UK consumer sentiment sinks on fiscal worries

REUTERS, *London*

British consumers have grown more gloomy over the past month following the new Labour government's removal of a welfare benefit for pensioners and warning of tax rises at next month's budget, a new survey from a trade body showed on Thursday.

The British Retail Consortium said households' assessment of the general economic situation over the next three months sank to -21 in September from -8 in August.

This reading - which represents the difference between the percentage of respondents with positive and negative views - is the lowest since the survey's initial reading of -23 in March.

"Negative publicity surrounding the state of the UK's finances appears to have damaged confidence in the economic outlook, particularly among older generations," BRC Chief Executive Helen Dickinson said.

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September is the first time that the BRC has published the results of its survey, which was based on a sample of 2,000 adults conducted by market research company Opinium between Sept. 10 and Sept. 13.

The results chime with those last week from the much longer-running GfK consumer survey, which fell to a six-month low this month due partly to concerns about the upcoming budget.

Prime Minister Keir Starmer and finance minister Rachel Reeves were elected in July, vowing to rebuild the economy after inheriting what they said were the worst economic circumstances since World War Two.

Reeves has said she will remove an annual 200-pound ($265) fuel subsidy from 10 million pensioners and warned taxes were likely to rise by more than she had said was planning to before Labour's July election victory.

PHOTO: STAR/FILE

Automobile dealers have seen their sales decline almost 70 percent since July as political turmoil and economic concerns weigh on consumers' minds. High interest rates on auto loans and a lack of law and order are other reasons for the drastic fall in sales.

Automobile sales drop amid economic downturn, political jitters

JAGARAN CHAKMA

Automobile sales have dropped substantially since July this year amidst the economic downturn and political turmoil, denting any hopes of recovering from last year's slump, according to market insiders.

Although credible data is hard to come by, vehicle dealers estimate that monthly sales have fallen by at least 70 percent.

In other words, around 400 to 450 vehicles were sold per month since July compared to 1,700 to 1,800 in the first six months of the year.

One way of verifying sales is through the number of vehicles registered with the Bangladesh Road Transport Authority (BRTA).

Around 1,747 automobiles were registered on an average per month in the January-June period this year. However, data for the subsequent months is yet to be made available.

In 2023, 8,549 were registered in total. The number stood at 23,651 in 2022.

Needless to say, these figures exclude a small fraction of people who delay registering new vehicles.

Although normalcy has been returning since the interim government came to office following the ouster of the Awami League government on August 5, potential buyers may prefer waiting it out a bit longer, according to the vehicle dealers.

"We did not imagine that this type of dull market could suddenly come about," said Shafiqul Islam, head of operations at HNS Automobiles.

"We expected sales to grow this year, but the sudden political change has reversed the calculations of the market," he said.

Besides, the Japanese yen has grown stronger against the US greenback, increasing duties and turning vehicles costlier. Prices have increased by Tk 1 lakh to Tk 1.5 lakh in the last two months, Islam added.

High interest on auto loans is also discouraging purchases while dealers are refraining from releasing imported vehicles from the Chattogram port due to a capital shortage, he said.

Bank loans are also big burdens for vehicle dealers, he said.

Monthly sales have declined by around 70 percent since July due to the political changeover and people's apprehensions about the economy, said Habib Ullah Dawn, president of the Bangladesh Reconditioned Vehicles Importers and Dealers Association (BARVIDA).

Nowadays, people are mostly purchasing sedans such as Toyota Axios and Corollas. The sales of SUVs have been very slow, Dawn said.

Potential customers are taking time to observe the situation before deciding to make a purchase, he said.

Besides, law and order are yet to be fully restored, he said, adding: "If there is a big improvement in the situation, the market will change within the next three months."

According to Dawn, the situation is improving, which is good news for the car market.

He also pointed out that dealers were facing challenges in paying staff salaries and showroom rent due to the drop in revenue.

"We suffered a lot during the Covid-19 pandemic but recovered rapidly, so we are optimistic of recovering from these ongoing difficulties," he said.

Arif Khan Bipu, managing director of Motors Bay, an importer and retailer of reconditioned Japanese cars, said importers and retailers with large-scale operations had suffered a larger drop in sales compared to smaller ones.

According to him, sales of the big retailers declined by 70 percent since July whereas it was around 40 percent for small retailers like him.

