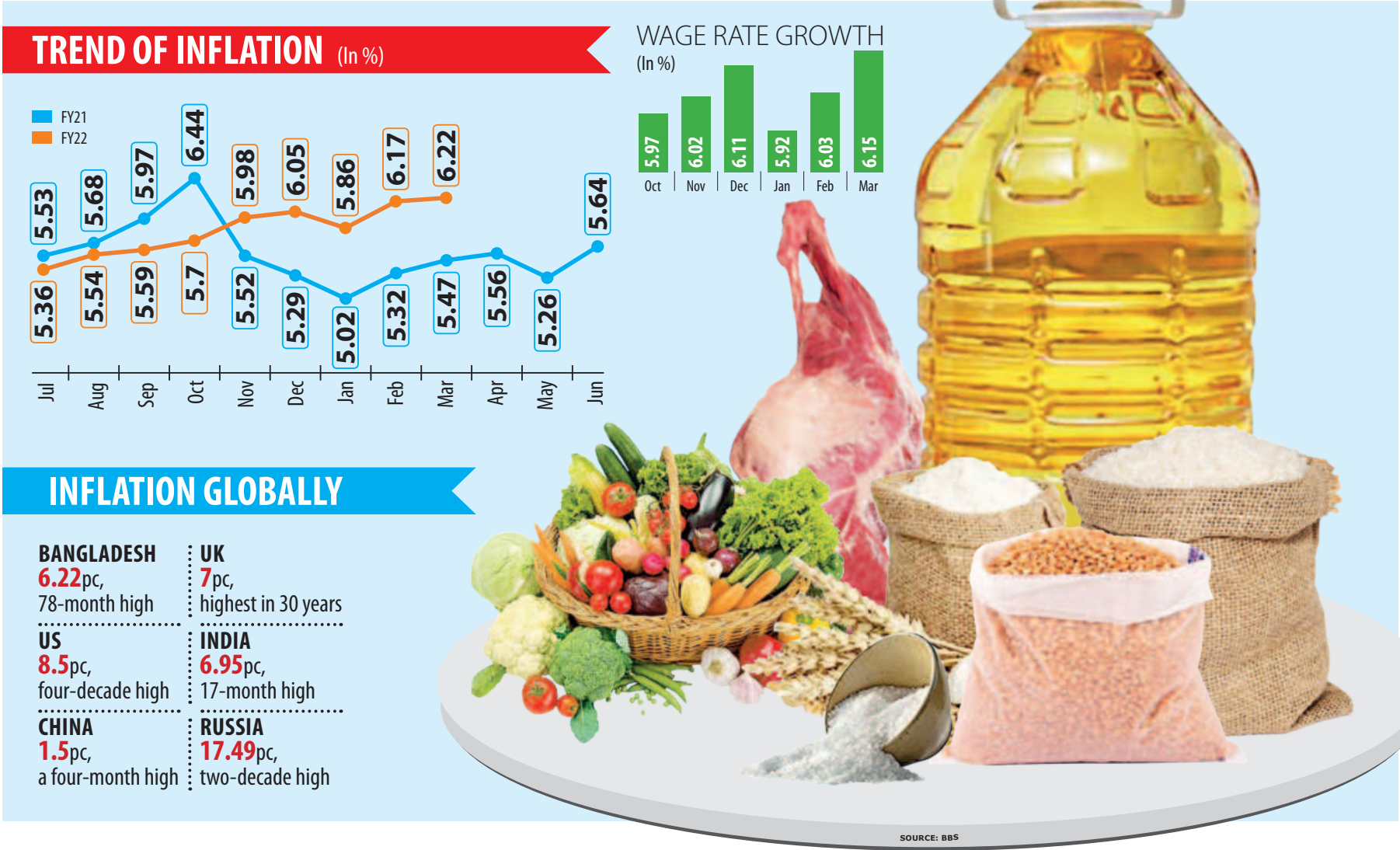


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YEARS OF UNBOUNDED JOURNEY

Banking with a Difference



# Inflation sprints to 17-month high

The rate in March hits 6.22pc

REJAUL KARIM BYRON, SOHEL PARVEZ and MD FAZLUR RAHMAN

Inflation in Bangladesh rocketed to a 17-month high in March driven by higher food costs as global uncertainties stemming from the Russia-Ukraine war and supply chain disruptions show no sign of abating, official figures showed yesterday.

The Consumer Price Index came in at 6.22 per cent last month, up from 6.17 per cent a month ago, according to the Bangladesh Bureau of Statistics (BBS). This is the highest since September 2015.

Food inflation rose 12 basis points to 6.34 per cent, amplifying suffering for the poor and the lower income groups since food accounts for about half of their consumption basket.

What is even more depressing is that wages have failed to keep pace with the rising cost of living.

In March, wages rose by 6.15

per cent against 6.03 per cent in February.

"The increase in food inflation was expected and is likely to increase further in the near term given the elevated commodity prices in international markets and the pressure on the exchange rate," said Zahid Hussain, a former lead economist of the World Bank's Dhaka office.

Non-food inflation fell slightly to 6.04 per cent. It was 6.10 per cent in February.

Inflation in rural areas was up three basis points at 6.52 per cent last month. Food inflation rose nine basis points but non-food inflation declined 10 basis points.

Urban inflation went up by 10 basis points to 5.69 per cent, led by a 19-basis point rise in food inflation, which stood at 5.49 per cent.

Higher inflation is not just a Bangladeshi phenomenon. Inflation is hitting new peaks in most countries because of skyrocketing energy and food costs, supply constraints and

strong consumer demand.

For example, inflation in the UK stood at 7 per cent in March, the highest in 30 years.

