

## Yunus asks Bepza to promote Bangladesh abroad

STAR BUSINESS REPORT

Chief Adviser Prof Muhammad Yunus yesterday asked Bangladesh Export Processing Zones Authority (Bepza) to promote the country abroad and attract more investments in the industrial sectors.

The directive came when Bepza submitted its annual report for fiscal year 2023-24 to him at his Tejgaon office. He suggested Bepza collaborate with the Ministry of Foreign Affairs and form a team for economic diplomacy.

Yunus also suggested engaging Bangladeshi students abroad, particularly in China and Japan, to assist investors in overcoming language barriers.

Bepza Executive Chairman Maj Gen Abul Kalam Mohammad

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Ziaur Rahman said they received positive responses following the July-August uprising in Bangladesh and the changing global political landscape.

"In the past three weeks, we have received investment proposals worth \$135 million from Chinese investors. Talks are underway for more investments," he told the chief adviser.

He said currently, eight export processing zones are operational in Bangladesh, housing 452 factories, with 136 more under construction. Of these, over 100 are locally owned, while the rest are mostly joint ventures.

About 52 percent of the factories produce garments, textiles, and accessories, while the rest manufacture various items, including coffins and toys.



Date palm sap being condensed through boiling under high heat to produce jaggery. This operation in Khulna's Doulatpur is run by Mazhar, Abu Bakkar and Matiur who move here from their Rajshahi residences every winter to tend to around 250 trees which they have taken on lease. They can produce around 40 to 50 kilogrammes of jaggery every day and each kilogramme sells for Tk 320 to Tk 400. The photo was taken recently.

PHOTO: HABIBUR RAHMAN

## Direct tax expenditure dropped to Tk 1.15 lakh crore in FY22

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Bangladesh's direct tax expenditure, a tax subsidy that includes rebates, exemptions, and reduced rates offered by the revenue authorities, fell 8 percent year-on-year to Tk 1.15 lakh crore in fiscal 2021-22, according to the tax expenditure estimation report.

The National Board of Revenue (NBR) released the report yesterday, showing that tax expenditure amounted to 2.9 percent of Bangladesh's gross domestic product (GDP) in FY22, down from 3.56 percent of the GDP in the previous year.

Several proposals were made for rationalising tax expenditure, such as limiting tax benefits enjoyed by hi-tech parks, disallowing depletion of allowances in petroleum and mineral extraction industries, and revising capital gain taxes, said the NBR.

The tax authority, which collects more than 85 percent of total annual taxes, also mentioned the phasing out of ineffective tax breaks and enhanced monitoring and reporting mechanisms for reduced tax expenditure.

The NBR said corporate income tax accounted for 62 percent of the total direct

tax expenditures, followed by personal income tax expenditure at 38 percent.

The amount of tax benefits given to various sectors of the economy, including microcredit, power, and garments, stood at Tk 71,394 crore in FY22.

The NBR said 13 sectors accounted for 57 percent of the total tax expenditure, with seven sectors alone accounting for 49 percent of the total.

The highest tax expenditure or subsidy was given on capital gains at Tk 11,246 crore, followed by microcredit and social welfare at Tk 11,134 crore, and power and energy at Tk 7,611 crore.

In personal income tax, the highest exemption was given to remittance earners at Tk 11,709 crore. Tax benefits for salaried persons amounted to Tk 5,010 crore, while authorities gave Tk 2,414 crore worth of benefits to poultry and fisheries farmers.

Md Abdur Rahman Khan, secretary to the Internal Resources Division (IRD) and chairman of the NBR, said the tax expenditure report is expected to enhance fiscal transparency and budgetary accountability.

"This initiative is a significant step forward, not only strengthening policy design but also positioning the country to achieve its target

tax-to-GDP ratio," he said.

"It marks an important milestone in the ongoing improvement of Bangladesh's tax administration, bringing greater precision and effectiveness to the system," he said in the report's preface.

The NBR emphasised that tax revenue was vital for meeting both the government's operational and development expenditures.

The NBR added that while tax expenditure serves as a policy tool for socioeconomic welfare and market stability, excessive tax expenditures must be tailored to Bangladesh's context.

