National News

Govt to set up two land-based LNG terminals

The government is set to establish two land-based liquefied natural gas terminals alongside the floating terminal, as it continues with its efforts to alleviate the country's energy shortage.

A Japanese firm, Tokyo Gas Engineering Solution Corporation, will be appointed to conduct the feasibility study on the sites at a cost of Tk 58 crore.

The sites being considered for the land-based LNG terminals are in Kutubdia, Moheshkhali, Payra and two other places.

Each of the two land-based terminals will supply 1,000 million cubic feet (MMCFD) of gas every day, according to an official of the energy ministry.

Earlier, the government approved two floating LNG terminals, each of which will supply 500 MMCFD of gas.

Bangladesh is looking outside to alleviate its energy shortage largely caused by depletion of domestic reserves and rising demand. Gas supply stands at about 2,700 MMCFD per day against the demand for 3,300 MMCFD.

The shortage of gas has affected power generation. The government aims to set up four land-based LNG terminals and one or two floating storage and re-gasification units.
In July, state-run Petrobangla and US-based Excelerate Energy signed the final deals to set up Bangladesh's first LNG terminal. The terminal to be set up in Moheshkhali will handle imported LNG and supply it to the national grid from early 2018.

The government also awarded Summit Group to set up its first floating liquefied natural gas terminal on Moheshkhali island in Cox's Bazar.

Summit Group will develop the floating facilities within 18 months of signing the final contract. Meanwhile, the government has received proposals from 14 companies for setting up LNG terminals.

China Huanqiu Contracting & Engineering has proposed to set up an LNG plant in Moheshkhali, while KOGAS-MGCB-KSBL Consortium wants to set up a land-based terminal in Sonadia.

Singapore's Sembcorp Utilities submitted a proposal to set up a Gravifloat terminal and a storage tank in the deep sea. Gravifloat technology allows the LNG terminal to be fully built and completed at a shipyard and installed in shallow waters to facilitate direct ship loading.

In December, Petrobangla signed an initial agreement with India's energy company Petronet to set up an LNG regasification terminal on Kutubdia island and a pipeline at an estimated cost of $950 million.


**Rod use will come crashing down for new VAT law**

The impending 15 percent VAT on rod will take a huge toll on construction of buildings, particularly in rural areas, steel millers said yesterday.

If every tonne of rod is priced at Tk 50,000, each customer will have to pay Tk 7,800 as VAT under the new law, up from Tk 900 now, said Manwar Hossain, chairman of the Bangladesh Auto Re-Rolling and Steel Mills Association (BARSMA).

As a result, the development of the rural housing sector, which account for about 30 percent of the country's total demand for iron bar, will grind to a halt.

The government is set to impose a uniform 15 percent value-added tax on most goods and services available in the country under the new VAT law from July 1.

“The consumption of rod in rural areas will crash overnight as its prices will go beyond the purchasing capacity of many families.”

Hossain's comments came at a press conference jointly organised by the BARSMA along with the Bangladesh Re-Rolling Mills Association and the Bangladesh Steel Mill Owners Association at the auditorium of the Dhaka Chamber of Commerce and Industry.

The use of rod in rural areas may fall to about 2-3 lakh tonnes from the existing 15-18 lakh tonnes, according to the BARSMA chairman.

Home construction in rural areas was one of the major factors fuelling the growth of the steel industry. The sector now manufactures 50 lakh tonnes of steel a year, up by 1.5 times from 2009, Hossain said.

The uniform 15 percent VAT will also increase the electricity bills for manufacturing the iron bars and the spending on raw material imports, he said. “All of these will ultimately affect the rod price.”
The infrastructure and other construction projects of the government account for 40 percent of the country’s demand for rod, followed by private builders in urban areas, who use the rest 30 percent, according to the millers.

“The new VAT will increase the government’s revenue earnings from the sector but the industry will be squeezed,” Hossain said, adding that the demand for rod will also fall in urban areas.

Rod prices began increasing just after the announcement of the proposed budget for fiscal 2017-18 on June 1 amid increased demand from a section of traders and contractors over speculation of a price hike.

For instance, a tonne of 60-grade rod yesterday sold at Tk 53,500-Tk 54,500, up from Tk 52,000-Tk 53,000 a month ago, according to the Trading Corporation of Bangladesh.

