

Hyundai to build \$5.5b EV plant in US

AFP, Washington

South Korean automaker Hyundai will build a \$5.5 billion electric vehicle and battery plant in the southern US state of Georgia, its governor announced Friday, as President Joe Biden pursued his trip to Seoul.

Brian Kemp made the announcement alongside Hyundai Motor Company president Jay Chang at the future factory site near Savannah, hailing the more than 8,000 jobs the venture is expected to create.

"We are proud to welcome Hyundai Motor Group to Georgia as we forge an innovative future together," Kemp said, according to a statement released by his office.

He called the plant "the largest economic development project in our state's history." Hyundai suppliers are expected to invest an additional \$1 billion in the factory.

EPB team visits Walton headquarters

STAR BUSINESS DESK

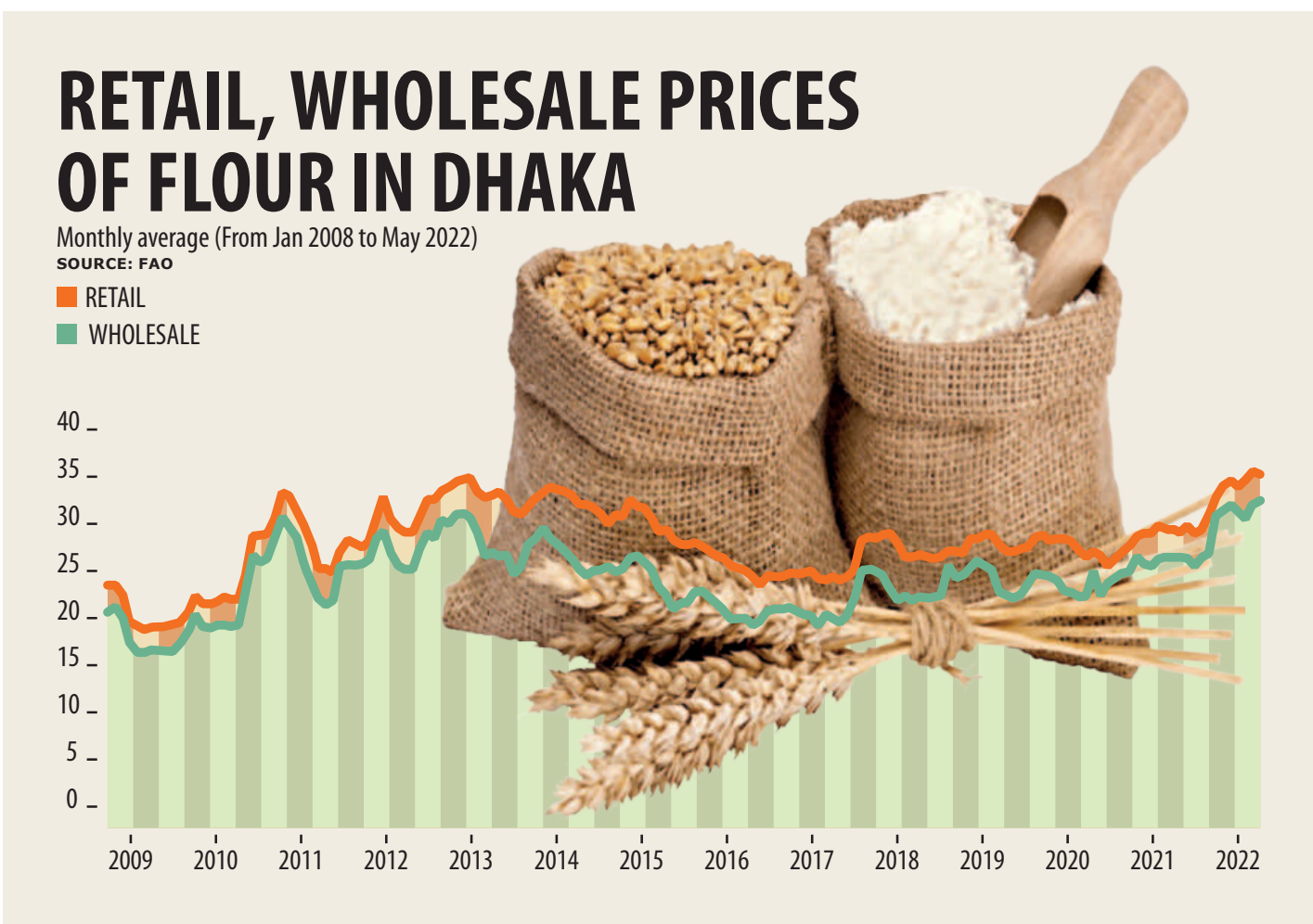
Walton has been achieving great success in exporting domestically finished electronics and electrical goods, said Export Promotion Bureau (EPB) Vice-Chairman AHM Ahsan yesterday.

