Star BUSINESS

Any sudden changes to tax structures give wrong signals to investors and hamper efforts to attract higher investments from abroad, says a chamber

Story on B4

Stocks drop over 1% amid sell-off

STAR BUSINESS REPORT

The benchmark index of Dhaka Stock Exchange (DSE) edged down 1.27 percent yesterday as nervous investors continued to make sales owing to persistent macroeconomic challenges.

The market opened higher, but the momentum did not last long. As a result, the DSEX shed 65.67 points to close the day at 5,105.88, the lowest since April 5, 2021.

Similarly, the DSES, the index that represents Shariah-compliant stocks, went down 1.53 percent to 1,103.66.

The DS30, the index that comprises the best blue-chip firms, decreased 1.29 percent to 1,811.79.

The macroeconomic challenges are primarily stemming from high inflationary pressure, increased debt servicing liability, depletion of foreign exchange reserves and a weak financial sector, as per experts.

According to the daily market update by UCB Stock Brokerage, the market closed on a negative note with a turnover lower than that on the preceding day.

Turnover, meaning the total value of shares that changed hands, giving an indication of the market activity, decreased 10.93 percent to Tk 318 crore.

The market opened higher, but the momentum did not last long. As a result, the key index shed 65.67 points

The pharmaceuticals sector dominated the turnover chart, accounting for 20.43 percent of the day's total turnover.

Miscellaneous was the only sector to close in the positive while paper and printing, life insurance and non-bank financial institutions closed in the negative.

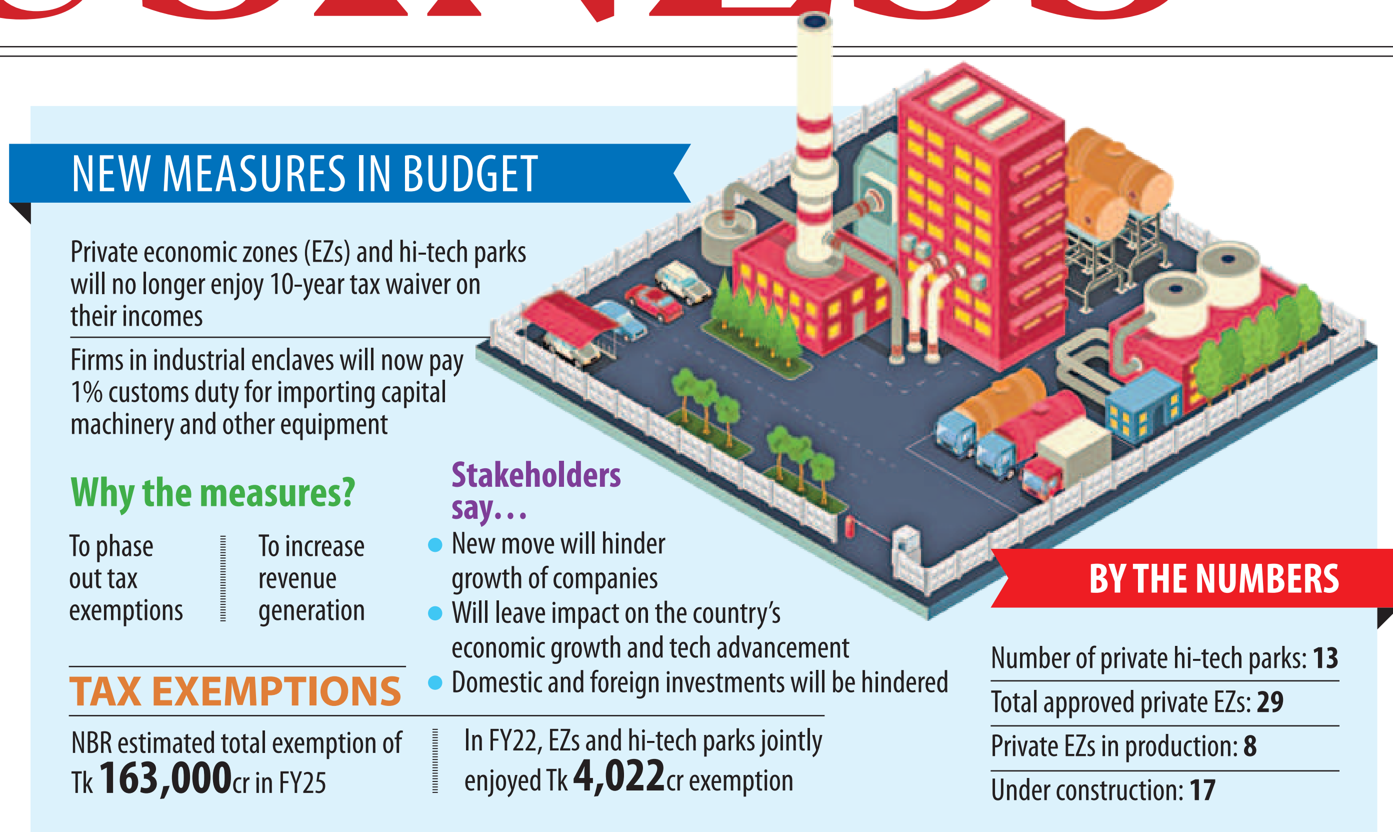
Out of 391 scrips that underwent trade, 342 declined, only 26 advanced and the remaining 23 did not see any price movement.

Sunlife Insurance Company took the top spot on the list of stocks that made gains, rising 6.90 percent.

Atlas Bangladesh and Capitec Grameen Bank Growth Fund made identical gains of over five percent. Central Pharmaceuticals was close behind with 4.79 percent.

RN Spinning Mills, Unilever Consumer Care, JMI Hospital Requisite

READ MORE ON B3



Blow to private economic zones, hi-tech parks as tax benefits go

MD ASADUZ ZAMAN, JAGARAN CHAKMA *and* MAHMUDUL HASAN

Investors and developers of private economic zones (EZs) and hi-tech parks are going to lose the 10-year-long tax waiver on their incomes from the next fiscal year as the government phases out exemptions.

Bangladesh has embarked on the process of ending tax exemptions gradually in all sectors with a view to lifting the country's low tax-to-GDP ratio and aligning them with global rates since the country will not be able to offer generous tax benefits and subsidies in the current form after it becomes a developing nation in 2026.

BUDGET FY2025

While unveiling the budget for the upcoming fiscal year on Thursday, Finance Minister Abul Hassan Mahmood Ali gave the direction on cutting exemptions. As such, the government is going to provide the waiver to state-run hi-tech parks and economic zones alone.

"The NBR has curtailed the facilities for the next fiscal year with the objective of coming out of the culture of tax breaks," said a senior official of the National Board of Revenue (NBR), seeking anonymity.

The move comes at a time when the government is under pressure to enhance revenue collections to finance public expenditures and reduce its reliance on borrowing.