“It is illogical to impose VAT on key building materials when the government is exempting VAT on manufacturing of luxury goods like refrigerators and air conditioners. We know how much our customers can bear,” Hossain said.

The other stakeholders such as realtors and construction firms are also in opposition of the 15 percent VAT.

He also said the retailers and wholesalers are showing 'serious resentment' towards the government move to implement the new VAT law.

“They are not yet ready for the new VAT. They say the government's effort to bring everyone under the VAT net in such a way will only cause harassment,” Hossain added.

The government contractors may now demand for cutbacks in rod prices, said SK Masadul Alam Masud, former chairman of Barsma.

“As a result, our rod sales will drop and we may have to default on loans.”


Govt weighing up alternatives to new VAT act execution

The government is examining the alternatives to the implementation of the much-debated VAT act in its existing form, mainly for the opposition from businesses, a highly placed source told the FE.

The government may even postpone its implementation, the source said.

In the process of a rethink, the government is weighing up the impacts of the new VAT rate on public life, especially those in limited-income bracket, and its repercussions ahead of next general election, said the source in the finance division.

The value-added tax (VAT) act 2012 is scheduled to introduce a uniform 15 per cent VAT rate which many believe will raise the cost of living.

People familiar with the developments told the FE that the last cabinet meeting, held at the national parliament Monday with Prime Minister Sheikh Hasina in the chair, reached a consensus on the imperative of postponing implementation of the VAT law from July 01 next.

But the meeting didn’t set any new timeline for enforcement of the new VAT act.

Sources said the high-ups from the National Board of Revenue (NBR) and the finance division were also present at the meeting that weighed the implications of execution of the law at this juncture of time-not far off from the next polls, due early 2019, or little before.
While talking to The Financial Express at his secretariat office Tuesday, senior secretary of finance division Hedayetullah Al Mamoon, who had attended the meeting, declined to comment on the issue.

"This is a matter of the NBR. Officials of the NBR can comment on it," he said.

Executive Director of the Policy Research Institute of Bangladesh Dr Ahsan H Mansur, who was involved with the framing of the new VAT act, said he also heard about government’s unwillingness to go for implementing it this year.

"This is one of the major reform programmes this government has taken. Dropping the new VAT act won’t be a wise move," he told the FE Tuesday.

Dr Mansur thinks the businesses will also be loser as the new VAT system is much progressive.

The economist said the revenue collection would also be impacted upon as it is believed to be the biggest source of revenue mobilisation.

Contacted over telephone, president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) Shafiul Islam Mohiuddin told the FE he was aware of the developments regarding the new law.

The Prime Minister has already given some instructions to officials concerned. "I am not sure if the entire act will be dropped this year. But, it will definitely be revised," said the chief of the apex trade body.

Mr Mohiuddin said he had meeting with Prime Minister Sheikh Hasina on this issue. "She does not want the essential prices go up and common people suffer."

NBR member (VAT policy) Barrister Jahangir Hossain, who also attended the meeting, wouldn't make any comment on this issue.

Contacted over telephone, NBR chairman Nojibur Rahman said no decision was taken about jettisoning execution of the VAT act this year.

"The issue is openly being discussed in parliament. We are working on it," he told the FE.

NBR sources said the cabinet meeting asked them to exercise three alternative options centring the act. Those are: what's the impact of non-implementation of new VAT act, implications of continuation with multiple VAT rates, and implications of lowering VAT rate from the proposed 15 per cent.

Officials said non-implementation of the new VAT act will put impact on budget financing and it may raise the deficit which is now estimated at 5.05 per cent of the gross domestic product (GDP).

If it really happens, they said, a major portion of the budget speech presented in parliament for fiscal year 2017-18 would become redundant since most part of the speech concentrated on the new VAT and Supplementary Duty Act 2012.

The budget speech has 20 big paragraphs on implementation of the new VAT act and its benefits for the economy and the businesses.

The national board of revenue has targeted Tk 912.54 billion, up by Tk 225.79 billion from revised budget estimation, to be mobilised from VAT next year, according to budget documents.
Following suggestion from the International Monetary Fund (IMF), the government framed the new VAT law. Introduction of 15 per cent VAT was one of the conditions of the IMF for extending US$1 billion worth of Extended Credit Facility (ECF) to Bangladesh in 2010.