"Walton is now at the top of the Bangladesh market. Now, their target is to expand business in the global market," he said.

"In this case, we need to promote the brand of Bangladesh as well as 'Made in Bangladesh' tagged products in the global arena," he added.

Ahsan was leading a nine-member EPB delegation on a visit to manufacturing units of Walton Hi-Tech Industries at its headquarters in Chandra, Gazipur, said a press release.

He assured Walton of providing all necessary assistance from the EPB for increasing exports.



Wheat flour prices hit 15-year high

SUKANTA HALDER

Retail prices of wheat flour recently shot up to a 15-year high amid concerns of a supply shortage in local markets after India banned exports of the staple food in order to ensure its availability at home in the face of rising global costs due to Russia's war on Ukraine.

In July 2008, consumers in Dhaka had to pay about Tk 37.8 per kilogramme (kg) for flour while it was Tk 29 per kg in 2021 and Tk 38.4 per kg in 2022, shows data from the Food and Agriculture Organisation.

The retail price of flour in local markets has been increasing since September 2021, which is discouraging for price-sensitive consumers.

Traders say that the war between Russia and Ukraine alongside India's ban on exports have pushed up flour prices at both the wholesale and retail levels.

According to data from the Trading Corporation of Bangladesh (TCB), loose flour sold for between Tk 46-50 per kg yesterday, up 31 per cent from Tk 38-45 a month ago.

Similarly, TCB data shows that packaged flour is being sold at Tk 48-50 per kg, up 6 per cent from Tk 44-48 a week ago.

Asaduzzaman, owner of the New

Sheetal Flour Mill in Narayanganj, said flour prices are increasing every day. One maund (37 kgs) of flour used to cost Tk 900 but the same amount is now priced at about Tk 1,600.

He said that Russia's invasion of Ukraine coupled with India's ban on exports has created a huge pressure on local importers as well as the global market.

Karim Ali, proprietor of Rashid Traders in Mohammadpur's Krishi Market, said a 50-kg sack of flour would cost Tk 3,000 at wholesale just a week ago but the same amount is now being sold for Tk 3,200-3,300.

"Considering the current situation though, prices are expected to rise further," he added.

Other than the war, there are some other reasons behind the increase in flour prices, said Afsar Uddin Ahmed, an importer of Rupali Traders at the Khatunganj market in Chattogram, a wholesale hub for essential commodities.

He went on to say that alongside disruptions to the supply chain, increased transportation costs and lead time are also affecting prices.

Another reason behind the rising cost of flour is that the Covid-19 pandemic raised fears of food shortages in many countries and so, several large nations are stockpiling necessities such as this.

Abul Bashar Chowdhury, chairman of leading food importer BSM Group, informed that India had said it would look at its neighbouring countries under a different light when considering flour exports.

For example, letters of credit that were opened before May 12 will be scrutinised before a decision is reached on whether to export or not.

"But it's not yet clear how they'll deliver the product. Nothing can be said until we are sure how India will give wheat flour," Chowdhury said.

The price of flour had increased by more than Tk 4 per kg at wholesale the very day that India announced it would halt all exports of the product.

Yesterday though, the price dropped by Tk 2 at wholesale.

"If India supplies flour for letters of credit opened before May 12, then the stock would last for two to three months and therefore, there would be no crisis," Chowdhury added.

In fiscal year 2020-21, Bangladesh imported about 53.42 lakh tonnes of flour. In the ten months of the ongoing fiscal leading up to May, the country imported around 34 lakh tonnes of the staple food.

It should be mentioned that all the wheat grown locally this year (10 lakh tonnes) was already harvested by March.

UK retail sales rebound

AFP, London

British retail sales unexpectedly rebounded in April, data showed Friday, but remain on a long-term downward trend amid a cost-of-living crisis that saw inflation rocket to a 40-year high.

Total sales volumes jumped 1.4 per cent last month after a 1.2 per cent drop in March, the Office for National Statistics (ONS) said in a statement.

However, sales fell 0.3 per cent in the three months to April compared to the previous three months, extending a downward trend in place since summer 2021 according to the ONS.

"Retail sales picked up in April after last month's fall," said Heather Bovill, ONS deputy director for surveys and economic indicators.

"However, these figures still show a continued longer-term downward trend.