As tax expenditures represent a significant loss of potential revenue, especially in developing economies like Bangladesh, a clear understanding of revenue forgone due to these expenditures is necessary for effective tax administration and policymaking.

The NBR began estimating and publishing tax expenditure reports from 2023 as a part of its efforts to measure revenue forgone in promoting industrialisation, job creation, and economic growth.

This initiative aligns with the conditions set by the International Monetary Fund (IMF) for a \$4.7 billion loan approved for Bangladesh in January 2023.

## Saudi oil giant hikes prices for Asia

REUTERS

Saudi Aramco, the world's top oil exporter, on Monday raised crude prices for Asian buyers in February for the first time in three months, after Opec+ extended production cuts for another three months and as Russian and Iranian supplies fell.

Aramco raised the official selling price (OSP) for flagship Arab Light crude by 60 cents to \$1.50 per barrel above the Oman/Dubai benchmark average, a pricing document from the producer showed.

This was up from a premium of 90 cents a barrel in January, which is a four-year low.

The company also hiked prices for other grades it sells to Asia.

Aramco raised February prices for buyers in northwest Europe and the Mediterranean by \$1.30 a barrel for all crude grades, but cut the OSPs for grades it sells to the US by

30-40 cents a barrel.

The hike in Arab Light price for Asia was slightly higher than the 20-50 cent increase forecast in a Reuters survey of six Asian refining sources.

Two traders attributed the larger-than-expected increase to the sharp rise in spot premiums during the last week of December.

Last month, spot premiums for February-loading Middle East grades recovered after hitting their lowest in a year in the previous month, driven by uncertainty over Iranian and Russian supplies.

The price of Iranian crude sold to China has risen to the highest in years as fresh US sanctions have tightened shipping capacity and driven up logistics costs. In India, state refiners such as Bharat Petroleum Corp are buying more Middle East crude to make up for lower supply of cheaper Russian oil.

## NBFIs' bad loans surge

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He said that while bad loans have not risen sharply in recent years, some new loans have defaulted due to the current macroeconomic challenges facing businesses.

"To discuss a way out, we had met with the central bank top officials in October last year. The banking regulator assured us they will sit with the sector people soon after the groundwork," Saha added.

**'TO THE EDGE OF COLLAPSE'**

Central bank data showed that 12 finance companies out of the total 35 hold nearly 73.5 percent of the sector's bad loans. At seven companies, bad loans crossed 90 percent of total disbursed loans.

For example, FAS Finance's bad loans stood at 99 percent of its outstanding loans, Fareast Finance

at 98 percent, Aviva Finance at 90 percent, BIFC at 97 percent, International Leasing at 96 percent, People's Leasing at 97 percent and Union Capital at 95 percent, according to BB data.

Anis A Khan, former chairman of the Association of Banks, Bangladesh (ABB), recently said that some banks and NBFIs have fallen victim to an "unholy nexus", which he described as a "serious threat" to the integrity of the overall financial system.

"Besides, several other NBFIs have been infiltrated by unscrupulous investors who have exploited their positions as chairpersons and directors for personal gain," Khan said, comparing these actions to "outright theft" that has pushed several NBFIs "to the edge of collapse".

## Inflation eased slightly

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commercial banks borrow from the central bank - several times over the past two years.

As such, the policy rate which stood at just 5 percent in May of 2022 gradually increased to 10 percent by the end of 2024.

However, Ashikur Rahman, principal economist at the Policy Research Institute (PRI) of Bangladesh, said the level of inflation in the country is still very high.

This is causing hardships for people with fixed incomes or those living below the poverty line, he added.

However, Mohammad Lutfor Rahman, a professor of economics at Jahangirnagar University, said this elevated inflation impacts all classes.

"People are struggling as their real income and wages have failed to keep pace with rising prices, eroding their purchasing power," he added. "Food prices in Bangladesh are higher than those in neighbouring countries."

According to private think-tank, Research and Policy Integration for Development (RAPID), inflation has pushed as many as 78 lakh people into poverty over the past two years.

Of them, around 38 lakh have fallen into extreme poverty while another 1 crore are at risk of becoming poor.