Meanwhile, the IMF in its Article IV Consultation Mission report, published last Friday, welcomed Bangladeshi authorities' commitment to launching the modern VAT Act from July next.

The planned launch of the modern value-added tax in July 2017 and improvements in tax administration are expected to boost tax revenues, providing space for increased public investment and social spending, it said.


**Govt mulls over Tk 10,000cr fund for jute industries**

The government is giving thought to a proposal on forming a Tk 10,000 crore special fund, similar to Export Development Fund, which aims at expanding jute industries and regain its past glory, Textiles and Jute Minister Emaz Uddin Pramanik told parliament yesterday.

It is also using Tk 6,000 crore provided by China for balancing, modernisation, rehabilitation and expansion of 26 jute mills in phases, he said reading out scripted replies to lawmakers' queries.

Coming to office in 2009, the Awami League government overturned decisions of its predecessors to reopen five jute and three textile mills, he said.

This created 6,093 and 450 jobs in the respective mills, he said, adding that reopening the jute mills took some Tk 105.29 crore.

Daulatpur Jute Mills was closed in 2002 and Peoples Jute Mills (now Khalishpur Jute Mills), Qaumi Jute Mills (now Jatiya Jute Mills), Karnafuli Jute Mills and Forat Karnafuli Carpet Factory were all shut down in 2007, he said.

The Peoples and Qaumi jute mills were reopened in 2011 while the rest in 2013, said Pramanik.

The textile factories are Darwani Textiles Mills, Rangamati Textile Mills and Magura Textile Mills.

That the government is putting emphasis in the sector is evident from the establishment of Jute Commission and enforcement of Mandatory Jute Packaging Act 2010, he said.

The minister said export of jute goods to India came down to Tk 50 crore this year from usual Tk 275 crore to Tk 300 crore as the neighbouring country imposed antidumping duties on jute products from Bangladesh.


**Jute goods export to India drops due to anti-dumping duty**

Textiles and jute minister Emaz Uddin Pramanik on Wednesday told parliament that export of jute goods to India have been affected after New Delhi imposed antidumping duties on jute products from Bangladesh.

Export of jute goods to India came down to Tk 50 crore this year from usual Tk 275 crore to Tk 300 crore per year as the country imposed antidumping duties on jute products from Bangladesh, Emaz said while replying to a query from ruling Awami League lawmaker Ummey Razia Kajol.

India slapped the antidumping duty – ranging between $19 and $352 per tonne -- on January 5, this year following
which shipments from Benapole land port, which handles over 90 per cent of Bangladesh’s jute exports to India, fell this year, said officials.

Emaz while replying to a query from AL lawmaker Bazlul Haque Haroon also said that proposal for formation of a Tk 10,000 crore special fund for expanding jute industries was under process.

For expanding jute industry, proposal for formation of a Tk 10,000 crore special fund, similar to the Export Development Fund, was under process, the minister said.

Proposal for forming the special fund was made as part of initiatives to restore the past glory of jute, he said.

The government formed EDF in 1989 to provide low-cost finance and enable export-oriented sectors to buy raw materials from abroad to make exportable items. The size of the EDF, a revolving fund, is about $2.5 billion, according to a senior official of the central bank.

Present government is working wholeheartedly for reviving the past glory of jute sector and development of this potential sector by adopting some time-befitting and pragmatic steps, Emaz said.

He said that government had taken initiative to go for balancing, modernisation, renovation and expansion (BMRE) of 26 jute mills in phases at a cost of Tk 6,000 crore financing from Chinese government.

Emaz said that the government had laid emphasis on jute sector by establishing the Jute Commission and putting in place the Mandatory Jute Packaging Act 2010.


**Samsung opens two appliance plants in Bangladesh**

South Korean technology giant Samsung is set to inaugurate two factories in Bangladesh today with a view to manufacturing four home appliance products -- a move that can be viewed as recognition of the country’s engineering capabilities.

The plants, where LED television, refrigerators, air conditioners and microwave oven will be manufactured, have been set up in joint venture with local Transcom Group and Fair Electronics.

At present, Bangladesh is mostly reliant on imports for the products, so the move will not only make the appliances cheaper but also help the country save huge amounts of foreign currency every year.