He said the overall market situation was not favourable for the purchase of passenger vehicles by middle-income people due to the ongoing transitional period for politics and economic turmoil due to high inflation and high auto loan interest rates.

IMF mission inquires about slow growth of revenue receipts

STAR BUSINESS REPORT

The fact-finding mission from the International Monetary Fund (IMF) inquired about the slow growth of direct tax collection under the National Board of Revenue (NBR).

A four-member delegation from the Washington-based lender, led by Mission Chief Chris Papageorgiou, raised the issue during their scheduled closed-doors meeting with NBR officials at the tax authority's headquarters in Agargaon.

"The delegation asked why we failed to meet the IMF's revenue collection target in the previous fiscal year and what measures to increase revenue collection have been taken for FY25 and FY26," a top NBR official who attended the meeting said on condition of anonymity.

"It's a form of taking accountability," he told The Daily Star yesterday.

"We explained our real situation to them and said what we have done in recent times, including measures to increase tax return submissions."

The IMF mission also underscored the need to increase the tax-GDP ratio, which is one of the lowest in the world, by a minimum of 0.5 percent in each of the coming years, the official said.

The IMF mission arrived in Dhaka on Monday as part of a weeklong visit to assess Bangladesh's potential financial needs after the country sought an additional $3 billion loan.

The multilateral lender emphasised revenue mobilisation, especially as Bangladesh witnessed an 11 percent drop in revenue collection in the first two months of this fiscal year.

The tax authority logged Tk 42,106 crore in revenue in the July-August period, which is Tk 15,000 crore short of the revenue collection target for the period.

The target for the entirety of FY25 has been set at Tk 480,000 crore.

The NBR official further said that the mission had enquired about the tax expenditures and various reform measures, including automation of the taxation system and processes.

"We have been asked to reduce tax exemptions in a rational way," the official added.

The IMF team also agreed to extend their assistance for automation.

On a positive note, the team expressed satisfaction over the state of indirect taxation.

Md Bodruzzaman Munshi, second secretary of VAT Act and Rule at the NBR, said: "The fact-finding mission was pleased with the value-added tax collection.

"Last fiscal year, we crossed the IMF's VAT collection target, gathering over Tk 150,700 crore."

He added that the delegation asked to submit both medium- and long-term revenue strategies by December this year as well as provide an update on the progress of the digital transformation process.

The IMF mission held four meetings with the NBR yesterday, including the three wings for income tax, value-added tax and customs.

34,000 tax returns filed online in 2 weeks

STAR BUSINESS REPORT

The National Board of Revenue (NBR) has received a huge response from taxpayers since the relaunch of an online portal for the filing of tax returns over two weeks ago.

Some 34,000 tax returns have been filed since the portal was reopened on September 9, said the NBR in a press release.

To help individual taxpayers file their income and wealth statements online for the assessment year 2024-25, the tax administration last week also established a service centre accessible through phone calls at 09643717171, it said.

Some 5.26 lakh taxpayers filed returns online in fiscal year 2023-24, which was more than double the 2.44 lakh e-returns filed in the preceding year, according to the NBR.

Sri Lanka to restart talks with IMF soon

New president says

AFP, *Colombo*

Sri Lanka's new president called on Wednesday for restarting talks with the IMF "immediately" over a $2.9 billion bailout that threw a lifeline to his bankrupt country but imposed painful austerity.

Self-avowed Marxist Anura Kumara Dissanayake won a landslide last week promising to reverse steep tax hikes, raise public servant salaries and renegotiate the International Monetary Fund rescue package secured by his predecessor.

The 2023 bailout helped end crippling shortages of food, fuel and medicine and returned the economy to growth, but its austerity measures left millions struggling to make ends meet.

"We plan to begin negotiations with the International Monetary Fund immediately," Dissanayake said in a televised address to the nation.

In his 10-minute address, he said he also wanted to conclude a deal to restructure international sovereign bonds and secure more concessions for the cash-strapped nation.

"To advance our debt restructuring program, we are negotiating with relevant creditors to expedite the process and secure necessary debt relief," he said.

His call to resume talks with the IMF came after the international lender of last resort said it was ready to discuss its bailout with the new administration.

