

United Feeds recognised as Dairy Icon-2021

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United Feeds Ltd, a sister concern of Meghna Group of Industries (MGI), has been recognised as the 'Dairy Icon-2021' by the Ministry of Fisheries and Livestock for contributing to the poultry and fisheries industries of Bangladesh for more than 20 years.

The ministry organised a Dairy Icon Celebration programme to recognise the organisations for their contribution to the poultry and fisheries industries, at Krishibid Institute, Bangladesh in Dhaka on June 1, to celebrate 'World Milk Day 2022'.

SM Rezaul Karim, minister for fisheries and livestock, handed over a crest and certificate to Tasnim Mostafa, director of MGI, as the recognition, a press release said.

Mohammad Yamin Chowdhury, secretary of the fisheries and livestock ministry, Monjur Mohammad Shahjada, director general of the Department of Livestock Services, Robert D Simpson, country representative of the Food and Agriculture Organisation in Bangladesh, were present.



Inflation shot up to 6.29 per cent in April – the highest in 18 months – amid persistently high food and non-food prices, according to Bangladesh Bureau of Statistics.

PHOTO: PRABIR DAS

Raising GDP growth, reining in inflation to be tough

Economist Zahid Hussain says

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Policymakers will find it tough to bring some sort of a balance between targets to ensure economic growth while containing inflation in the next fiscal year, economist Zahid Hussain said yesterday.

Growth of the gross domestic product (GDP), the monetary measure of the market value of all final goods and services produced in a specific time period, stood at 7.3 per cent in fiscal year 2021-22, according to the Bangladesh Bureau of Statistics.

The consumer price index (CPI), the most widely used measure of inflation measuring the overall change in consumer prices over time based on a representative basket of goods and services, has gone up 6.3 per cent year-on-year as of April, said Hussain, a former lead economist at the World Bank's Dhaka office while addressing a workshop on the national budget organised by BRAC University Economics Club at its Mohakhali campus.

Citing data, he said private consumption has been a major driver of economic growth over the last couple of years. Private consumption grew 72.8 per cent of the GDP in fiscal year 2021-22

from 68.8 per cent the year before. Private investment grew during the current fiscal year. Public investment as a percentage of GDP also increased, he said.

Hussain said the current account imbalance as a percentage of the GDP rose from 0.9 per cent in fiscal year 2020-21 to 6.9 per cent in the current fiscal year, owing to increasing trade deficit and reduced flow of remittances, creating pressure on international payments of Bangladesh.

He said instead of addressing the core cause, Bangladesh Bank tried fixing the exchange rate, which nearly turned the interbank market dysfunctional over the past couple of weeks. The central bank also increased the margin for opening letters of credit to discourage imports but that only decreased local market supplies and raised prices, said the expert.

Although the government simultaneously raised regulatory duty on the import of goods such as flowers, fruits, furniture and cosmetics, this addressed the issue of external balance, not inflation, said the economist.

It remains to be seen whether two other government steps bring any

fruitful result – a ban on visits abroad by government officials and going slow on the implementation of government projects, especially those taken on political consideration, he said.

The workshop also focused on other aspects of the national budget and its implications on the country's economic growth, both in the short and long run.

Hussain explained that all such efforts were to attain macroeconomic equilibrium, a condition in the economy in which the quantity of aggregate demand equals the quantity of aggregate supply.

Internal and external imbalances result from the system going into disequilibrium, with the adjusters being government intervention through tariffs and quotas, current account deficits and surpluses, inflation or deflation, changing foreign exchange reserves and interest rates and trade and price wars, he said.

Internal imbalance is a combination of recession, inflation and unemployment while external imbalance culminates from foreign exchange shortage and both external indebtedness as in the case of Sri Lanka or assets build up as in the case of China, said Hussain.

City Bank raises Tk 700cr thru bonds

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City Bank recently raised Tk 700 crore issuing its fourth subordinated bond.

Agrani Bank, Janata Bank, Sonali Bank, Mercantile Bank, National Life Insurance Company and Shimanto Bank subscribed to the bond.

The funds will be used to enhance City Bank's tier-II capital following "Guideline of Risk Based Capital Adequacy" of Bangladesh Bank, thereby increasing its capital to risk-weighted asset ratio, says a press release.

City Bank Capital Resources and IDLC Investments were the lead arranger and trustee of the issue respectively.

ICCB against hard loans, luxury imports

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ICC Bangladesh (ICCB) strongly endorsed the finance ministry's recent recommendation to avoid hard loans and discourage the import of luxury goods in order to reduce the pressure on declining foreign exchange reserves.

The leading chamber also endorsed the recent austerity and regulatory measures taken by the government and Bangladesh Bank aimed at curbing non-essential imports, suspending the implementation of projects with high import components.