Under the deal struck with Transcom Electronics, Samsung will manufacture LED television at the former’s state-of-the-art facilities in the capital's Mohakhali area.

The plant on 18,000 square feet started manufacturing televisions on a test basis from last month.

“The televisions are very high in quality,” said Yeamin Sharif Chowdhury, Transcom Electronics's head of business.

Some 13 models of televisions -- all of which would be less than 55 inches -- will be manufactured at the plant, with some of the components brought in from Vietnam. The factory will be operated by 85 engineers, while Samsung will provide technological support.

“The factory will be one of the most prestigious ones in Bangladesh, one that will be helpful in the country’s branding,” Chowdhury added.

The televisions will be cheaper than the imported Samsung ones currently available in the market, according to Md Shakil Choudhury, Transcom Electronics's general manager for finance and accounts.

Samsung currently has five distribution partners and the factory will supply televisions to them.

“The local demand is rising every day as our economy is scaling high,” Choudhury said, adding that there are no plans to export the products.
The existing market for televisions stands at about ten lakh units a year. Of the sum, branded products account for 40 percent.

“Transcom wants to grab a big chunk of the market share from this branded televisions segment,” Choudhury added.

The plant will be inaugurated by KooYeun Choi, strategic business group leader of Samsung Electronics, and Taeho Park, Samsung’s consumer electronics head for southwest Asia.

The other factory, which will be run by Fair Electronics, will be situated in Shibpur of Narsingdi.

The plant will manufacture refrigerator, air conditioner, microwave oven and television. Fair Electronics has plans to branch out to other popular home appliances like washing machine.

Fair Electronics has already started manufacturing refrigerators at the plant and will shortly go into production of the three products, said Ruhul Alam Al Mahbub, chairman of Fair Group.

“We are investing $100 million and Samsung’s investment is technology and knowledge,” Mahbub said, adding that the company is aiming to grab 30 to 40 percent of the market share of the products in terms of value within next three to four years.

There are opportunities to export Bangladesh-manufactured Samsung products but for that the government's support needs to increase and some policy needs to be made clearer, he added.

The plant, which will employ about 3,000, will be inaugurated today by Industries Minister Amir Hossain Amu, ICT State Minister Zunaid Ahmed Palak and Korean Ambassador Ahn Seong-doo.

Samsung’s move was lauded by Palak yesterday at parliament during a session on the proposed budget for 2017-18.

Earlier, he told The Daily Star that Samsung’s initiative can encourage other global brands to follow suit and park their funds in Bangladesh.

Samsung’s first factory in the subcontinent was in India’s Uttar Pradesh in 1997, where it assembles mobile phones, refrigerators and LED TVs.

And in November 2007, it set up another plant in Tamil Nadu, where it manufactures LED TVs, washing machines, refrigerators and split air conditioners.

Since its founding in Korea in 1969, Samsung Electronics has grown into a global information technology leader, managing more than 200 subsidiaries around the world.


SIM card sales suspended for 18hrs today

Sales or replacement of SIM cards will remain suspended for 18 hours from 8pm today as the telecom regulator will update its central biometric verification monitoring system during the period.

The decision came after State Minister for Telecommunication Tarana Halim inaugurated the central biometric verification monitoring system. The system goes live from tomorrow.

“The system will help verify user identification, which will ultimately ensure customers authentication,” Tarana told reporters at the secretariat yesterday.

All mobile phone operators have already sent the information of the re-registered and verified mobile phone users to the central biometric verification monitoring system at Bangladesh Telecommunication Regulatory Commission (BTRC), she added.
BTRC will now verify the information against the national database.

The government enforced the re-registration and verification of mobile phone users’ information through the biometric process in the first half of 2016.

All the operators now have to follow the biometric verification process to sell new connections.


### Muhith hints at reducing excise duty on bank deposit

Finance Minister AMA Muhith today hinted that the government may withdraw the proposed additional excise duty on bank deposit in the fiscal 2017-18.

Amid widespread criticism and repeated demand for withdrawal of the excise duty, the minister came up with the hint while talking to reporters at the cabinet division office this afternoon.

Muhith, while placing budget for fiscal 2017-18 on June 1, proposed raising the excise duty from Tk 500 to Tk 800 on accounts where the balance -- whether debit or credit -- exceeds Tk 1 lakh but stays less than Tk 10 lakh at any point of time during a year.