US inflation surged to a new four-decade high of 8.5 per cent and the eurozone inflation

poverty and inequality."

The question is what to do about it.

The automatic correction mechanism that works through the rise in nominal interest rates is inoperative because

capped the deposit and lending rates for banks in April 2020.

It put a similar ceiling on the interest rates for non-bank financial institutions on Monday – at a time when countries around the world are raising key rates to contain runaway inflation.

"Exchange rate adjustments have become unavoidable not only to maintain reserve adequacy but also to stem the erosion of the economy's competitiveness, given that currencies of many competitor countries have depreciated even more. But this risks further increase in inflation," said Hussain.

Fiscal policy can provide some respite through increased subsidisation of essential commodities and cash transfers to the poor and the vulnerable, he noted.

"Better targeting will be critical in this sphere to keep the total subsidies and transfers within manageable limits," Sayema Haque Bidisha,

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climbed to 7.5 per cent, about a two-decade high. It was 6.95 per cent in India, a 17-month high and 1.5 per cent in China, a four-month high.

Hussain says the real wages of low skilled workers have declined, more so in fisheries and construction.

"This is likely to have a serious adverse impact on

of the cap on lending rates. This has severely constrained the role of monetary policy in inflation management, according to the economist.

He says all the Bangladesh Bank can do is to keep the exchange rate stable, but that risks losing precious foreign exchange reserves even further.

The Bangladesh Bank

## Don't charge over 1pc for export dev fund loans

BB asks banks

STAR BUSINESS REPORT

Banks have been asked not to impose over 1 per cent interest on the exporters after disbursing fund from their own pocket and before being reimbursed from Bangladesh Bank's export development fund (EDF).

The banking regulator issued a notice in this regard as many banks have allegedly charged a 7 per cent interest rate on lenders illogically during the time, a central bank official said.

Banks initially disburse the funds to borrowers from their own sources and they get reimbursement from the EDF.

The banks informed the central bank that they had imposed a high interest rate to address their cost of funds before getting the reimbursement, the BB official said.

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Garments account for about 85 per cent of Bangladesh's total exports. The Bangladesh Bank said the ongoing export trend created huge demand for input procurement, leading to pressure on loans from the export development fund.

PHOTO: STAR

## Businesses bashed by New Market brawl

SUKANTA HALDER and MAHMUDUL HASAN

Businesses based in Dhaka's New Market area had to close down for most of yesterday due to a clash between students and traders, leaving them to face huge losses just one-and-a-half weeks ahead of Eid-ul-Fitr, the biggest sales season in Bangladesh.

Traders say that the skirmish has already cost them more than Tk 50 crore in sales loss and it may have further implications as potential buyers may avoid the commercial shopping hub in fear of another clash.

The area is home to over a dozen sprawling shopping malls that house thousands of shops, making it the top shopping destination for most people in the capital.

Md Asaduzzaman Sumon, proprietor of Akhi Fashion Garden, said in the last few days, he could sell products worth Tk 100,000 to Tk 150,000 each day centring on Eid.

"But the shop was closed all day today (Tuesday) so the sooner the situation gets under control, the better for me," he said.

This situation is particularly unwelcome among traders right now considering that there was no business during the last two Eid seasons due to the coronavirus pandemic.

"Now, not having the shop open for a single day means a big loss for us," Sumon added.

Md Jobayer Hossain, managing director of cosmetics shop Lakme, alleged that law enforcement agencies could have solved the problem in a short time if they wanted.

"During this season, we count every day as it is very important for us. I have sold over Tk 50,000 worth of products daily since the beginning of Ramadan," he said.

"It is a huge loss for us even if the situation gets normal now as a lot of damage has already been done," Hossain added.

Fazle Rabbi, a resident of Mirpur, said he

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## Sign FTA with Korea that benefits both nations

Experts urge govt

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Bangladesh needs to sign a free trade agreement (FTA) with South Korea that enables a win for both as the East Asian country previously attained huge success engaging in such bilateral agreements, experts said yesterday.

Such agreements will counter the loss of different preferential treatments related to trade once Bangladesh makes the United Nations status graduation from a least developed country (LDC) to a developing one, they said.

They were addressing a virtual dialogue styled "Bangladesh-South Korea Trade and Investment Cooperation: In the context of LDC graduation" organised by the Dhaka Chamber of Commerce and Industry (DCCI).

The government will give special focus on revisiting decades-old bilateral agreements, exploring the possibility of signing FTAs, regular exchange of trade missions and direct connectivity between Dhaka and Seoul, said Masud Bin Momen, senior secretary to the foreign ministry.

He said after Bangladesh's status graduation, South Korea may continue to provide preferential treatment for Bangladeshi export items.

About 150 South Korean companies are now in operation in Bangladesh, according to him.

Momen also underscored the importance of creating skilled human resource to face the upcoming challenges pertaining to enhancing productivity.

DCCI President Rizwan Rahman said South Korea can invest in joint ventures in Bangladesh's promising industrial sectors like agro and food processing, plastic manufacturing, jute and jute goods, light engineering and automobiles, hi-tech parks, fourth industrial revolution technologies and structured economic zones.

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STOCKS		
	DSEX ▲	CASPI ▲
	0.73% 6,530.06	0.53% 19,231.89

COMMODITIES		
	Gold ▼	Oil ▼
	\$1,964.83 (per ounce)	\$104.10 (per barrel)

ASIAN MARKETS			
	MUMBAI	TOKYO	SINGAPORE
	▼ 1.23% 56,463.15	▲ 0.69% 26,985.09	▲ 0.12% 3,307.13
			▼ 0.04% 3,194.03