"We believe this will send a positive signal to the market and the economy as well as curb inflation," said ICCB President Mahbubur Rahman.

He was speaking while presenting the ICCB Executive Board Report at its 27th annual council in Dhaka yesterday.

ICCB also supports the demand of the businesses not to increase power and gas rates, fuel prices as well as reduce the corporate rate taxes in the upcoming budget as these will be helpful in containing inflation, the ICCB president said.

The report mentioned that over the last two years, the pandemic has played a major role in shaping the global economy. Many sectors have found themselves in difficulty and are still struggling and the countries dependent on those sectors are now quietly trying to get back up again.

Despite the strong economic recovery in 2021, the financial difficulties are not over and may still cause economic slowdown, according to the chamber.

In addition, many countries are faced with an increasing debt burden, high inflation and burning issue of the moment, geopolitical tensions, which all play a major role, it said.

The global economy is poised to be sent on yet another unpredictable course by the Russia-Ukraine war. This war is a major humanitarian crisis affecting millions of people and a severe economic shock of uncertain duration and magnitude.

The magnitude of the economic impact of the war is highly uncertain and will depend in part on the duration of the war and the policy responses, but it is clear that the war will result in a substantial near-term drag on global growth and significantly stronger inflationary pressures, the report added.

Leading decent life

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The expenses came down to Tk 29,206 if the family compromises or removes animal protein from its menu.

The CPD said high inflation is directly threatening the food security of workers earning a minimum wage as they are unable to manage either a regular diet or a compromised diet.

The analysis shows that assuming a 5 per cent annual increment in the basic salary since the last wage review, the minimum wage in 2022 for workers in all industries would not be enough to afford a regular diet for a household of four.

The workers of many industries such as shrimp, fish and trawlers, hotels and restaurants, soap and cosmetics, tailoring, cotton textile, bakery, biscuit and confectionery, automobile workshop, and leather and footwear wouldn't be able to have even a compromised diet with their minimum wage.

For example, an employee of a bakery, whose minimum wage now stands at Tk 6,716, can't afford the expenses of a compromised diet, which costs Tk 8,016 a month.

Although a garment worker, earning a monthly minimum wage of Tk 9,312, can afford a compromised diet, he is unable to bear a regular diet, which costs Tk 21,258.

"Hence, it is urgent to revisit and revise the minimum wages of workers in all industries immediately," the CPD recommended.

The struggle of the poor and the low-income groups that began with

the outbreak of Covid-19 in early 2020 has now worsened by the unabated rise in the prices of essentials.

This is affecting the economic recovery process as a large section of people are still struggling to stay afloat, said Fahmida.

According to the CPD, though the current price hike is mainly due to higher import costs, domestic factors such as the market distortion by a few dominant players, are also responsible.

Fahmida said there are discrepancies between the government's data on inflation and the actual prices of commodities in the market.

"In most cases, official inflation figures don't paint the actual scenario of the market. The price of essential commodities has surged more than 40 per cent in the past one year, but it is not reflected in the inflation data."

The analysis shows that at least 29 imported essential food items currently face a high incidence of tax.

"High inflation has revealed the inherent weakness in the government's domestic resource mobilisation approach which is largely dependent on revenue collection from indirect taxes."

If the current pace of inflation continues, the government may be compelled to withdraw other indirect taxes on essential items like it did in case of soybean oil.

"Thus, the fiscal policy, which is highly dependent on indirect taxes, propagates economic

inequality in society and forces the government to trade off revenue generation in the face of high inflation."

Prof Mustafizur Rahman, a distinguished fellow of the CPD, said the spike in inflation is not solely related to the rising global prices.

"There are anomalies in the total market management."

He said inflation may increase since Bangladesh can't control the foreign market and dollar prices.

"But if we can establish good governance, beef up surveillance and handle the market systems properly, inflation would go down significantly."

According to the CPD, Bangladesh's economy is facing several challenges owing to global political and economic crises.

"In the context of high inflationary pressure, deficits in trade and current account, the exchange rate volatility, and the pressure on foreign exchange reserves, macroeconomic management will be more challenging than ever before."

Handling the crisis requires prudent fiscal and monetary policies that will meet the demand for higher subsidies and incentives in a few critical areas, enhancement of domestic resources mobilisation, rationalisation of public expenditure, and ensuring of social protection to the poor.

"Policymakers will have to come out of growth obsession and focus on the quality of growth in terms of distribution of the benefits of growth more equally," said the CPD.

85pc firms want Bangladesh-Japan FTA

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The Japanese markets ceases to exist, the survey found.

Simplifying the process of issuing certificates of origin (COO) within a shorter period of time is required as well. The introduction of self-certification could serve to this end, it said.

