Brothers Shibnath and Kamlesh have been in the profession of sharpening tools for three generations. Nowadays they charge Tk 30 for each tool, be it a scissor or a butcher's knife. On a good day they can earn up to Tk 1,500. The photo was taken from Khulna city last week. PHOTO: HABIBUR RAHMAN

Russians feel little economic pain now but outlook darkens

REUTERS, *London*

For Oleg Kechin, owner of a chain of barbershops, forecasts that Russia will be plunged into its deepest economic crisis in a generation feel overdone.

US President Joe Biden may have promised that Western sanctions would wreak economic havoc in Russia, but Kechin's business is still drawing in customers in the town of Saransk, which lies 510 km (320 miles) southeast of Moscow.

"There's no deep crisis. In general, everything's fine," he said. "Everyone's talking about a decrease in purchasing power, but I haven't noticed it." Yet, such confidence may not be entirely well placed, if some indicators are to be believed. Trade with the outside world has plunged, consumers are reluctant to spend and rising prices on basic items are starting to squeeze household budgets.

Russian officials insist the economy is holding up. The central bank slashed interest rates by three percentage points to 11 per cent on Thursday and expects to cut its forecast for inflation for this year from the current prediction of 18-23 per cent.

Under capital controls and orders that exporters sell half their hard currency earnings, the rouble has rallied and, at about 66 to the US dollar, is stronger than before Russia sent its armed forces into Ukraine on February 24.

ANALYSIS

President Vladimir Putin, who has welcomed the departure of foreign firms which have sold up or just dumped Russian assets, said Russia could not be isolated from global trade.

But not everyone is convinced the economy will escape unscathed. Roman, a 25-year-old in Moscow, who asked not to be identified by his full name, said middle class life was not "drastically different" than before but he saw worrying signs.

"One thing that bothers me ... is constant price rises for everyday goods and even vegetables. I think that signals the worst is yet to come." he said. "The situation with the labour market in my sphere doesn't make me very optimistic either."

Some indicators justify his concerns. VAT receipts, which reflect consumer spending, fell 54 per cent in April year on year, the Kommersant daily said, citing preliminary finance ministry data.

Economy Minister Maxim Reshetnikov said on Friday there was a "demand crisis" in business and consumer spending.

Russia has stopped publishing most data on financial flows, but figures compiled by the Bank of Finland based on local customs data show imports have plunged - and not just from the West.

Chinese exports to Russia were down by a quarter in April and shipments from Vietnam, South Korea, Malaysia and Taiwan more than halved, the bank said.

The economy minister said manufacturers were re-establishing supply chains broken by sanctions and said 2,000 "backbone companies" could access preferential lending programmes.

But inflation is still at its highest in two decades at more than 17 per cent. That means a 10 per cent hike in pensions and the minimum wage announced by Putin still leaves many facing a cut in household incomes in real terms.

Rising prices may not be Russia's biggest problem. The strong rouble has already brought down weekly inflation sharply, but it won't fend off a broader threat to economic output from Russia's increasing isolation.

Reshetnikov said there were "fears that we could break into a deflationary spiral, when a reduction in money in the economy leads to a reduction in production, lower prices, and so on." Meanwhile, financing a military campaign in Ukraine will put pressure on the budget. Finance Minister Anton Siluanov said on Friday that Moscow required "huge financial resources" for what Moscow calls its "special military operation".

Rahman reelected Pubali Bank chair

STAR BUSINESS DESK

Pubali Bank reelected Monzurur Rahman as its chairman of the board of directors unanimously at the bank's 1338th board meeting.

The re-appointee, Rahman is the chairman of Rema Tea Company Ltd, a press release said.

He has a long 53 years of experience in banking, insurance and tea business.

He was an independent director of Lafarge Holcim Bangladesh Ltd and an elected member of the executive committee of the Bangladesh Association of Publicly Listed Companies.

Rahman completed his graduation from Calcutta University.

FUEL SHORTAGE

Sri Lanka port switches to pedal power

AFP, *Colombo*

Cash-strapped Sri Lanka's main seaport unveiled a free bicycle service on Tuesday, allowing workers to navigate the facility without petrol-powered vehicles, as the island nation struggles with unprecedented fuel shortages.