Bangladesh has one of the lowest revenue-to-GDP ratios in the world, and the International Monetary Fund, as part of its $4.7 billion loan, has given a condition to the government to increase tax collections by 0.5 percent of the GDP.

As part of the government's efforts to spur industrialisation, augment export earnings, and create jobs through the setting up of 100 economic zones across the country, the Bangladesh Economic Zones Authority (Beza) has already granted approvals to establish 29 private economic zones. Of them, eight are already operational.

Besides, there are 13 private hi-tech parks.

Currently, investors in the EZs and hi-tech parks qualify for a tax break for a decade starting from the first year of their operations. They are entitled to a full tax waiver in the first three years.

They were granted an 80 percent tax waiver in the fourth year, 70 percent in the fifth year, and 60 percent in the sixth year. It was supposed to decline by 10 percentage points in each subsequent year before standing at 20 percent in the 10th year.

Investors also lost the zero-duty benefit on the import of capital machinery, components and construction materials in FY25. As a result, firms operating in the industrial enclaves will have to pay 1 percent customs duty.

In 2021-22, economic zones and hi-tech parks jointly enjoyed tax exemptions amounted to Tk 4,022 crore, NBR data showed. The government has estimated that direct tax expenditures will total Tk 163,000 crore in FY25.

Investors have expressed deep concerns about the benefit cut, saying this will hamper sectoral growth and stand in the way of attracting domestic and foreign direct investments.

READ MORE ON B3

Budget missing guidance on economic stability

Economists say

STAR BUSINESS REPORT

The proposed budget is missing guidance on macroeconomic stability, reforms in the energy and banking sectors, and enhancement of social protection, a noted economist said yesterday.

Macroeconomic stability is very important in terms of controlling the sustained high inflation that has been hounding low and middle-income groups in Bangladesh for nearly two years.

Besides, it is also crucial for increasing private investment, stabilising foreign debt servicing, maintaining economic growth and creating employment.

"Macroeconomic stability was a big issue but we do not see any relief here. We have not received any guidance on the stability issue

Debapriya Bhattacharya
Convener of Citizen's Platform for SDGs, Bangladesh

"Macroeconomic stability was a big issue but we do not see any relief here. We have not received any guidance on the stability issue," said Debapriya Bhattacharya, the convener of the Citizen's Platform for SDGs, Bangladesh.

He made the remarks at the BRAC Centre Inn in Dhaka while moderating a discussion on the budget and marginalised people, organised by the platform.

The economist said greater social protection was also not assured in the proposed budget.

Moreover, the political commitment to bring massive reforms to the energy, banking and port sectors was also ignored.

"We do not see any clue, relief or assurance in three places, namely stability, social protection and reforms," he said.

READ MORE ON B3

STOCKS

DSEX ▼	CASPI ▼
1.26% 5,105.88	1.09% 14,678.11

COMMODITIES

Gold ▼	Oil ▲
$2,296.91 (per ounce)	$75.66 (per barrel)

Govt plans to increase non-tax revenue

STAR BUSINESS REPORT

BUDGET FY2025

The government plans to rationalise its administrative fees and increase non-tax revenue (NTR) collection manifold so that overall revenue receipts will be scaled up to finance public expenditure.

As such, an initiative has been taken to set up an online database of all NTR items, detailing the fees, other charges and their date of imposition.

The database has already been shifted to a live server for piloting by six ministries. Based on the outcome, it will be open for operation, the finance ministry said in its Medium Term Macroeconomic Policy Statement (MTMPS) published last week.

The ministry also mentioned a plan to link the database with real-time data through iBAS++, an integrated financial management information system to enable public service delivery by the Bangladesh government.

"This database has opened the scope of adjusting the charges and significantly increasing NTR income from administrative fees," the MTMPS said.

Bangladesh's revenue collection is lower than its potential, hovering below the level of Nepal and India, which have similar economic development, according to the finance ministry.

Low revenue collection may make it increasingly difficult for the government to finance critical public expenditure in infrastructure, health, education, water resource management and social protection.

READ MORE ON B2

Patenga Container Terminal commences operations

STAFF CORRESPONDENT, *Ctg*

The newly-built Patenga Container Terminal (PCT) of the Chattogram port officially started running yesterday with Saudi operator Red Sea Gateway Terminal (RSGT) Bangladesh at the helm.

The operations kicked off with the berthing of container vessel "Maersk Davao" at one of the PCT's four jetties.

This marks a significant milestone as it is the first time a foreign firm has been entrusted with managing operations of a port terminal of the country.

RSGT Bangladesh is a subsidiary of Red Sea Gateway Terminal International (RSGTI), a sister concern of Red Sea Gateway Terminal which operates Saudi Arabia's largest terminal facility at Jeddah Port.

A landlord model has been adopted for the PCT where the CPA will act as the regulatory body and as landlord while the Saudi firm will run the PCT's operations for the next 22 years.

The Chattogram port serves as a gateway for 90 percent of Bangladesh's import and export activities.

Built on 32 acres of land and containing three 200-metre jetties and one 220-metre dolphin jetty, the PCT will allow berthing of vessels at the shortest possible time given its close proximity to the estuary of the Karnaphuli river.

Three vessels with 10 to 11-metre draft will be able to berth at a time in the terminal, having an annual capacity to handle 5 lakh TEUs (twenty-foot equivalent unit) of containers.

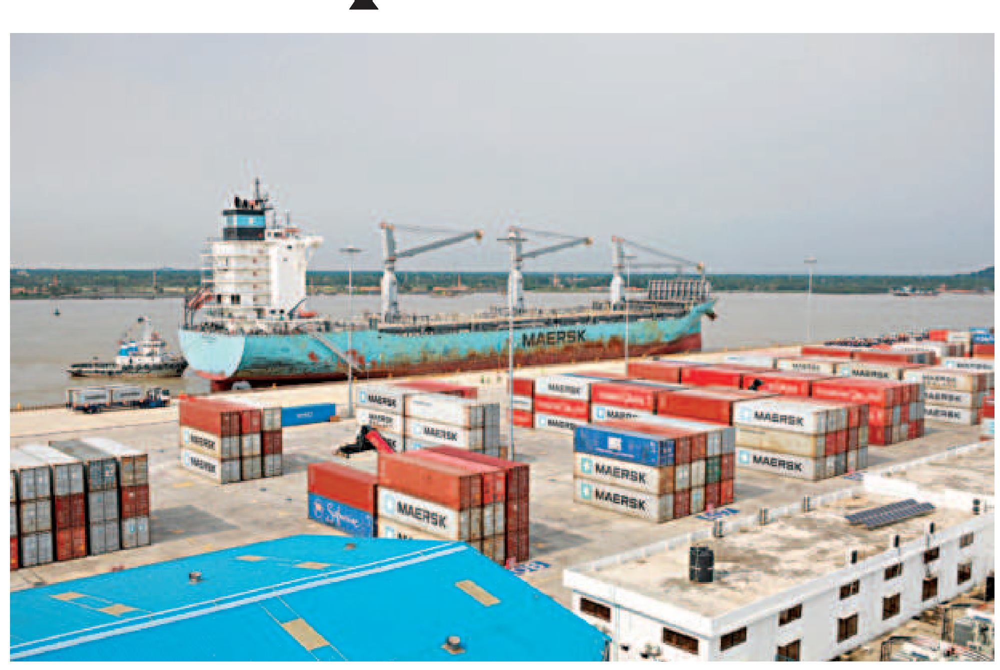


PHOTO: RAJIB RAIHAN

Patenga Container Terminal of the Chattogram port at the estuary of the Karnaphuli River commenced operations yesterday with the berthing of container vessel "Maersk Davao".