"April's rise was driven by an increase in supermarket sales, led by alcohol and tobacco and sweet treats, with off-licences also reporting a boost, possibly due to people staying in more to save money." Inflation rocketed in April to 9.0 per cent, the highest since 1982, driven largely by soaring domestic energy prices.

The squeeze on UK household budgets tightened further in April after a British tax hike as the government looks to improve state coffers battered by Covid support.

"The unexpectedly strong rise in retail sales in April suggests that the cost of living crisis has not caused consumer spending to collapse and means that the economy may have a little more momentum than we thought," noted Capital Economics analyst Nicholas Farr.

Recession fears spook global markets

AFP, New York

European and Asian markets took a beating Thursday, while the dollar tumbled a day after Wall Street suffered one of its worst batterings in two years over recession fears amid decades-high inflation.

Downcast earnings reports from retailers have heightened worries about consumer resilience at a time of rising interest rates, surging energy prices, China lockdowns and the Ukraine war.

Wall Street experienced another losing session after several efforts at jump-starting a rally floundered. The broad-based S&P 500 finished down 0.6 per cent.

"Inflation is catching up and profit margins are taking a hit. Soon enough though, those higher costs will continue to be passed on and consumers will stop dipping into savings and start being more careful with their spending," said Craig Erlam, senior market analyst at OANDA.

"The question is whether we're going to see a slowdown or a recession," he said.

Leading European and Asian stock indices closed in the red.

Focus on fighting inflation

FROM PAGE B1

for the upcoming national budget organised by Bangla daily Prothom Alo at its office.

Some people opine that Bangladesh's remittance income of two months is enough to repay its annual debt demand, said Bhattacharya.

But the fact is that this is the income of individuals and so it remains to be known how this money can be used for repaying the country's loans, he said.

On the other hand, export income of the country is rising but that is in tune with an increase in the cost of raw materials, meaning real income is not that high. "This is a classical case of pseudo economics," he said.

The exchange rate should also be adjusted and allowed to creep up slowly, he added. Nazneen Ahmed, country economist of United Nations

Development Programme, echoed him, saying that the budget should focus on controlling inflation.

The exchange rate should have been adjusted slowly as any sudden big adjustment creates some problems, she said.

Economists throughout the past decade had been recommending devaluing the local currency against the US dollar but the central bank did not pay any heed, said MA Razzaque, research director of Policy Research Institute.

For this, the per capita income seems to be big, he said, adding, "If the real exchange rate is considered, then the per capita income would be reduced to \$2,300."

In the present economic situation, the government should check the import of goods which are of low necessity while it can also take soft loans, he said.

This year the

government can keep a higher budget deficit to check inflationary pressure on the masses, he said.

If the government raises the allocation for its food assistance programme by Tk 6,000 crore, at least 40 per cent of the poor can be covered, said Razzaque.

So this small increase in funding might play a big role on reducing disparity and giving relief to the poor, he added.

Sayema Haque Bidisha, research director of the South Asian Network on Economic Modeling, also urged keeping inflation in check as the main target of the upcoming budget.

Bangladesh's tax system needs to undergo a massive reform to ensure inclusive GDP growth, she said, adding that relevant digitalisation needs to be brought about immediately.

Economists have long been recommending

increasing focus on direct tax and the tax net and reaching untapped areas but the main income of the National Board of Revenue (NBR) is still based on indirect tax, she said.

To reduce the disparity, the government should enhance employment opportunities and allocation in the social safety nets, she said.

The amount provided to every person under the social safety net programmes also needs to be increased and it should be extended to the urban areas, she said.

Syed Mahbubur Rahman, a former chairman of the Association of Bankers, Bangladesh, said policy continuity was a necessity, otherwise it hampers plans of entrepreneurs.

Overall, good governance needs to be ensured alongside a level playing field for every

entity, he said.

The present economic situation had been anticipated while economists alarmed, said M Masrur Reaz, chairman and CEO of the Policy Exchange of Bangladesh.

This is because pent-up demand was looming overhead, meaning extra pressure was to naturally come about on the exchange rate, but no policy programme was undertaken, he said.

"Our investment climate was in pressure. Moreover, transportation costs rose, freight charges increased and labour cost was enhanced, so our local firms are lagging behind in market competition," he said.

There is an absence of leadership pertaining to economic policies while some policies taken for a sector benefit just one or two firms. The government should work on this, he said.

Firms prefer to remain

FROM PAGE B1

"Moreover, some entrepreneurs do not want to share their companies and instead prefer full control and so, they avoid offloading shares," he said.

In addition, listed companies are also bound to hold annual general meetings but some entrepreneurs dislike such obligations, Islam added.