READ MORE ON B2

China admits economy facing new problems, vows to fix property sector

AFP, *Beijing*

Chinese President Xi Jinping and other top leaders admitted Thursday that the world's number two economy was facing new "problems" and vowed to resolve a long-running crisis in the housing sector.

Beijing has this week unveiled a raft of measures to boost its ailing economy, which it has targeted to grow five percent this year -- an objective analysts say is optimistic given the many headwinds it faces.

On Thursday, the ruling Communist Party convened a meeting of its top body, the Politburo, to "analyse and study the current economic situation".

"Some new situations and problems have emerged in the current running of the economy," the Xinhua news agency reported after the meeting, which was attended by Xi.

"We must view the current economic situation comprehensively, objectively and calmly, face difficulties squarely, (and) strengthen confidence," it added.

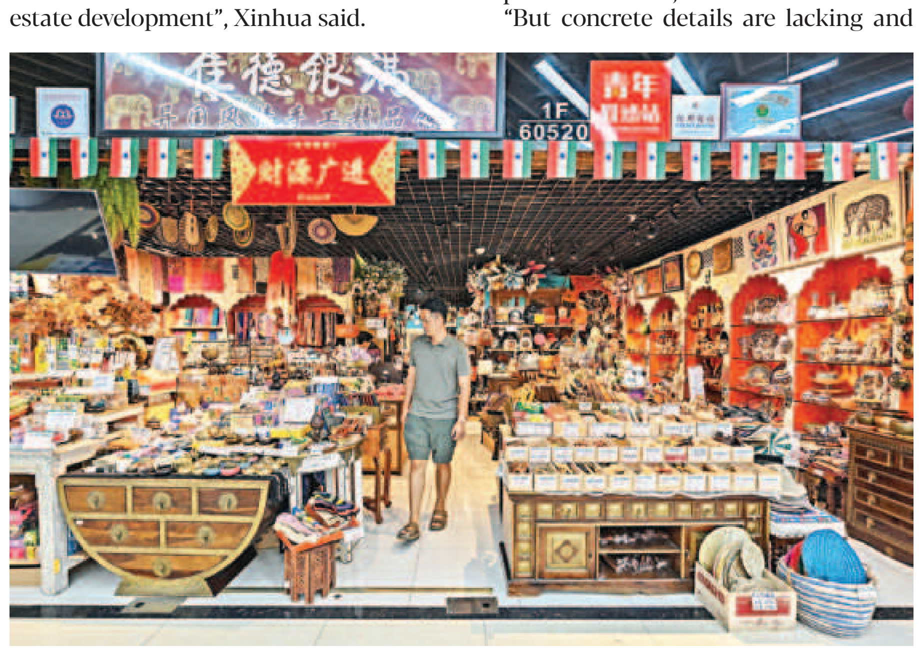
Politburo members agreed on the need to "further improve the focus and effectiveness of policy measures" aimed at lifting the economy.

They also vowed to "respond to the people's concerns" about the economic malaise.

Beijing would "adjust housing purchase restriction policies, lower interest rates on existing mortgage loans... and promote the construction of a new model for real estate development", Xinhua said.

Thursday's readout suggested that more substantial support for the economy may be on the way, said Julian Evans-Pritchard, head of China economics at Capital Economics, in a note.

"But concrete details are lacking and so it's difficult to judge the scale of any additional fiscal support at this stage," he said.



A man visits a shop at the Yiwu market in China's eastern Zhejiang province on September 21.

PHOTO: AFP

The state media readout also suggested rate cuts could be larger than previously anticipated, said Evans-Pritchard: "falling inflation and private-sector deleveraging mean that rate cuts alone won't dramatically boost domestic demand".

Also on Thursday, the government vowed to improve care for the elderly and young, and push to boost jobs, particularly among the youth.

Zhiwei Zhang, president and chief economist at Pinpoint Asset Management, said the meeting "touched on the key issues that need to be addressed, such as the stabilisation of the property sector, and the promotion of the private sector".

"The Politburo meeting stated that fiscal and monetary policies should become more forceful, but didn't provide quantitative guidance on the size of fiscal stimulus," he said in a note.

Overall, however, Zhang said he regarded the messages from Thursday's meeting as a "positive step to address the economic challenges that China face".

Meanwhile, Bloomberg reported officials were considering pumping more than $140 billion into the country's large

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