\$47.48 billion) into the third phase of the National Integrated Circuit Industry Investment Fund, according to information published by business data provider Tianyancha on Monday.

The fund's third phase, incorporated on Friday, is larger than the previous two iterations

combined.

An earlier phase had planned to invest 12.9 billion yuan in semiconductor manufacturer Yangtze Memory Technologies Co., Bloomberg reported last year.

China's Ministry of Finance is the largest shareholder of the fund's latest phase, according to Tianyancha, with state-owned companies from Shanghai, Beijing and southern tech hub Shenzhen also investing.



Employees work at a production line manufacturing chips inside a factory of an electronics company in Chizhou, Anhui province, China. The chips industry is increasingly caught in the crossfire as the United States and China vie for technological supremacy. PHOTO: REUTERS/FILE

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