The island nation is experiencing its worst financial meltdown since independence, leaving authorities struggling to pay for adequate supplies of vital imports.

Motorists around the South Asian country are forced to spend hours or even days waiting for rationed fuel at gas stations.

The bicycle initiative was aimed at conserving petrol in the Colombo deep-sea container port, Sri Lanka Ports Authority chairman Prasantha Jayamanna said.

"We have built a cycle track along a disused railway line for those who come to the port to use cycles instead of other vehicles," he told reporters.

The port in Sri Lanka's capital sits on 469 hectares (1,160 acres) of land, with its longest road stretching four kilometres (2.5 miles) through the facility. Shipping lines operating through the port -- located in the Indian Ocean, along the world's busiest east-west maritime trade route -- donated 100 bikes to kick off the initiative, Jayamanna said.

Despite Tuesday's announcement, Jayamanna said the port was "insulated from the economic troubles" plaguing Sri Lanka, and was offering petrol from its own reserves to dock workers who were struggling to source fuel elsewhere.

"We are carrying out our work as usual as we have our buffer stocks of fuel," he added.

Sri Lanka's economic crisis was sparked by a crunch on foreign currency reserves that also left importers unable to source food, fuel and other goods. Rampant inflation, frequent blackouts and long queues for essentials have made life a misery for the island's 22 million people.

Talk of the town: falling forex

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of import payments in a post pandemic world was predictable but the war on Ukraine is toying with all predictions.

What could the government have done to combat the crises? Well, in short term perspective it has acted exactly in the way it should have - cap the fancy tours, pamper the remitters and create entry barriers for non-essential goods.

Also, multi-agency efforts to scale up export and attract FDI has been set in motion. Presumably the government's medium-term actions are coming up in budget proposals. One such programme is to bring back illicit money that crossed borders, make it legitimate through taxation and raise reserves. The scheme was launched in FY 2020-21 with a flat rate of tax but failed to produce any fruitful results. Perhaps the legislation will make another attempt in an upgraded version. On top of it, here we add a point to ponder for medium and long-term action, to reign in further flight of capital.

The Bombshell GFI Report

That money moves fraudulently through over invoicing of export and under invoicing of import worldwide is public knowledge. We are no exception to that. But there was no general agreement on how much money indeed cross borders this way till the Global Financial Integrity, a Washington based think tank, in 2008 first published its groundbreaking report on illicit flow of money. Today, after 14 years of coming into being, the GFI report is read and respected all over the world.

In their recent release, the GFI has estimated for us that a total of $49.65 billion has been overstated through falsified invoicing in 6 years between 2009 and 2018. The average for these reported years is $8.27 billion, multiply it with 10 to cover all 10 years, again multiply it with a flat rate of Tk 85. The total stands at an astounding Tk 7 lakh crore!

These numbers are not based on perception, rather they are extracted from concrete reports. As a member nation we report our trade numbers annually to United Nations. The GFI matched these numbers with the destination country data in case of export and country of origin in case of import, summed up the differential and reached at this robust size.

We must be convinced that the GFI does not produce a perception index. It plays with real life numbers and that too in highly acclaimed ways. If we are serious about the declining trend of the forex reserve, we should take the illicit financial flow seriously. If we do, then the adoption of valuation determination modalities for both inbound and outbound products cannot be any big challenge.

The Admirable Indian Story

In 1990 the Reserve Bank of India had a reserve that could cover only 4.8 weeks of Indian import. In 2004 it reached the $100 billion mark for the first time. Today, with $600 billion ($597.51 on May 20) in the exchequer it can comfortably cover 18 months of import.

India has also climbed to the 4th position in the global table of reserves only after China, Japan and Switzerland.

How did they do it?

Perhaps we can dig a bit deeper into their fiscal and monetary policies and gain some takeways.

The author is a member of the Pacific Council on International Policy and a former commercial counselor at the Los Angeles Consulate. He can be reached at amamoon42@gmail.com. The views expressed in this article are personal.

Litchi growers, traders eye better profit

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Ziaur Rahman, a litchi grower of Mashimpur village under Dinajpur sadar upazila, said production of Bedana litchis dropped largely this year due to the bad climate.

"The season will not be as profitable as farmers expected but still, it is a boon for traders," he added.