The operator will invest approximately $170 million to install equipment, read a press release last year from the Sustained Infrastructure Holding Company, one of the operator's investors.

The terminal will therefore target the fast-growing import and export market that has an expected annual gateway volume growth rate of 7 percent per annum, underscoring the potential for higher revenues and margins over time, said the company.

The National Board of Revenue (NBR) on June 4 granted the approval for commencing the operations on condition that all import-laden containers are physically examined

READ MORE ON B3

ADB gives $250m for social protection

STAR BUSINESS REPORT

The government yesterday signed a $250 million loan agreement with the Asian Development Bank (ADB) to further strengthen Bangladesh's social protection system.

"The Second Strengthening Social Resilience Program aims to accelerate reforms in increasing the coverage and efficiency of protection, improving the financial inclusion of disadvantaged people, and strengthening the response to diversified protection needs," ADB Country Director Edimon Ginting said.

"Building on the first Strengthening Social Resilience Program completed in June 2022, the second program helps improve the policy, regulatory and institutional environment for social protection in Bangladesh."

This new ADB programme supports the government's Action Plan

READ MORE ON B3

MTB spearheads open banking revolution with Grameenphone

Yasir Azman, chief executive officer of Grameenphone, and Syed Mahbubur Rahman, managing director and CEO of Mutual Trust Bank, pose for photographs after signing an agreement at GP House in Dhaka recently. PHOTO: MUTUAL TRUST BANK

STAR BUSINESS DESK

Mutual Trust Bank signed an agreement with Grameenphone, the leading mobile telecom operator in Bangladesh, to launch credit card lead generation application services through the MyGP app.

Through this agreement, the bank aims to empower customers with unprecedented convenience and accessibility.

Syed Mahbubur Rahman, managing director and CEO of the bank, and Yasir Azman, chief executive officer of the mobile telecom operator, penned the deal at GP House in Dhaka, the bank said in a press release.

This partnership heralds the dawn of Banking as a Service (BaaS) in Bangladesh, with the launch of credit card lead generation application services through the MyGP app.

The bank's strategic alliance with the mobile telecom operator will exemplify its commitment to pioneering new frontiers in banking, leveraging Grameenphone's robust Platform as a service (PaaS) to seamlessly integrate banking functionalities within the MyGP app.

This strategic collaboration underscores the bank's relentless pursuit of digital innovation and its unwavering commitment to delivering unparalleled value to customers.

By embracing an open banking philosophy, MTB not only enhances customer experiences but also unlocks a wealth of opportunities that will drive financial inclusion and economic growth across Bangladesh towards the government's vision for a Smart Bangladesh by 2041.

Malaysia cuts diesel subsidies to curb spending

AFP, *Kuala Lumpur*

Malaysia will end blanket subsidies for diesel starting Monday to cut government spending and curb fuel smuggling into neighbouring countries, a government official said.

Diesel prices in Malaysia are among the lowest in Southeast Asia, and smugglers frequently buy the subsidised fuel to resell at higher prices in neighbouring countries such as Thailand.

But from Monday, "diesel prices at all petrol stations in (Malaysia) will be set at 3.35 ringgit ($0.71) per litre, which is the market price without subsidy," second finance minister Amir Hamzah Azizan told reporters Sunday.

"We are doing this because the leakages (of subsidised diesel) across our borders is huge," he said.

The new price will be 55.8 percent higher than the subsidised cost and is expected to save the government 4 billion ringgit ($852.8 million) annually, according to the finance ministry's body.

Diesel for low-income groups, including fishermen and farmers, as well as for the use of school buses and ambulances, will continue to be subsidised, Amir Hamzah said, adding that the new plan would not lead to an "escalation of prices".

Analyst Oh Ei Sun from the Pacific Research Center of Malaysia told AFP that the "financial situation must be quite urgent for this government to adopt such an unpopular measure".

Malaysia also subsidises other commodities including cooking oil and rice, but rising prices have pushed up expenses and hurt the government's budget.

Gold steady after sharp sell-off

REUTERS

Gold prices steadied on Monday, after dropping the most in three-and-a-half years in the previous session, as data out of China and the US disappointed speculators betting on Chinese demand and an interest rate cut by the Federal Reserve.

Spot gold was up 0.1 percent at $2,296.76 per ounce, as of 0933 GMT. Meanwhile, US gold futures fell 0.5 percent to $2,313.80.

Bullion lost about $83 on Friday, declining 3.5 percent in its biggest one-day drop since November 2020 after a stronger-than-expected US jobs report dented hopes for a September rate cut and news on China's central bank holding off gold purchases put off investors betting on Chinese demand.

"People's Bank of China (PBOC) has never been a constant buyer. There have been distinct phases of buying followed by multi-month breaks. But, as long as the PBOC doesn't resume buying, gold prices could trade sideways because the China buying topic is a key market focus," Julius Baer analyst Carsten Menke said.

"Given that we had this decisive sentimental move on Friday, I'd be very surprised if we get a similar-sized volatility outbreak this week again unless there's a major surprise on the CPI side or the Fed side, but that seems quite unlikely."

Market focus has shifted to the US consumer inflation report, due on Wednesday, the same day as the Fed's policy decision.

The US central bank is not expected to make any change this week, and focus will be on comments from Fed Chair Jerome Powell and changes to economic projections from policymakers.

Bets of the Fed cutting rates in September fell to 49 percent from around 70 percent before the jobs data.

"We expect a lift in the Federal Reserve's median "dots plots" to two cuts in 2024 (from three); but inflation should still moderate, and a September cut is our base case," UBS said in a note.

Wall Street's main indexes ended slightly lower on Friday after stronger-than-expected jobs data pointed to a robust economy but prompted worries the Federal Reserve could wait longer to cut interest rates.

Eastern Bank launches co-branded credit cards for BKMEA

STAR BUSINESS DESK

Eastern Bank recently launched co-brand credit cards for members and staff of the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA).

