Eid is a time of gift giving for many in the Muslim community and so, it comes as no surprise that shopping centres across the country are currently witnessing an onrush of customers. Here, a couple is seen picking a dress for their child at a shop in Dhaka New Market, one of the largest and most popular retail hubs in the capital. The photo was taken on Sunday.

PHOTO: AMRAN HOSSAIN

Sri Lanka's reluctance to tap IMF pushed it into an economic abyss

REUTERS, *Colombo*

Sri Lanka's worst economic crisis has triggered an unprecedented wave of spontaneous protests as the island nation of 22 million people struggles with prolonged power cuts and a shortage of essentials, including fuel and medicines.

President Gotabaya Rajapaksa's government has come under growing pressure for its mishandling of the economy, and the country has suspended foreign debt payments in an effort to preserve its paltry foreign exchange reserves.

On Monday, Sri Lanka will begin talks with the International Monetary Fund (IMF) for a loan programme, even as it seeks help from other countries, including neighbouring India, and China.

Economic mismanagement by successive governments weakened Sri Lanka's public finances, leaving its national expenditure in excess of its income, and the production of tradable goods and services at an inadequate level.

The situation was exacerbated by deep tax cuts enacted by the Rajapaksa government soon after it took office in 2019, which came just months before the Covid-19 crisis.

The pandemic wiped out parts of its economy – mainly the lucrative tourism industry – while an inflexible foreign exchange rate sapped remittances from its foreign workers.

Rating agencies, concerned about government finances and its inability to repay large foreign debt, downgraded Sri Lanka's credit ratings from 2020 onwards, eventually locking the country out of international financial markets.

But to keep its economy afloat, the government still leaned heavily on its foreign exchange reserves, eroding them by more than 70 per cent in two years.

By March, Sri Lanka's reserves stood at only $1.93 billion, insufficient to even cover a month of imports, and leading to spiralling shortages of everything from diesel to some food items.

JP Morgan analysts estimate the country's gross debt servicing would amount to $7 billion this year, with the current account deficit coming in around $3 billion.

Faced with a rapidly deteriorating economic environment, the Rajapaksa government chose to wait, instead of moving quickly and seeking help from the IMF and other sources. For months, opposition leaders and experts urged the government to act, but it held its ground, hoping for tourism to bounce back and remittances to recover.

Newly appointed Finance Minister Ali Sabry told Reuters in an interview earlier this month that key officials within the government and Sri Lanka's central bank did not understand the gravity of the problem and were reluctant to have the IMF step in.

Sabry, along with a new central bank governor, was brought in as part of a new team to tackle the situation.

But, aware of the brewing crisis, the government did seek help from countries, including India and China. Last December, the then finance minister travelled to New Delhi to arrange $1.9 billion in credit lines and swaps from India.

A month later, President Rajapaksa asked China to restructure repayments on around $3.5 billion of debt owed to Beijing, which in late 2021 also provided Sri Lanka with a $1.5 billion yuan-denominated swap.

Finance Minister Sabry will start talks with the IMF for a loan package of up to $3 billion over three years.

An IMF programme, which typically mandates fiscal discipline from borrowers, is also expected to help Sri Lanka draw assistance of another $1 billion from other multilateral agencies such as the World Bank and the Asian Development Bank.

In all, the country needs around $3 billion in bridge financing over the next six months to help restore supplies of essential items including fuel and medicine. India is open to providing Sri Lanka with another $2 billion to reduce the country's dependence on China, sources have told Reuters.

City Bank in €28.63m dredger loan arrangement

STAR BUSINESS DESK

Commerzbank and German bank AKA Ausfuhrkredit-Gesellschaft mbH have extended a term loan of €28.63 million to local dredging solutions provider Western Engineering through City Bank under the coverage of export credit agency Atradius Dutch State Business.

Western Engineering will use the finance to import 10 dredgers from Royal IHC of the Netherlands.

City Bank signed a multi-party agreement at the Dutch company's headquarters in Kinderdijk, the Netherlands, a press release said.

Sheikh Mohammad Maroof, additional managing director of City Bank, Mahbub Jamil, head of structured finance, Klaas van Iersel, vice-president for export and agency finance, and Laurens van Keller, senior relationship manager for corporates international relationship management at Commerzbank, signed the agreement.

Stefan Rajmann, vice-president of export & agency finance at the AKA, Robbert Zappeij, director of sales, Guido Fieret, director for Corporate Finance and Customer Finance Solutions, Kees Derks, area sales director of Royal IHC, Duuk Dudok van Heel, senior export credit specialist of the Atradius, and M Nahid Hasan, managing director of Business Connection BV, were also present.

Premier Bank, TVS Auto sign MoU

STAR BUSINESS DESK

Premier Bank Ltd signed a memorandum of understanding (MoU) with TVS Auto Bangladesh to promote newly launched motorbike products of the company.