Rezaul Islam, a litchi farmer of Biral upazila, said production would drop by 30 per cent this year due to fluctuating temperatures, untimely fog and sporadic rains during the flowering season. Anwarul Islam, the owner of a litchi orchard in Madhabbati village of Biral upazila, said he usually gets around 10,000 pieces of the fruit from each of his 57 plants.

This year though, yields have seemingly fallen by up to 30 per cent, he added.

Khaledur Rahman, additional deputy director of the Dinajpur DAE, said around 4,000 small and large litchi orchards covering 5,000 hectares of land in the district produce at least 30,000 tonnes of the fruit each year.

"However, the adverse weather conditions expectedly had some effect on production," he added.

Local litchi traders expect business of around Tk 500 crore to Tk 550 crore this year.

A large number of people, most from poorer communities in the region, also earn hefty sums during the litchi season by crafting bamboo baskets used to ship the fruit.

Trader Shafiqul Islam said he sells around 1,000 to 1,200 pieces of these baskets every day at the litchi market at a cost of between Tk 70 and Tk 400 depending on size.

Almost 95 per cent of the orchard owners lease out their plants to traders.

For example, owner Rafiqul Islam Babu leased out his 100-tree orchard on an acre of land in Moheshpur village of Biral upazila to Md Azizul Islam for two years at a cost of Tk 10 lakh.

Islam said maintaining an orchard has become much costlier for people like him in recent years. He needs to spray pesticides about 18 to 20 times a year with each round costing him Tk 5,000.

There are other maintenance costs as well, including that of fertilisers and irrigation.

The harvesting process has also become more costlier as labourers now charge Tk 200 for plucking 1,000 litchis.

"Alongside the lease cost, there are around Tk 3 lakh worth of additional expenses," he added.

DSE turnover

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Textiles and City General Insurance Company were also in the list.

Provati Insurance Company shed the most, dropping 5.84 per cent. VFS Thread Dyeing, Golden Harvest Agro Industries, Bangas and Bangladesh Shipping Corporation were in the list of those suffering losses the most.

Beximco became the stock to be traded the most, with shares worth Tk 51 crore changing hands, followed by Orion Pharm, Fu Wang Food, GSP Finance Company (Bangladesh), and Beximco Pharmaceuticals.

Chittagong Stock Exchange (CSE), however, dropped yesterday. The CASPI, the index of the port city bourse, fell 35 points, or 0.18 per cent, to 18,667.

Among the 279 stocks to undergo trade, 86 advanced, 162 fell and 31 remained the same.

Monzurur Rahman, chairman of Pubali Bank, presided over the bank's 39th annual general meeting at the lender's head office in Motijheel, Dhaka yesterday. The shareholders approved 12.50 per cent cash dividend for the year that ended on December 31, 2021. Moniruddin Ahmed, Habibur Rahman, Ahmed Shafi Choudhury, Fahim Ahmed Faruk Chowdhury, Rumana Sharif, M Kabiruzzaman Yaqub, Musa Ahmed, Azizur Rahman, Md Abdur Razzak Mondal, Rana Laila Hafiz and Mustafa Ahmed, directors, Shahdeen Malik and Mohammad Naushad Ali Chowdhury, independent directors, were present. PHOTO: PUBALI BANK

Mohammed Monirul Moula, managing director of Islami Bank Bangladesh, addresses a farewell reception for the retired executives of the bank at Islami Bank Tower on Monday. Muhammad Qaisar Ali and Md Omar Faruk Khan, additional managing directors, Md Mostafizur Rahman Siddiquee, deputy managing director, and Md Maksudur Rahman, head of development wing, attended the programme. PHOTO: ISLAMI BANK BANGLADESH

Eurozone inflation soars

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worsening already disrupted supply chains and throwing up new shortages in essential material from wheat to metals.

This remained that case in May with energy prices spiking by a hair-raising 39.2 per cent from a year earlier. Food prices went up by 7.5 per cent.

Western economies including Germany -- the eurozone's biggest -- are scrambling to wean themselves off Russian energy, which will also have its effects on inflation.

The EU on Monday agreed to ban two-thirds of its oil dependency by the end of the year -- and German and Polish pledges to voluntarily forgo pipeline deliveries could push the cut to 90 per cent -- which could put still more upward pressure on prices.