The EBL BKMEA co-branded credit cards are available in two variants -- Visa Platinum and Visa Signature.

Mohammad Hatem, executive president of the BKMEA, and Ali Reza Iftekhar, managing director of the bank, attended the launch of the cards at the bank's head office in the capital's Gulshan, according to a press release.

"With these cards, we aim to ensure an excellent banking experience, offering exclusive services and benefits tailored to the needs of the BKMEA members and staff," Iftekhar said.

The cards offer unique benefits, including complimentary access to the EBL Skylounge at the Hazrat Shahjalal International Airport in Dhaka and the Shah Amanat International Airport in Chattogram, zero issuance fees, and a Priority Pass card at zero issuance fee, which offers access to over 1,100 international airport lounges across 120 countries.

Additionally, two free supplementary cards can be availed against the primary credit card. Cardholders can also enjoy discounts at hundreds of lifestyles, shopping, and dining merchants at home and abroad.

Fazlee Shamim Ehsan, vice-president of BKMEA, Ahmed Shaheen, additional managing director of the bank, and Tasnim Hussain, head of cards, were also present.

Ali Reza Iftekhar, managing director of Eastern Bank, and Mohammad Hatem, executive president of the Bangladesh Knitwear Manufacturers and Exporters Association, attend the launch of the co-branded credit cards at the bank's head office in the capital's Gulshan recently. PHOTO: EASTERN BANK

	PRICE (JUNE 10, 2024)	% CHANGES FROM A MONTH AGO	% CHANGE FROM A YEAR AGO
PRICES OF KEY ESSENTIALS IN DHAKA CITY			
Fine rice (kg)	Tk 60-Tk 78	-1.43 ↓	2.22 ↑
Coarse rice (kg)	Tk 50-Tk 54	0	6.12 ↑
Loose flour (kg)	Tk 40-Tk 45	6.25 ↑	-20.56 ↓
Lentil (kg)	Tk 105-Tk 110	0	13.16 ↑
Soybean (litre)	Tk 145-Tk 152	-1.00 ↓	-17.50 ↓
Potato (kg)	Tk 55-Tk 60	9.52 ↑	51.32 ↑
Onion (kg)	Tk 85-Tk 90	21.43 ↑	52.17 ↑
Egg (4 pcs)	Tk 50-Tk 52	15.22 ↑	15.22 ↑

SOURCE: TCB

Shams Abdullah Muhaimin, deputy managing director of Prime Bank, and Salim Khan Surattee, assistant vice-president of Mana Bay, pose for photographs after signing an agreement at the bank's corporate office in the capital's Gulshan recently. PHOTO: PRIME BANK

Prime Bank, Mana Bay strike deal on service benefits

STAR BUSINESS DESK

Prime Bank recently signed a partnership agreement with Mana Bay, a water park located at Gazaria in Munshiganj.

Shams Abdullah Muhaimin, deputy managing director of the bank, and Salim Khan Surattee, assistant vice-president of the water park, penned the deal at the bank's corporate office in the capital's Gulshan, according to a press release.

Under this partnership, Mana Bay will provide the bank's cardholders to buy three entry tickets and get one free.

Joarder Tanvir Faisal, head of cards and ADC business department of the bank, Arifa Afroz, senior manager of marketing of the water park, and other officials from both organisations were also present.

Govt plans to increase

FROM PAGE B1

Hence, the government is implementing various reforms to increase revenue from tax and non-tax sources in the coming years.

In the last five years, revenue from tax was around 86.8 percent while NTR was 13.2 percent.

And even though NTR grew by an average of 11.9 percent from FY19 to FY23, the report highlighted this growth as volatile.

NTR recorded growth of 69.5 percent in FY20 followed by 34.7 percent in FY21 thanks to idle funds from some state enterprises being transferred to the Treasury Single Account.

NTR declined by 38.9 percent in FY22 before rebounding to 7.62 percent the next year.

The report outlined the government's wish to explore the hidden potential of NTR, with digitalisation being one of the steps to increase it.

"The government is not only focusing on enhanced revenue mobilisation from NTR by raising fees or charges, but also putting its best effort to ensure efficient and satisfactory service delivery."

The finance ministry report also said the government has taken numerous steps to make service delivery systems paperless and minimise human deployment as these are key features for building a Smart Bangladesh by 2041.

BRAC Bank, Berger Paints sign deal to collect share subscription money of rights offering

STAR BUSINESS DESK

BRAC Bank recently signed an agreement to collect share subscription money of Berger Paints Bangladesh's rights offering.

Tareq Refat Ullah Khan, deputy managing director and head of corporate banking of the bank, and Rupali Chowdhury, managing director of the paints and coatings manufacturer, penned the deal at the latter's office in Dhaka, according to a press release.

Under this agreement, the bank will collect share subscription money against the upcoming rights offering of Berger Paints.

Sazzad Rahim Chowdhury, group chief financial officer and director of the paints and coatings manufacturer, Mohammad Golam Mostofa, chief finance controller, Asif Mahmud Taiseer, head of treasury management, and AKM Faisal Halim, head of transaction banking of the bank, along with other senior officials from both organisations were also present.

Rupali Chowdhury, managing director of Berger Paints Bangladesh, and Tareq Refat Ullah Khan, deputy managing director and head of corporate banking of BRAC Bank, exchange signed documents of an agreement at the former's office in Dhaka recently. PHOTO: BRAC BANK

European nations compete

FROM PAGE B4

Chery is expected to benefit from Spain's 3.7 billion-euro programme launched in 2020 to attract electric-vehicle and battery plants.

China's Envision Group has already received 300 million euros in incentives under the scheme for a 2.5 billion battery plant creating 3,000 jobs. Spain might also host Stellantis' planned fourth gigafactory in Europe, with CATL.

Chery plans a second, larger facility in Europe, a source with knowledge of the company's plans told Reuters, and has held talks with governments including Rome, which is keen to attract a second automaker to rival Fiat-maker Stellantis.

Italy can tap its national automotive fund, worth 6 billion euros between 2025-2030, for incentives for both car buyers and manufacturers. China's Dongfeng is among several other automakers that have held investment discussions with Rome.

Italy's industry ministry declined to comment. Dongfeng and Chery did not respond to requests for comment.

SAIC, owner of the venerable MG brand, aims to build two Europe plants, two sources familiar with the matter told Reuters.

The first, based at an existing facility, could be announced as early as July and would employ a kit-assembly technique, targeting annual production of up to 50,000 vehicles, one of the sources said. SAIC's second European plant would be built from scratch and produce up to 200,000 vehicles annually, the source added.

Germany, Italy, Spain and Hungary were on SAIC's location shortlist, the source said. SAIC did not respond to a request for comment. In Europe, Chinese automakers face higher costs for everything from labour to energy to regulatory compliance.