Shamim Murshed, senior executive vice-president of the bank, and Biplob Kumar Roy, chief executive officer of TVS Auto Bangladesh, signed the MoU at the lender's head office in Dhaka yesterday, a press release said.

As per the MoU, Premier Bank's officials will be assigned to the designated outlets of TVS and the prospective clients can directly procure from the showroom.

"A prospective client will get faster service from a designated showroom where our officers will directly interact with customers," said Kazi Ahsan Khalil, deputy managing director of the bank.

"Considering the huge business opportunity this agreement is a significant development to seize the future market," said Biplob.

J Ekram Hussain, managing director of TVS Auto Bangladesh, was present.

Rangs Properties, a real estate developer of the country, has recently moved to a new office on Bir Uttam Mir Shawkat Sarak in Tejgaon Industrial Area in Dhaka at its flagship project Rangs Babylonia.

PHOTO: RANGS GROUP

Gazi Golam Ashria, chairman of Jamuna Bank, recently inaugurated a data center at the bank's corporate office in Gulshan, Dhaka. Gazi Golam Murtoza, Md Ismail Hossain Siraji, Md Redwan-ul Karim Ansari and Md Saidul Islam, directors, and Mirza Elias Uddin Ahmed, managing director, were present.

PHOTO: JAMUNA BANK

Sohail RK Hussain, managing director of Meghna Bank, recently launched prepaid cards "Ghuri" and "Hoichoi" with Visa at the lender's head office in Gulshan, Dhaka. Shyamol B Das, deputy managing director, Zishan Ahammad, head of cards, Ashish Chakraborty, director of business development for South Asia at Visa, Arifur Rahman, director of merchant sales and acquiring for South Asia, and Siraj Siddiquey, director of product and solutions for South Asia, were present.

PHOTO: MEGHNA BANK

Asian markets slide on inflation, Covid fears

AFP, *Hong Kong*

Asian stocks closed lower on Monday in cautious trade, as figures showed China's economic growth accelerated in the first quarter of the year, but the government warned of "significant challenges" ahead.

Tokyo's benchmark Nikkei 225 ended down more than one percent and Shanghai posted small losses, while Hong Kong and Sydney were closed for holidays.

Shanghai reported its first Covid-19 deaths since the start of its weeks-long lockdown.

China's largest city and economic powerhouse has stewed under a patchwork of restrictions this year amid the country's worst Covid-19 outbreak since the start of the pandemic.

The country reported first-quarter economic growth of 4.8 per cent, the National Bureau of Statistics said, as the pandemic threatens Beijing's ambitious annual growth target. That figure was up from 4.0 per cent in the final months of 2021.

The world's second-biggest economy was already losing steam in the latter half of last year as it endured a property slump and regulatory crackdowns.

"We must be aware that with the domestic and international environment becoming increasingly complicated and uncertain, economic development is facing significant difficulties and challenges," said NBS spokesman Fu Linghui.

"Overall, the data suggest that China started the year well, but as the quarter has moved on, the headwinds have gotten stronger," said Jeffrey Halley, senior market analyst with OANDA.

"A slowing property market, sweeping Covid restrictions, the Ukraine invasion pushing up base commodity and energy prices, and a central bank still intent on deleveraging sectors of the economy, have all combined to weigh on China's growth.

Md Matiul Islam, founder chairman of Industrial and Infrastructure Development Finance Company (IIDFC), poses for photographs after distributing cheques to the owners and representatives of the five brick kilns at the IIDFC's head office in Dhaka yesterday. Md Ataur Rahman Prodhan, chairman of the IIDFC, and Md Golam Sarwar Bhuyian, managing director, were present. Story on B1

PHOTO: STAR

Subrata Ranjan Das, executive director of ACI Motors, launched the prebooking of new Yamaha motorcycle models R15 version 4.0 and FZ-X at ACI Centre in Tejgaon, Dhaka recently.

PHOTO: ACI GROUP

China economy accelerates

FROM PAGE B4

of the first wave which emerged in Wuhan in late 2019, and the economy is beginning to weaken.

Industrial production growth eased to 5.0 per cent in March, NBS data showed, down from the January-February period.

Meanwhile, retail sales sank 3.5 per cent and the urban unemployment rate ticked up to a 22 month high of 5.8 per cent last month.

"March activity data suggests that China's economy slowed, especially in household consumption," Tommy Wu, lead China economist at Oxford Economics, said in a note.

China's government is trying to balance "minimising disruption against controlling the latest wave of Covid infections", Wu said, but he warned of a drag on economic activity into May or beyond.

Last week, carmakers including XPeng and Volkswagen warned of severe disruptions to supply chains and possibly even a halt on production completely if the lockdown on Shanghai's 25 million inhabitants persisted.

Already, goods are piling up at the world's busiest container port in Shanghai, prompting shipping giant Maersk to say it will stop taking new bookings for refrigerated containers into the city.

"Further impacts from lockdowns are imminent," said Iris Pang, chief economist for Greater China at ING.