“When you started shouting it seemed it [excise duty] is something new. It’s nothing new,” he said adding that if there is any change in the proposed excise duty, it will be the additional rate.

MA Mannan, state minister for finance and planning, on Tuesday also hinted in the Parliament that the finance ministry may reconsider its proposal to hike the excise duty.

Muhith drew huge criticism from different quarters for imposing the excise duty on bank deposits and 15 percent uniform VAT in the proposed budget for fiscal 2017-18. Both treasury and opposition bench members also criticised his proposal in the parliament.


### Ailing BASIC Bank gets another Tk1,000cr

BASIC bank has already received Tk2,390cr under the government’s recapitalisation programme over the past five years.

The Finance Division of the Ministry of Finance issued a government order on Wednesday to disburse Tk2,000cr for the recapitalisation of five banks.

As per Finance Minister AMA Muhith’s directive, the recapitalisation fund is targeted to recover client trust in BASIC Bank. The bank lost a huge amount of goodwill due to large-scale corruption.

The minister said BASIC Bank’s former chairman Sheikh Abdul Hye Bacchu was involved in the loan scam, he also said: “It cannot be compared with other banks.”

BASIC bank has received Tk2,390cr under the government’s recapitalisation programme over the past five years. The latest Tk1,000cr brings it up to Tk3,390cr over six years.

### The BASIC scandal
In the financial scams that took place between 2011 and 2013, three of these banks — Sonali, Janata and BASIC — had lost Tk12,000cr.

A Bangladesh Bank inspection detected many irregularities in four branches of BASIC — Motijheel, Shantinagar, Dilkusha and Gulshan — involving loans of around Tk4,425cr taken out between December 2009 and November 2012.

As the bank fell into severe financial crisis after the largest loan scam, the government dissolved the board of the bank in 2014. Later on, a new board took over the charge of bank and adopted a fresh strategy to revive the bank from a possible collapse.

Deputy Managing Directors Fazlu Sobhan and Mohammad Selim, and former Deputy General Manager Shiper Ahmed were imprisoned for embezzlement.

Another Deputy Managing Director Abdul Monayem Khan was fired in November 2016, two and a half years after his involvement in the scam came to light.

To recuperate losses or to save face?

The financing is part of the proposed budget of the fiscal year 2017-2018 announced by Muhith on June 1.

Earlier on May 17, Muhith said BASIC Bank needs “special nurturing” to operate.

BASIC Bank is running its Letter of Credit (LC) business with the help of Sonali Bank.

According to the Finance Division working papers, the capital shortfall of the BASIC Bank is Tk1,934.5cr while the capital reserve ratio was only 7.55% in 2015.

A Finance Division official said: “There is no justification in providing BASIC Bank with Tk1,000cr. It has only 72 branches. “The money would have been better spent if it was used to recapitalise the 1,207 branches of Sonali Bank,” the Finance Division official said.


**International News**

**UK workers suffer spending power hit, raising pressure on May**

British workers are suffering from an increasingly tight squeeze in their spending power, data showed on Wednesday, adding to concerns about a slowdown in the world’s fifth-biggest economy and to the challenges for a weakened Prime Minister Theresa May.

A fall of 0.4 percent in wage growth in the three months to April, when adjusted for inflation, represented the biggest loss of real earnings for households since 2014, even as a joint record high proportion of people in Britain are in work.
Britain's economy withstood the shock of last year's Brexit in 2016, prompting some supporters of Brexit to say fears of a hit to the economy were overblown.

But growth slowed sharply in early 2017 as consumers felt the pinch of rising inflation caused by the fall in the value of the pound after the referendum. Credit card firm Visa said on Monday it saw the first annual fall in spending by consumers in nearly four years in May.

Other rich countries around the world are also struggling with the phenomenon of low unemployment but weak wages.

But the challenge looks particularly acute for May and her minority government, which is still putting together a deal with a small Northern Irish party that will give her enough votes in parliament to pass legislation.

The opposition Labour Party won many more votes than expected in last week's election with its promises of measures such as the end to a 1-percent cap on pay increases for public sector workers and a higher minimum wage.

"Public sector workers have not had a proper pay rise since 2011," Dave Prentis, head of UNISON, a union which represents the sector, said. "The public sector pay cap must go."