But costs for exporting made-in-China cars can add up quickly and threaten already narrow margins.

Bain & Company's Di Loreto said a 15,000-euro car produced in China requires shipping and logistics costs of between 500 and 3,000 euros.

Chinese automakers may find labour costs in Northern Europe too high for competitive production, Di Loreto said, whereas further south, Italy or Spain offer a balance of lower labour costs and relatively high manufacturing standards - particularly important for premium vehicles.

ILLEGAL VoIP

BTRC seizes 17,354 SIMs

STAR BUSINESS REPORT

The telecom regulator seized over 17,354 SIMs in the capital's Nayapaltan and Khilgaon areas yesterday during drives against illegal Voice over Internet Protocol (VoIP) operators.

An inspection team of the Enforcement and Inspection Directorate of Bangladesh Telecommunication Regulatory Commission (BTRC) conducted the drives with the help of RAB members, according to a statement.

Apart from SIMs of various telecom operators, 56 illegal/unauthorised SIM boxes, 19 routers, 22 modems, 18 pen drives, 23 antennas, and various types of VoIP equipment were seized.

Two people involved in the VoIP business were arrested. Cases against the detainees are being filed under the provisions of the Bangladesh Telecommunication Regulation Act, 2001.

VoIP is a technology that allows users to make voice calls using a broadband internet connection instead of a regular or analog phone line.

Blacksmiths are busy hammering a hot piece of metal into a traditional meat cleaver, one of the largest kitchen knives with a broad blade meant for cutting animal carcasses into pieces. Sold by weight, such cutting tools can cost anywhere from Tk 500 to Tk 800 per kilogramme. The shop hopes to make sales of around Tk 30,000 to Tk 40,000 centring the sacrifice of cattle marking Eid-ul-Azha next week. The photo was taken from Khulna's Dumuria upazila recently.

PHOTO: HABIBUR RAHMAN

Measures for macroeconomic stability, investment insufficient

Experts say at AmCham's post-budget discussion

STAR BUSINESS REPORT

Although some steps taken were in the right direction, the measures proposed in the budget for the upcoming fiscal year centring macroeconomic stability, trade and investment are insufficient, experts and businesspeople opined in a discussion.

They made the remarks during a "Post-Budget Panel Discussion" organised by the American Chamber of Commerce in Bangladesh (AmCham) at the Sheraton Dhaka hotel in the capital yesterday.

Those present recommended placing more emphasis on combatting the foreign reserve crisis, finding alternatives to increase export revenue and adjusting the tax-free income limits as well as tax and VAT policy.

Mahbubul Alam, president of the Federation of Bangladesh Chambers of Commerce and Industries, attended the discussion as chief guest.

M Masrur Reaz, chairman of the Policy Exchange Bangladesh, moderated the discussion and also presented an overview of the proposed national budget for fiscal year 2024-25.

Reaz said the new budget faces three types of uncertainties: ensuring adequate revenue collection, managing the ballooning fiscal subsidy and managing the financing of the growing fiscal deficit.

In his presentation, Reaz said duties have been reduced on only a few essential items despite high inflation, with uncertain impacts on consumer prices.

He added that the domestic borrowing target of Tk 160,900 crore, or 64 percent of the total budget deficit, would exacerbate pressure on the taka and further affect dollar liquidity in the banking system.

Alam also urged the National Board of Revenue (NBR) to expand the tax net instead of putting more pressure on

those who are paying taxes.

He added that good governance was crucial in every sphere.

Muhammad Abdul Mazid, former chairman of the NBR, said that policy frameworks are needed to increase revenue.

He added that the NBR often makes policies, but those are not reflected in their operations in reality.

He also cautioned that the revenue earned in FY25 may not be good because the economic situation is not good enough, adding that banks are facing a liquidity crunch so businesspeople may not get adequate funding.

Nihad Kabir, former president of the Metropolitan Chamber of Commerce and Industry, recommended emphasising budget implementation.

Ashraf Ahmed, president of the Dhaka Chamber of Commerce and Industry, said the proposed budget was designed to contain high inflation. He hoped that the ongoing challenges, including the forex reserve crisis, would be resolved by this December.

Md Moinul Huq, AmCham executive committee member and country officer of Citibank NA Bangladesh, and Reaz Islam, chief executive officer of L-R Global Bangladesh Asset Management Company Limited, also took part as panellists.

Go for recycled garments to boost exports

Experts say at BUILD discussion

STAR BUSINESS REPORT

Bangladesh should soon go for producing recycled garment products that meet global environmental safety standards to increase its exports to the European Union (EU), according to speakers at an event.

Changes in trade patterns often bring major shifts to a country's economic structure, technological advancement, government policies and emerging trade theories or agreements, they said.

However, Bangladesh needs to take adequate preparation to this end, they added.

These comments came at a discussion on the impact of EU circular textiles policies on its trading partners, organised by the Business Initiative Leading Development (BUILD) at its office in Dhaka.

The recently introduced EU Strategy for Sustainable and Circular Textiles emphasises transparency, sustainability and circularity across the textile value chain, impacting both the EU and non-EU consumers and companies.

The EU is an important destination for garment and textile exports from Bangladesh.

In fiscal 2022-23, apparel exports from Bangladesh to the EU amounted to $28.6 billion. In fiscal 2023-24, the amount was $25.44 billion, indicating a year-on-year decline of about 6.07 percent.

The EU and UK account for more than 60 percent of Bangladesh's garment exports while apparel products constitute more than 93 percent of the total shipments.

Ferdaus Ara Begum, chief executive officer of BUILD, said Bangladesh needs to devise new strategies and projections for textile exports to the EU. This includes identifying potential growth areas as well as challenges for market entry.

She said Bangladesh also needs to analyse the policy shifts and chart out a detailed scenario to support its textile and garment industries to adapt to the EU's sustainable and circular strategy.

"We need to assess the landscape of the sector before we provide feedback on potential impacts and necessary adaptations," said Patrick Schroeder, senior research fellow of the environment and society programme at The Royal Institute of International Affairs, a British think-tank.

"And we need to figure out strategies for enhancing collaboration between EU and Bangladesh stakeholders to promote a sustainable and circular global textiles sector," he added.

Producer countries like Bangladesh have existing circular practices and entrepreneurship, often in the informal sector having market structures, micro enterprises and trade for pre-consumer textiles (garment waste or Jhut).

"So, the EU should take a proactive, supportive, and collaborative approach with stakeholders to formalise the Jhut sector while preserving livelihoods," he said.

The garments sector in Bangladesh is already facing a crisis given the tight margins and slowdown in global demand. However, local entrepreneurs in the sector would finance the required investment for developing a circular economy, said Asif Ibrahim, chairman of Chittagong Stock Exchange.

