

HIGHLIGHTS OF THE DAY

Bangladesh: Economy

February 24, 2022

BB Relaxes Credit Rating to Facilitate Business Loans

The Bangladesh Bank has relaxed conditions related to Internal Credit Risk Rating (ICRR) to facilitate loans to businesses for their rebound amid the pandemic.

From now on, aspirant borrowers having rating scores of 50 or more can reschedule their loans for two times. Earlier, at least 55 points were needed for that.

The rule will be in effect until 31 December this year.

The Banking Regulation and Policy Department of the central bank issued a circular in this regard and sent it to the managing directors of all the scheduled banks on Wednesday.

"Many businesses became financially weak thanks to the pandemic-induced crisis in 2020 and 2021. The facility [relaxing the credit score] has been given so that they can apply for new loans and reschedule the previous ones," the circular reads.

Source: <https://www.tbsnews.net/economy/banking/bb-relaxes-credit-rating-facilitate-business-loans-375043>



Textile Millers Demand Duty, VAT Cut for Man-made Fibre

Textile millers yesterday demanded the withdrawal of tax on the import of man-made fibre and reduction of VAT on the sales of the item in the local markets as the consumption of the artificial raw material is rising globally.

Currently, local spinners can avail the duty-free import of only four types of man-made fibre upon receiving certification from the Bangladesh Textile Mills Association (BTMA). But businesses import 21 more varieties of artificial fibre paying taxes.

The textile millers also called for halving the value-added tax on the sale of a kilogramme of manmade fibre yarn to Tk 3 from Tk 6 now as they also pay Tk 3 on the sale of cotton-made yarn, according to a proposal of the BTMA.

The textile millers also proposed the government withdraw the 1 per cent duty on the import of capital machinery.

Source: <https://www.thedailystar.net/business/economy/news/textile-millers-demand-duty-vat-cut-man-made-fibre-2969251>

Highlight

- ▶ Local spinners can avail duty-free import of 4 types of man-made fibre
- ▶ Businesses import 21 more types of artificial fibre by paying taxes
- ▶ Millers demand halving VAT on sales of man-made fibre yarn to Tk 3 a kg
- ▶ Entrepreneurs urge for withdrawal of 1% duty on capital machinery import
- ▶ Millers demand continuation 15% tax on textile companies up to 2030

Chaldal Gets the Nod to Develop PSP Services

Chaldal, the country's largest online grocery store, has recently received the no-objection certificate (NOC) from the Bangladesh Bank to develop its subsidiary, Chaldal Payments, as a payment service provider (PSP).

The move comes at a time when most top tech start-ups in Bangladesh are working to expand their footprint in the financial technology sector considering the growing popularity of digital payments.

Now, Chaldal can also facilitate direct digital payments for its customers by settling transactions through a scheduled bank or financial institution.

"The digital payment service will help Chaldal better integrate its existing operation and reach out to new customers," said Waseem Alim, chief executive officer of Chaldal.

Source: <https://www.thedailystar.net/business/economy/e-commerce/news/chaldal-gets-the-nod-develop-psp-services-2969266>



RJSC Allowed Access to DVS

The Registrar of Joint Stock Companies and Firms (RJSC) can now use the Document Verification System (DVS) to confirm the authenticity of audited financial statements of registered businesses.

A memorandum of understanding (MoU) in this regard was signed between the Institute of Chartered Accountants of Bangladesh (ICAB) and the RJSC at the former's council hall yesterday.

Highlighting the purpose of launching the DVS system, Mohammed Forkan Uddin, a council member of the ICAB, said foreign investors first see the audited financial statements of a company before going for cross-border investment.

Besides, the National Board of Revenue needs audited financial statements for revenue assessment while banks require them to sanction loans.

So, the DVS will ensure the authenticity of audited financial statements, reduce the number of loan defaulters, and boost the confidence of foreign investors, Forkan said.

Source: <https://www.thedailystar.net/business/economy/news/rjsc-allowed-access-dvs-2969236>



Lub-rref Posts 21% Surge in Half-yearly Profits

Lub-rref (Bangladesh) Limited, lubricant producer under the BNO brand, reported 21.42% higher earnings per share (EPS) in the first half of fiscal 2021-22, compared to the same time a year ago.

At the end of the July-December period, its EPS stood at Tk1.02, which was Tk0.84 at the same period in the previous fiscal year.

Mofijur Rahaman, the chief financial officer of the company, told The Business Standard, "Our business grew well in the first quarter but in the second quarter, there had been some problems with raw material sourcing and that slightly hindered the timeliness of supply to the market."

Both the quarters saw year on year growth, but the business in the second quarter was slightly slower than the first, he added.

Meanwhile, despite the Covid shock, the company did well in fiscal 2020-21 as it reported a 54% EPS growth to Tk3.41.