Finance minister Philip Hammond is due to deliver his first speech since the election on Thursday.

Ratings agency Moody's has said the government might now slow Britain's push to lower the budget deficit, having already pushed back the target date for a surplus to the mid-2020s.

Hammond's predecessor as finance minister, George Osborne, said on Tuesday that the government's problems would "get a whole lot worse if it ditches fiscal responsibility."

Wednesday's data showing the worsening hit to earnings is likely to add to the view among the majority of Bank of England officials to leave interest rates on hold when they announce their latest policy statement on Thursday.

The BoE has so far seen no sign that inflation is pushing up wages which would create longer-lasting pressure on prices. It expects wages to rise by 2 percent this year and pick up in 2018 and 2019, something many economists now say looks optimistic.

The central bank is widely expected to keep interest rates at their record low of 0.25 percent on Thursday.

Sterling hit a day's low against the dollar after the data, while British government bond prices rallied, suggesting investors took the figures as a sign that interest rates would not be rising any time soon.

The weakness in pay has puzzled economists given the apparent strength of Britain's labour market.

The Office for National Statistics said the unemployment rate in the period between February and April held steady at a more than four-decade low of 4.6 percent.

The number of people in work increased by 109,000 in the three months to April, taking the employment rate to 74.8 percent, a joint record high, the ONS said.

But economists focused on the weak wage data.

In nominal terms, wages grew at the slowest pace since February 2016, rising an annual 2.1 percent in the three months to April and slowing from 2.3 percent in the first quarter.

Economists taking part in a Reuters poll had expected wage growth of 2.4 percent. Samuel Tombs, an economist at consultancy Pantheon Macroeconomics, said the wage numbers appeared consistent with signs of rising underemployment.

"The wage figures are astonishingly weak," he said.
Oil supply seen outpacing consumption in 2018

Growth in oil supply next year is expected to outpace an anticipated pick-up in demand that will push global consumption above 100 million barrels per day (bpd) for the first time, the International Energy Agency said on Wednesday.

The Paris-based IEA said production outside the Organisation of the Petroleum Exporting Countries would grow twice as quickly in 2018 as it will do this year, when Opec and 11 partner nations have restrained output.

"For total non-Opec production, we expect production to grow by 700,000 bpd this year, but our first outlook for 2018 makes sobering reading for those producers looking to restrain supply," the IEA said. "In 2018, we expect non-Opec production to grow by 1.5 million bpd which is slightly more than the expected increase in global demand."

Brent crude futures extended losses after the report, falling 64 cents on the day to $48.08 a barrel by 0804 GMT, from around $48.26 prior to the release.

Oil inventories across the world's most industrial nations rose in April by 18.6 million barrels to 3.045 billion barrels, thanks to higher refinery output and imports. The IEA said stocks were 292 million barrels above the five-year average. The agency continued to forecast an implied shortfall in supply relative to demand for the second quarter of this year.

But it said slowing demand growth in China and Europe in particular, as well as increasing supply, meant the deficit should narrow to 500,000 bpd from a prior estimate of 700,000.

Opec and 11 rival exporters including Russia have agreed to extend a deal to limit supply by 1.8 million bpd to March 2018, in order to cut global inventory levels.

Saudi Energy Minister Khalid al-Falih has reiterated the group's commitment to do "whatever it takes" to force a drawdown in global inventory levels.

"We have regularly counselled that patience is required on the part of those looking for the rebalancing of the oil market, and new data leads us to repeat the message," the IEA said.

"'Whatever it takes' might be the mantra, but the current form of 'whatever' is not having as quick an impact as expected."

"Indeed, based on our current outlook for 2017 and 2018, incorporating the scenario that Opec countries continue to comply with their output agreement, stocks might not fall to the desired level until close to the expiry of the agreement in March 2018," the IEA said.

The price of oil has fallen 12 percent since May 25, when Opec and its partners agreed to extend their supply cut, as inventories around the world have been slow to drain. Rising output from the United States has been one of the main factors behind the stubbornly high stock levels and the IEA estimates U.S. production will continue to grow aggressively into next year.

"Our first look at 2018 suggests that U.S. crude production will grow year-on-year by 780,000 but such is the dynamism of this extraordinary, very diverse industry it is possible that growth will be faster," the agency said.