Blow to private economic zones

FROM PAGE B1

"This type of policy change will not be effective in attracting FDI," said Rupali Chowdhury, managing director of Berger Paints Bangladesh Ltd.

This will discourage the investors who have already set up factories in the EZs or are planning to establish units, she said.

She alleged that the investors who had secured land in the EZs were given a bad signal since they would not reap the benefits as promised by the Beza.

Chowdhury said Bangladesh is not the only destination for investments in the world. Therefore, investors will go to the countries where they will receive more facilities.

Central bank data showed Bangladesh received $3.004 billion in FDI last year, a fall of 14 percent from $3.5 billion in 2022.

Mohammad Zaved Akhtar, president of the Foreign Investors' Chamber of Commerce and Industry, said the new provision will send a wrong signal to international investors.

"It will reduce our competitiveness in attracting investments."

Bangladesh can attract $2 billion to $3 billion in FDI every year while Vietnam pulls $15 billion, according to him.

Speaking to The Daily Star, an official of the Bangladesh Hi-Tech Park Authority said it would write to the NBR, requesting it to continue the benefits because the purpose of setting up hi-tech parks hasn't fulfilled yet.

"It will hinder the growth of these companies."

Paban Chowdhury, chief adviser of City Group, said private economic zones and hi-tech parks have been established on the back of the benefits.

"The discontinuation will severely affect this progress and will have a serious implication for the country's economic growth and technological advancement."

The conglomerate has an economic zone as well as a hi-tech park.

"Hi-tech parks are already struggling in terms of investments," said Russell T Ahmed, president of the Bangladesh Association of Software and Information Services.

"Such a move also contradicts the government vision," he said, urging the government to retain the benefits.

Shaikh Yusuf Harun, executive chairman of the Beza, said it has already requested the Prime Minister's Office and the NBR to keep the existing benefits on income tax, customs and value-added tax.

"The government will make necessary decisions in this regard considering the planned industrialisation and to accelerate the flow of investments."

ADB gives $250m

FROM PAGE B1

Phase II of the National Social Security Strategy, 2021-2026, to strengthen protective and preventive capacity of the social protection system in Bangladesh, the Manila-based global donor said in a statement.

The programme will help improve efficiency in the social protection programme management, enhance protection for the most vulnerable and improve the social protection scope by introducing contributory protection schemes, it said.

This will help reduce vulnerability, exclusion, and the risk of people falling into further poverty, according to the statement. The programme introduces a verification scheme of beneficiary's survival for cash-based social protection programmes to reduce leakages.

It also consolidates two cash-based protection programmes for people with disabilities to improve efficiency and effectiveness.

Moreover, the programme will integrate climate adaptive measures into social protection to strengthen resilience against climate vulnerability, including identification of people who are most at risk to climate change-induced disasters to help determine the appropriate assistance.

Md Shahriar Kader Siddiky, secretary of the Economic Relations Division (ERD), and the ADB country director signed the loan agreement at a ceremony at the ERD in Dhaka yesterday.

ADB's support strengthens the protection for vulnerable women and transgender people by increasing the number of beneficiaries under the widow allowance programme and expanding the coverage of the livelihood support programme for transgender people.

In addition, Bangladesh Bank is doubling its funding for the Small Enterprise Refinancing Scheme for Women Entrepreneurs to expand the access of women small business operators to financial services.

Another aim of the programme is to strengthen the governance mechanism of the employment injury scheme pilot, focusing on the ready-made garments sector.

It also supports establishing a tripartite committee – comprising workers' association, employers' association and the government – on social protection for workers under the labour ministry as a key institutional arrangement in further developing the country's social insurance schemes.

ADB will provide a $1 million grant from its Technical Assistance Special Fund.

Another $1 million grant will be extended from the ADB-administered Community Resilience Partnership Program Trust Fund under the Community Resilience Financing Partnership Facility to support programme implementation, technical and policy analyses, and capacity building of relevant government agencies.

Patenga Container Terminal

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under a customs risk management system until scanners are installed.

A brief inauguration ceremony was held at the PCT in the afternoon, when Rear Admiral Mohammad Sohail, chairman of the CPA, and Erwin Haaze, chief executive officer of RSGT Bangladesh, were present.

"This marks a significant day for the Chattogram port as a well-known foreign terminal operator has entered the country for the first time," said Sohail.

"We look forward to collaborating with our international partner, which will greatly boost the country's economic growth," he said.

"The initiative will also create more employment while modern equipment has been brought and more are in the pipeline for the terminal," he added.

"Our current position is advantageous for all parties involved. Revenue generation has commenced as of today (Monday) and we anticipate substantial earnings through profit-sharing as per the agreement," said Sohail.

Renowned companies of this sector will arrive in the coming days seeking to run other terminals and competition among the operators will increase revenue, said the CPA chairman.

"PCT stands as a symbol of collective vision to progress and prosperity. It is a gateway to open a new avenue for trade," said Haaze.

"With the state-of-the-art facility and extended capacity, the terminal will significantly improve vessels' turnaround time, enhance handling capacity and optimise the logistic chain," he said.

"As we embark on the new chapter in maritime history, this is just a beginning. We will navigate together toward a brighter and prosperous tomorrow for all," he added.

Budget missing guidance

FROM PAGE B1

Additionally, the budget proposed the whitening of black money by paying only a 15 percent tax while taxing 30 percent on fair income, which is unprecedented.

It also failed to prove the political trustworthiness and neglected to mention the goals of the 8th Five Year Plan, Debapriya added.

Besides, the usual contradiction in allocation and implementation remains a worry.

"What is the strategy and what are the approaches for policy options in the implementation of the budget?" he asked.

Iftekharuzzaman, executive director of Transparency International Bangladesh (TIB), termed the proposed budget 'ambitious' and said it would assist corruption, which stands in contrast with the country's constitution.

The budget will increase discrimination as issues related to marginalised people have not been addressed.

It is a hostile budget for small businesses and is contradictory to the government's political commitments, the TIB chief also said.

While presenting his keynote paper, Towfiqul Islam Khan, senior research fellow at the Centre for Policy Dialogue, said the proposed budget failed to acknowledge the growing foreign debt pressure.

He also highlighted a lack of clarity, saying that while the projection for the principal repayment of foreign debt for FY25 is estimated to be $2.6 billion, the proposed budget allocation is much higher at $3.2 billion.

In FY20, the figure was just $1.3 billion, he added. In FY23, the government had to borrow Tk 25,584 crore to make principal payments for foreign loans, according to the keynote paper.

M Masrur Reaz, chairman of Policy Exchange Bangladesh, said issues like export competitiveness, such as spending to improve compliance and thereby exports to major destinations in the European Union, and renewable energy have also gone unaddressed.

Stocks drop

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Manufacturing, FAS Finance & Investment and Mercantile Bank also made gains.