Lub-rref shares closed 1.23% higher at Tk41 each on Wednesday in the Dhaka Stock Exchange (DSE).

Source: <https://www.tbsnews.net/economy/stocks/lub-rref-posts-21-surge-half-yearly-profits-375025>



Indices Close Higher as Large-cap Stocks Gain

Dhaka and Chattogram stocks returned to the green territory, as investors' participation in some large-cap scrips helped equity indices to close higher on Wednesday.

DSEX, the prime index of the Dhaka Stock Exchange (DSE), advanced by 30.8 points or 0.4% to close at 6,949.

However, amid a lack of clear market direction, the overall participation by investors remained sluggish as daily turnover in the DSE further decreased by 2.3% and stood at Tk888 crore.

Over the last week, the daily turnover managed to stay above Tk1,000 crore in the falling market, but on Tuesday, it fell below the threshold when bargain hunters confronted sellers to halt the market's fall.

Large-cap stocks, following their recent leg of corrections, were trying to recover over the session and the majority of them gained at the end.

Source: <https://www.tbsnews.net/economy/stocks/indices-close-higher-large-cap-stocks-gain-375004>



German Cabinet Agrees Minimum Wage Increase

Germany's cabinet on Wednesday approved an increase in the minimum wage to 12 euros (\$13.60) per hour, a flagship election campaign promise of Chancellor Olaf Scholz's Social Democrats.

"Many citizens of our country work a lot but earn little -- this must change," Scholz said as he announced the decision on Twitter. "For me, this is one of the most important laws and a question of respect," he said.

Minimum pay will rise to 10.45 euros per hour from 9.82 euros on July 1 and then to 12 euros on October 1. The increase will raise wages for about 6.2 million workers in Germany.

The change will especially benefit people working in the catering industry, service professions, warehouse logistics and cleaners, according to Labour Minister Hubertus Heil.

Source: <https://www.thedailystar.net/business/global-economy/europe/news/german-cabinet-agrees-minimum-wage-increase-2969221>



US Consumer Confidence Falls

US consumer confidence fell for the second straight month in February, a survey said Tuesday, as Americans' feelings about the economy's present and future health cooled.

The Conference Board said its consumer confidence index declined to 110.5, a drop of less than a point from January and better than analysts expected.

The data showed consumer expectations for the economy's future performance declined slightly, but there also was a small uptick assessments of its present condition, "suggesting the economy continued to expand in (the first quarter) but did not gain momentum," said Lynn Franco, senior director of economic indicators at The Conference Board.

After declining in December, consumer expectations for inflation 12 months ahead rose again to seven percent.

"While they do not expect the economy to pick up steam in the near future, they also do not foresee conditions worsening," Franco said.

Source: <https://www.thedailystar.net/business/global-economy/america/news/us-consumer-confidence-falls-2969181>



Thailand's Economy Rebounds in Q4

Thailand's economy rebounded in the fourth quarter of last year on the back of rising exports and the easing of coronavirus restrictions that allowed tourists to return, senior officials said Monday.

The 1.9 per cent on-year expansion was more than double what was forecast and marked a strong bounce after a 0.2 per cent contraction in the previous three months.

For the whole year the economy grew 1.6 per cent, according to the National Economic and Social Development Council, and also beat expectations.

South East Asia's second largest economy was hit with a 6.1 per cent contraction in 2020 -- its worst economic performance since the 1997 Asian Economic Crisis.

The NESDC said it saw growth of 3.5-4.5 per cent this year as tourism picks up and government spending kicks in.

Source: <https://www.thedailystar.net/business/global-economy/news/thailands-economy-rebounds-q4-2967516>



Luxury Sector Undaunted by Covid, Soaring Inflation

The pandemic and soaring inflation have done nothing to take the shine off luxury brands, from Louis Vuitton to Gucci and Cartier, as the sector hiked prices to notch up stellar profits.

The world economy began to recover from the pandemic last year but the rebound has been accompanied by rising inflation, with prices for raw materials and energy soaring.

UBS analysts estimate that top brands such as Louis Vuitton, which is owned by industry leader LVMH, have raised their prices two-and-a-half times higher than the inflation rate over the past 20 years.

Indeed, "pricing power remains one of the key characteristics of the luxury goods industry," UBS analysts wrote in a research note.

The French company also owns a broad range of spirits, perfume, jewellery and cosmetics products.

Kering -- which owns Gucci and Yves Saint Laurent -- also beat its pre-Covid levels to book a net profit of 3.2 billion euros on sales of 17.6 billion euros, the group reported on Thursday.

Source: <https://www.thedailystar.net/business/global-economy/news/luxury-sector-undaunted-covid-soaring-inflation-2967591>



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