In response to a query, Islam, also a former chairman of the Bangladesh Securities and Exchange Commission, said tax evasion is easy for non-listed companies with the help of auditors.

"That is why some companies don't want to get listed even though a tax gap remains between listed and non-listed firms," he said.

The corporate tax gap for listed and non-listed companies is not considered lucrative to most entrepreneurs as the culture of tax evasion is common for non-listed companies.

"So, listings have not

boomed despite several changes to the tax gap year after year," said a merchant banker preferring anonymity.

The number of companies listed with the Dhaka Stock Exchange (DSE) currently stands at 349.

The tax gap was 5-percentage points till fiscal 2002-03 but it then rose to 7.5 percentage points in the next fiscal year to attract companies to get listed.

In fiscal 2006-07, the government raised the gap further to 10 percentage points, which continued until being eventually reduced to 7.5 percentage points in 2020-21, according to the National Board of Revenue.

"The overall ecosystem is not lucrative for a company to go public either so the number of listed companies in the market is still low compared to neighbouring countries," he said, adding that easier access to bank loans and their unwillingness to disclose financial information makes

them shy about entering the stock market.

If a company is being listed with the stock exchanges, then it has hardly any scope to evade tax.

"They consider tax evasion is more lucrative than the tax gap as tax evasion is easy," the merchant banker said.

Richard D Rozario, president of the DSE Brokers Association of Bangladesh, said there are many reasons that discourage entrepreneurs from going public, such as easy access to bank loans and lack of accountability for non-listed companies.

There is no obligation for multinational companies to get listed with the stock market in Bangladesh but they should be otherwise ordered to do so.

In the last 11 months, six companies raised funds of around Tk 608 crore through initial public offerings whereas 16 firms raised funds of Tk 1,684 crore a year earlier.

Is Bangladesh paying the price

FROM PAGE B1

The BB has so far supplied more than \$5.3 billion to the market this fiscal year.

"We should also reduce imports to narrow the trade and current account deficit," Rahman said.

The monthly import payments are now more than \$7 billion. Because of the escalated imports, the trade deficits reached a record high of \$24.90 billion between July and March. The current account deficit stood at \$14 billion.

The reserves fell to

around \$42 billion last week in contrast to \$46.15 billion on December 31.

Rahman recommended the central bank restore the discipline in the foreign exchange regime since banks are not following the BB instructions related to the price of the dollar.

Selim Raihan, executive director of the South Asian Network on Economic Modeling, thinks that the central bank should have devalued the local currency step by step over the years.

"The central bank might be adopting a wait-and-see

approach at the moment. But the country may turn out as a loser if it takes too long to devalue the currency."

Although the depreciation of the local currency stokes inflationary pressures, the central bank has no other scope but to do so, he said.

"The government should take fiscal measures to insulate the lower income groups from higher inflation."

The existing crisis in the global market might linger

as the war in Ukraine is still raging and the coronavirus pandemic is not over yet.

"A gradual depreciation is key to mitigating the crisis," said MA Razzaque, research director of the PRI.

Shah Md Ahsan Habib, a professor at the Bangladesh Institute of Bank Management, advises the central bank not to depreciate the taka to a large degree all of a sudden and rather recommends the BB monitor the market trend to assess the outcomes generated by the

recent depreciation.

"If the BB depreciates the currency by Tk 4-5 suddenly, a panic will spread in the market," he said.

Md Habibur Rahman, chief economist of the central bank, says that the central bank will observe the situation in the next couple of days before deciding its next course of action.

"We will try to avoid imported inflation," he said, adding that the debt servicing will go up due to devaluation.

Learn about Bangabandhu

FROM PAGE B1

"It is very important for us to read Bangabandhu and understand his vision from the literature about him written by his companions," he said.

"Because this would give us a comprehensive view about the great leader who not only delivered captivating speeches or leadership but also his high-minded thoughts on how to ensure social and economic justice in the country," he said.

"His vision is to ensure development of the country alongside delivering basic needs -- food, education, clothes, etc -- to the people," said Sen.

He envisioned a socialism that would be run diametrically. But the path of implementing such a system was unknown to him as no country in the world had introduced it, he said.

"So, Bangabandhu directed that we shouldn't follow any model to introduce such system

as even the Soviet Union couldn't implement socialism," he said.

Bangabandhu did not want a Bangladesh that would be run by a handful of families wielding monopoly over the country's resources. He did not want the fate of the people to be determined by the rich and influential, he added. Muntasir Mamoon, trustee chairman at 1971 Genocide-Torture Archive and Museum Trust, was present.