Continental Insurance and Al-Arafah Islami Bank shed the most, equally losing over seven percent.

There was no price limit on the trading of shares of both companies, as their trading had resumed yesterday on remaining suspended on the preceding day for it being record date.

Record date refers to the day until which a shareholder must hold onto a stock to be eligible for that company's dividends.

The two were followed by Kay & Que (Bangladesh), Sonali Paper & Board Mills, JMI Syringes & Medical Devices, Orion Infusion and Usmania Glass Sheet Factory, all of which suffered losses of over two percent each.

Anwar Galvanizing, Alif Industries, Monno Ceramic Industries and ACME Pesticides were also in this list.

Among the market stalwarts, Square Pharmaceuticals, Renata, British American Tobacco Bangladesh, Beacon Pharmaceuticals, Grameenphone, BRAC Bank, Beximco Pharmaceuticals and Olympic Industries witnessed declines in their shares.

Chittagong Stock Exchange saw a similar trend with its all-share price index (CASPI) losing 1.09 percent to settle at 14,678.12 points and the Selective Categories Index (CSCX) losing 1.08 percent to reach 8,827.90 points.

Over 3 lakh people register for Universal Pension Scheme

STAR BUSINESS REPORT

The number of people registering for the government's universal pension scheme has crossed 3 lakh around 10 months past its launch, said National Pension Authority (NPA) yesterday.

To be exact, 3,03,176 people registered as of yesterday, according to a press release of the NPA.

Total deposits in the scheme now stand at Tk 86.68 crore and of it, Tk 62 crore has been invested in treasury bonds.

Prime Minister Sheikh Hasina inaugurated the universal pension scheme on August 17 last year to bring the growing elderly population under a well-organised social safety net and facilitate a monthly stipend to support their daily expenses.

Initially, the universal pension scheme offered four schemes: Probash, Progoti, Surakkha and Samata.

Later, a new Pratyay scheme was introduced for officers and employees of all self-governed, autonomous, and state-owned organisations, which will come into effect from July 1 this year.

Total deposits in the scheme now stand at Tk 86.68 crore and of it, Tk 62 crore has been invested in treasury bonds

Until yesterday, 799 people had registered for the Probash scheme while 21,294 for Progoti, 56,919 for Surakkha and 2,24,164 for Samata.

The pension scheme authority said government officials at the field level were going door to door informing people of the benefits of the scheme.

Besides, universal pension operations implementation and coordination committees have been formed, led by the principal secretary to the prime minister at the Prime Minister's Office (PMO), at national, divisional, district and upazila levels.

The NPA said currently two public banks, two private banks and one mobile financial service provider are involved in collecting the monthly instalments of the pension scheme.

The authorities are also taking steps to get four more public banks, four private banks and one mobile financial service provider involved in the monthly instalment collection process.

According to the NPA, beneficiaries aged between 18 and 50 years can pay instalments until turning 60 while beneficiaries aged above 50 years for 10 years to receive a monthly pension until their death.

Any Bangladeshi citizen working or staying abroad can also participate in this scheme.

In case of the death of any beneficiary, the respective nominee will receive the pension for the remaining years until the original beneficiary's age hits 75.

If a beneficiary dies before paying instalments for at least 10 years, the deposit will be returned to the respective nominee along with the profit.

Beneficiaries can withdraw a maximum 50 percent of their respective deposit as loan.

Leaders of the Foreign Investors' Chamber of Commerce and Industry attend a post-budget media briefing at the Pan Pacific Sonargaon hotel in Dhaka yesterday.

PHOTO: PRABIR DAS

Sudden changes in tax structures send wrong signals to investors

Say leaders of Foreign Investors' Chamber of Commerce and Industry

STAR BUSINESS REPORT

Any sudden changes to tax structures give wrong signals to investors and hamper the country's efforts to attract higher investments from abroad, said the Foreign Investors' Chamber of Commerce and Industry (FICCI) yesterday.

It cited several examples that were proposed in the budget for the fiscal year of 2024-25.

The supplementary duty (SD) on mobile top-ups, alongside VAT on SIM cards, has been raised to 20 percent from 15 percent, while the finance minister has proposed increasing the SD to 30 percent for carbonated beverages from 25 percent.

The extra duty and tax imposed on telecom, carbonated beverages and water purifiers pose a crucial challenge to the profitability and viability of these businesses, said Mohammad Zaved Akhtar, president of the FICCI, which represents foreign investors from 35 countries in Bangladesh.

"It will hamper the process of attracting potential FDI."

He spoke while addressing a post-budget media briefing at the Pan Pacific Sonargaon hotel.

Bangladesh received $3 billion in FDI last year, a decrease of 14 percent from $3.5 billion in 2022, central bank data showed.

According to the FICCI chief, the FDI inflow to Bangladesh is nominal compared to requirement.

He said the SD on mobile top-ups would push up the costs that will be incurred by internet users. "This will inevitably put a strain on the access to essential services."

The price of data is already higher in Bangladesh than in India and other countries. "The growth of small and medium enterprises will face obstacles due to the cost increase of internet."

Akhter said the NBR's proposal to raise the personal income tax rates may be viewed as unfair by regular taxpayers and it could inadvertently encourage tax evasion.

"Such changes in tax slab will discourage compliant taxpayers as they are being penalised for their hard-earned money."

The FICCI praised the proposal aimed at supporting the economy amidst persisting challenges.

With a budget size of Tk 7,97,000 crore, constituting 14.2 percent of GDP, the government targets 6.75 percent GDP growth and 6.5 percent inflation for FY25.

Akhtar described the targets as ambitious but achievable with an effective execution plan. "The proposed reforms, especially in income tax and customs, aim to enhance revenue, reduce deficits, and enhance investor confidence."

He suggested innovative approaches such as sector-wise revenue analysis and widening the taxpayer base.

The chamber thanked the finance minister for taking into account their proposals, particularly the prospective tax rate, fulfilling a long-standing demand from the business community.

"Maintaining these rates will enable businesses to plan and invest effectively."

The apex chamber of multinational companies in Bangladesh lauded the tax reforms proposed to simplify the tax system. However, the high effective tax rate remains a key concern for the industry, said Akhtar.

He appreciated the continuation of the 15 percent income tax rate for private funds, but expressed concerns about exempting public funds from taxation since it would create disparities between government and private sector employees.

The chamber said the proposed budget lacks allocation or guidance for automating tax, VAT, and customs administration. Without these reforms, VAT credit complexities and financial strain on businesses may persist.

He said initiatives for digital tax integration aim to simplify and increase transparency in the tax process.

Rupali Chowdhury, managing director of Berger Paints Bangladesh, Shehzad Munim, managing director of British American Tobacco Bangladesh, Snehasish Barua, managing director of SMAC Advisory Services, Mohammad Iqbal Chowdhury, chief executive officer of LafargeHolcim Bangladesh, also spoke at the programme.