Regarding the slight decrease in price pressures in December, Lutfor credited seasonal factors, such as the abundant winter vegetables hitting the market.

He said tariff cuts on essential imported commodities may also have contributed to the decline.

In recent months, the revenue board has withdrawn import duties and other taxes on essential products, including onions, potatoes and eggs.

However, Ashikur said improvements in supply chain dynamics after the political changeover in August last year also contributed to reducing the food inflation.

The monthly point-to-point

inflation rate remained high in fiscal 2024-25, especially after the political turmoil in July, changeover in August and repeated flooding in the north-eastern regions that same month.

"These shocks have undermined the contractionary monetary policy," he added.

The PRI principal economist suggested the Bangladesh Bank should remain committed to implementing a contractionary monetary policy while the interim government must ensure that future supply chain disruptions are avoided.

Meanwhile, Lutfor expressed concern over the government's move to increase the value-added tax (VAT) on 43 goods and services as it could reignite overall inflation.

Although food inflation is declining, implementing the interim government's plan to hike VAT would likely fuel non-food inflation, he said.

The interim government's council of advisers approved a plan to impose a uniform 15 percent VAT on various items, including medicine, restaurant services, residential hotels, sweets, biscuits and branded clothing.

The VAT hike is said to be linked to the conditions of the International Monetary Fund for its ongoing \$4.7 billion loan programme for Bangladesh.

Besides, the National Board of Revenue needs to immediately increase its collection of taxes by an additional Tk 12,000 crore.

The revenue authority and Finance Adviser Salehuddin Ahmed justified the move arguing that it would not fuel inflation as tariffs on essential goods were already cut at the import stage.

Lutfor criticised this claim, saying that as an indirect tax, higher VAT would affect people from all walks of life.

He argued that the government's focus should be on expanding income tax collection rather than solely imposing a VAT hike.

## Stocks rebound riding on large-cap shares

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The stock market in Bangladesh rebounded yesterday after falling for two consecutive days riding mainly on the performance of the large-cap shares.

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), went up by 33.67 points, or 0.65 percent from the previous day before closing at 5,198.

The shares of the companies like Beacon Pharmaceuticals, Pubali Bank, Robi Axiata, Beximco Pharmaceuticals, Power Grid Company of Bangladesh, Orion Infusion, Prime Bank, and Bangladesh Shipping Corporation drew most of the investors, according to the daily market update by LankaBangla Financial Portal.

Beacon Pharma was alone liable for 7.30 points, the highest among the gainers.

However, the shares of Islami Bank Bangladesh, BRAC Bank, Premier Bank, Unique Hotel and Resorts, Olympic Industries, MJI Bangladesh, Taufika Foods and Lovello Ice-cream, Bangladesh Steel Re-rolling Mills, Berger Paints Bangladesh, Keya Cosmetics suffered losses.

Likewise, the DSES index that represents the Shariah-compliant companies edged up by 13.47 points, or 1.17 percent, to 1,161.

In the blue-chip segments, the DS30 index increased by 14.00 points, or 0.73 percent, to 1,933. Out of the 398 scrips, prices of 223 rose, 101 closed lower while 74 did not see any price fluctuation.

The benchmark index of the premier bourse jumped yesterday after experiencing a technical glitch on Sunday, which delayed the beginning of the day's trading by one hour and a half.

However, turnover, an indicator of the cumulative value of share prices, stood at Tk 363 crore, posting an increase of 16.36 percent from the previous session.

The banking sector dominated the market activities, accounting for 18.56 percent of the total turnover. However, Fine Foods Limited emerged as the most-traded share, with a turnover of Tk 14.8 crore.

Large cap companies showcased positive performances, as per the daily market update of BRAC EPL Stock Brokerage.

STOCKS	
DSEX ▲	CASPI ▲
0.65%	0.04%
5,198.84	14,466.08

  

COMMODITIES	
Gold ▼	Oil ▲
\$2,642.29	\$74.08
(per ounce)	(per barrel)

  

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 1.59%	▼ 1.47%	▲ 0.53%	▼ 0.14%
77,964.99	39,307.05	3,821.84	3,206.92