The responding companies were in favour of the FTA between Bangladesh and Japan as the companies will not be able to enjoy duty benefits in Japanese markets after Bangladesh's graduation to a developing country.

However, the proposed signing of an FTA will help retain the duty benefit to Japanese markets. Japan is the only Asian nation where the export of goods from Bangladesh crossed

\$1 billion for the first time since 2012 because of increased garment exports.

Of the total exports to Japan from Bangladesh, 95 per cent are apparel items.

Some local companies say the country would lose its competitiveness without the GSP facility if compared with other countries that have FTAs. The tariff will go from 7.4 per cent to 10.9 per cent on garment exports to Japan if the GSP expires, the survey said.

Similarly, leather shoe shipments would face around 30 per cent customs tax to enter Japan, it added.

ITO Naoki, ambassador of Japan in Bangladesh, said both countries are interested in conducting a joint study on the feasibility

of signing an FTA.

"We do not have the option for GSP extension. We need to sign agreements and an FTA may be an option for market access to Japan for Bangladesh," Naoki said at an event on sharing the outcomes of the survey on FTA/EPA between Japan and Bangladesh, held at Lakeshore Hotel in Dhaka.

The foreign, commerce, finance and agriculture ministries have already started discussions on signing an FTA between Bangladesh and Japan, Naoki said.

Commerce Minister Tipu Munshi, various diplomats, government high-ups, and businesspeople of both Bangladesh and Japan participated in the discussion.

"We are positive for

signing the FTA with Japan," Munshi said in his speech.

Bangladesh has been trying to sign FTAs or preferential trade agreements (PTAs) with some of its major trading partners but so far only one PTA as been signed with Bhutan in December last year.

Recently, the sub-committee on smooth LDC graduation recommended signing trade agreements with seven important trading partners like China, India, Japan and Russia but only China and India have expressed interest in this regard.

"We need investment from Japan," Munshi said.

Tapan Kanti Ghosh, senior secretary to the commerce ministry, said the signing of FTAs, PTAs and Comprehensive

Economic Partnership Agreements (CEPA) is dependent on the willingness of partnering countries.

Sometimes, the signing of trade agreements does not take place because of political, strategic or purely economic factors. However, Japan is a very important country for Bangladesh.

"But, in case of Bangladesh import is a major source of revenue and the government also wants to save the domestic industries, which is a major factor in case of signing the trade agreements," Ghosh said.

Last week though, a draft was published which will act as the guideline for signing trade deals with trading partners and other regional trade pacts, he added.

Saving money in banks

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scheduled banks adjusted with the point-to-point monthly consumer price index inflation, fell from 0.03 per cent in March 2020 to -2.21 per cent in March 2022.

According to the Bangladesh Bureau of Statistics, inflation reached 6.29 per cent in April, the highest in 18 months, whereas in March it was 6.22 per cent.

However, if the real inflation rate is incorporated into the recent price increases then the real scenario will be found to be worse, said the think tank.

In March, the weighted average interest rate stood

at 4.01 per cent, according to Bangladesh Bank.

The CPD executive director went on to say that the matter of concern was that people of the lower-income tier were not getting much returns for the inflationary pressure.

"It has a great impact on the public life. Nobody wants to lose their money," she said.

During the pandemic, the weighted average lending and borrowing rates in all scheduled banks came down sharply, according to the analysis.

As a result, the interest rate spread has come down, adding to the woes of the commercial banks, it said.

Default loans surge

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He says the number of habitual defaulters is going up, contributing to the increase in NPLs.

Bangladesh Bank data showed that 46.5 per cent of the defaulted loans were with nine state-run banks.

NPLs in the state-run banks rose 11 per cent year-on-year to Tk 52,753 crore in March.

Forty-one private commercial banks held defaulted loans of Tk 57,804 crore, up 28 per cent from a year ago, while the NPLs in nine foreign banks increased to Tk 2,885 crore in contrast to Tk 2,458

crore.

In a paper yesterday, the Centre for Policy Dialogue said due to the longstanding moratorium on loan classification, the current level of NPLs is hardly indicative of the reality.

"It is apprehended that the actual volume of NPLs is far greater than shown by the official numbers."

It is anticipated that NPL will rise further in the coming days, as loans under Covid-19 liquidity support packages were not provided in a transparent or accountable manner, said the CPD.

France in talks with UAE to replace Russian oil

REUTERS, Paris

France is in talks with the United Arab Emirates to replace Russian oil purchases, which will stop after the imposition of a European Union ban on Russian crude, Finance Minister Bruno Le Maire said on Sunday.

"There are discussions with the United Arab Emirates. We have to find an alternative to Russian oil," Le Maire told Europe 1 radio.