Will budget for FY25 stabilise forex market?

MD DEEN ISLAM

One of the critical macroeconomic challenges Bangladesh is currently facing is the depletion of foreign exchange reserves and increasing depreciation pressure on the exchange rate. To address this, the Bangladesh Bank has adopted a more market-based approach to exchange rate determination, known as a crawling peg system.

The question is whether the proposed budget for the fiscal year 2024-25 will help stabilise the foreign exchange market or hinder Bangladesh Bank's efforts to manage the foreign exchange crisis.

To answer this, an investigation is needed into how various policies in the proposed budget will affect key components of the external sector, such as exports, imports, remittances, foreign direct investments, and interest payments on overseas loans. These components determine the demand and supply of foreign currencies and influence exchange rates.

The budget for 2024-25 proposes the withdrawal of supplementary duties on 19 products and the reduction of supplementary duties on 172 products. Additionally, duties will be withdrawn from 91 products, and duties on 10 products will be adjusted to the bound rate. However, exports from Bangladesh, especially major export items, are likely to face tougher competition in the global market due to reduced export incentives and the erosion of trade preferences in major destinations.

While these withdrawals and reductions in regulatory and supplementary duties are part of tariff rationalisation and necessary to comply with World Trade Organisation (WTO) regulations, they will likely increase the trade deficit. This could create a larger net demand for foreign currencies and put depreciation pressure on the exchange rates unless the government continues to tightly control imports in the next fiscal year.

FDI in Bangladesh has been declining for several years, and the proposed budget aims to attract only $1 billion over the next five years, which is meagre compared to the overall size of the economy. The budget lacks specific policies and initiatives to attract more foreign investment in the future.

Furthermore, there are no additional incentives in the proposed budget to boost remittance inflows. Additionally, a significant amount of foreign exchange is needed for interest payments on overseas loans. With the current level of remittance inflows, an insignificant amount of foreign investment, and increasing interest payments, it will become increasingly difficult to cover the widening trade deficit.

The government's only option to bridge this gap is to continue restricting imports, which could harm industrialisation and export capacity, as most industries in Bangladesh depend on imported raw materials and machinery. This could make the foreign exchange market more unstable, especially in the long run.

The outlook for the foreign exchange market in the next fiscal year remains bleak. The situation could deteriorate further if the government fails to take strong action against corruption. One of the main reasons for not receiving all remittances through formal channels and for invoicing malpractices is the demand for foreign currencies to launder corrupt money in foreign countries.

The proposed budget mentions the adoption of a zero-tolerance policy against corruption, including measures such as digitalising the Anti-Corruption Commission, forming anti-corruption committees in towns, districts, and upazilas with local community members, and holding public hearings. While these measures sound promising, they are unlikely to have a significant impact on curbing rampant corruption.

Public officials hold immense power, and there are no examples of any accused corrupt government officials facing real consequences. If this continues, any attempt to stabilise the foreign exchange market will be futile, whether through monetary policy or fiscal policy. The proposed budget is not very encouraging in this regard.

The author is an associate professor of economics at the University of Dhaka.

UK job market on its way back after downturn

REUTERS, *London*

A fall in permanent hiring by employers in Britain was its least severe in more than a year in May and the recruitment market appears to be poised for a recovery, an industry survey showed on Monday.

In a report that will be studied by the Bank of England as it weighs up when to start cutting interest rates, the Recruitment and Employment Confederation said permanent hiring fell by the smallest amount in 14 months.

Billings for temporary staff dropped by the least since January.

"The jobs market looks like it's on its way back, with clear improvements over last month on most key measures," REC Chief Executive Neil Carberry said.

The REC survey has generally painted a weaker picture of the labour market than broader official data, which showed annual wage growth of 6 percent in the first quarter of 2024. Britain's July 4 national election and the likelihood of interest rate cuts by the BoE later this year were likely to remove the hesitancy of employers about hiring, Carberry said.

"These numbers suggest that caution may be starting to abate," he said.

REC said pay rates for permanent staff rose at a pace that was only slightly slower than April's four-month high. Vacancies fell at the slowest pace in a seven-month downturn. In a possible relief for the BoE, the availability of staff grew by the most since December 2020, boosted by a mix of redundancies, higher unemployment and the reduction in demand for staff.

European nations compete for Chinese EV factories, jobs

REUTERS

European governments may be wary of budget Chinese electric vehicles flooding their markets but they're also fiercely competing for a share of the manufacturing investment and jobs the new competitors bring.

While the European Union investigates China's auto subsidies and considers tariffs on imports, national governments across the bloc are dangling their own incentives to attract Chinese automakers looking to build European factories.

Manufacturing costs for Chinese EV makers including BYD, Chery Automobile and state-owned SAIC Motor are much lower at home but they are nonetheless keen to set up in Europe to build their brands and save on shipping and potential tariffs, said Gianluca Di Loreto, a partner at consultancy firm Bain & Company.

"Chinese automakers know their cars must be perceived as European if they want to bear interest among European customers," he said. "This means producing in Europe."

The EU tariff decision is expected this week. On one hand, import taxes could help European automakers better compete with their Chinese counterparts, but they may also spur on Chinese

An electric vehicle of Chinese manufacturer BYD leaves the car carrier ship BYD Explorer, which is moored at the automotive terminal of operator BLG at the port of Bremerhaven, Germany.

PHOTO: AFP/FILE

automakers which are already investing heavily, and for the long-term, in Europe.

Sales of Chinese-brand cars comprised 4 percent of the European market last year and are forecast to hit 7 percent by 2028, according to consulting firm AlixPartners.

Hungary, which produced around 500,000 vehicles in 2023, secured the first European-factory investment by a Chinese automaker, announced last year by EV giant BYD which is also considering a second European plant in 2025.

Budapest is also negotiating with Great Wall Motor for its first European plant, local media have reported, with the country offering cash for jobs creation, tax breaks and relaxed regulation in targeted zones to attract foreign investment.

Hungary has spent more than $1 billion in recent years to support new battery plants of South Korean groups SK On and Samsung SDI and Chinese battery giant CATL's planned factory.

Representatives of BYD, Great Wall and Hungary did not respond to requests for comment. China's Leapmotor will use existing capacity of Franco-Italian partner Stellantis, with Reuters reporting the pair have chosen the Tychy plant in Poland as a manufacturing base.

Poland has a number of programmes currently supporting more than $10 billion of investments, the country's development and technology ministry told Reuters, including one favouring the transition to a net-zero economy and another offering corporate income tax relief, of as much as 50 percent in high-unemployment regions.

Spain, Europe's second largest car-making country after Germany, has secured investment from Chery, which will start production in the fourth quarter at a former Nissan facility in Barcelona with a local partner.

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