Biden chides oil firms for fattening profits

REUTERS, *Los Angeles*

US President Joe Biden on Friday accused the US oil industry, and Exxon Mobil Corp in particular, of capitalizing on a supply shortage to fatten profits after a report showed inflation surging to a new 40-year record.

US consumer inflation accelerated in May as gasoline prices hit a record high and the cost of food soared, leading to the largest annual increase in four decades. A gallon of regular gasoline cost an average $4.99 nationwide on Friday, according to motorist group AAA.

Biden, who came into office vowing to reduce US dependence on fossil fuels, said on Friday he was hoping to speed up oil production, which is expected to hit record highs in the United States next year.

US oil companies are not using higher profits to drill more but to buy back stocks, the US president said

But he also issued a warning to the industry, whose profits have jumped with oil and gas prices, pointing to the gains as evidence consumers are paying for more than higher labor and shipping costs.

"Exxon made more money than God this year," Biden told reporters following a speech to dockworker union representatives at the Port of Los Angeles. US oil companies are not using higher profits to drill more but to buy back stock, he added.

Share buybacks improve earnings per share by reducing the number of shares outstanding, indirectly helping to boost share prices. Companies see buybacks as a way to reward investors.

"Why aren't they drilling? Because they make more money not producing more oil," Biden said. "Exxon, start investing and start paying your taxes."

Exxon pushed back at the comments, noting it has continued to increase its US oil, gasoline and diesel production, and had borrowed heavily to increase output while suffering losses in 2020.

ICT SECTOR AT A GLANCE

SOURCE: BUDGET SPEECH 2022-23

Current annual export earnings:	Business activities started at 9 high-tech parks/IT incubation centres	Local investment in the parks so far:	Proposed foreign investment in the parks:	Number of start-ups in Bangladesh:	Direct and indirect employments:	Export target by 2025:
$1.4b		Tk 2,000cr	$439m	2,500	15 lakh	$5b

ICT sector's demands not reflected in budget: BASIS

STAR BUSINESS REPORT

The proposed budget does not reflect the ICT sector's demands although they are aimed at accelerating the development of the industry, said the Bangladesh Association of Software and Information Services (BASIS) yesterday.

It said it had proposed extending the exemption of corporate tax to businesses related to software development and information technology-enabled services (ITESs) from 2024 to 2030, but this has not been considered in the budget.

The BASIS also suggested allocating at least 10 per cent of the budget for the internal development of all ministries and their affiliated agencies, particularly the purchase of software and ITES.

"But we did not see any specific guidelines in this year's budget," it said.

The BASIS suggested allocating at least 10 per cent of the budget for the internal development of all ministries and their affiliated agencies, particularly the purchase of software and ITES. But it said it did not see any specific guidelines in this year's budget.

"The budget for the IT sector did not reflect our proposals," said Abu Daud Khan, a vice-president of the association.

He thanked the finance minister for increasing the budget allocation for the

ICT sector by 16.69 per cent, or about Tk 274 crore, to Tk 917 crore compared to the revised budget.

"However, there was no clear indication as to which projects or sectors the money would be spent and how it would benefit the ICT industry and its entrepreneurs."

Khan also applauded the proposal that exempts start-ups from all types of reporting obligations, except the filing of income tax returns.

The BASIS said it proposed creating a fund of at least Tk 300 crore to provide loans to women entrepreneurs at a 2 per cent interest rate to increase their participation in the ICT sector.

It also sought incentives equivalent to 10 per cent of the monthly salary of female officers or employees working at software and ICT companies to give a boost to women's employment.

However, the proposed budget did not consider the proposals, said the association.

The trade body said the budget also did not reflect its demand for the inclusion of the platform as a service (PaaS) and the software as a service (SaaS) in the definition of ITES.

The PaaS is a cloud computing model where third-party providers deliver hardware and software tools to users, while SaaS platforms make software available to users, both over the internet.

But the demands were not taken into account, the BASIS said.

"We noticed that many schemes have been taken up by the government in many sectors from time to time to compensate for business losses owing to the coronavirus pandemic. So, we proposed to take up a Tk 2,000 crore stimulus package for the ICT sector at 5 per cent government-subsidised interest rate, but we did not see that in the budget outline either."

The organisation went on to say that the budget proposed to impose a 15 per cent value-added tax (VAT) on the imports of essential equipment used in the ICT sector, especially laptops and printers.

"This will increase the cost for both traders and consumers."

There should be a plan to multiply the production of laptops locally by building an ecosystem for making it faster. Otherwise, the price of imported laptops may go past the purchasing power of freelancers, it added.

Fahim Ahmed, a vice-president of the BASIS, said he hoped the government would reconsider the issues.

High and low tide of inward remittance

AL MAMOON

Till the end of May our inbound remittance totaled $19.19 billion, $3.6 billion dollar less than that last year. With the current downward trend, in an optimistic estimation, we can eye a near $21 billion by the end of the financial year which would be 15 per cent less on a year-on-year basis. But based on this figure alone will it be justified to arrive at a decision that the magic of remittance have waned, we have run out of means to fill the increasing trade gaps, and are quickly embracing a bleak financial future? Before siding with a yes or a no let us revisit the trend of remittance flow.

Bangladesh Bank recorded our remittance inflow from FY 2016-17 to FY 2019-20 at $12.77, $14.98, $16.42 and $18.21 billion on each year respectively. At this progression, in 2020-21 it would have been between $20.50 and $21 billion. But as Covid-19 turned all predictions upside down, we closed the year with $24.78 billion, an unprecedented 36 per cent rise.

While we label the current trend of remittance inflow as "declining", we must not forget that this rise was somewhat unnatural. Which is why, it was inevitable to fall from that cliff, settle at a lower point, regroup, and start the uphill climb again.

The market forces that traditionally prevailed, but were gone during the pandemic, are striking back now. One such force is the alternative channels of money transfer. The whole hundi racket went into oblivion since April 2020, money came through banking channels mostly and we piled up a near $25 billion. But the bad boys are back on the streets now and the gap of Tk 6 to Tk 7 between bank rates and the kerb market is only fueling the fire.

While we label the current trend of remittance inflow as "declining", we must not forget that this rise was somewhat unnatural. Which is why, it was inevitable to fall from that cliff, settle at a lower point, regroup, and start the uphill climb again

Has the government failed to respond?

Some economists might not have approved of the way the central bank acted in the face of a rising rate of US dollars in the unofficial market and later amended its actions but one thing is for sure that is the government cannot be blamed for its inaction. The government is also allowing unlimited fund transfers without requiring supporting documents since May 23. Also, we heard it on the grapevine that the 2.5 per cent incentive will go up in the budget proposals.

If it is done, we would not hesitate to welcome the move. Let us assume that the receiving party cashes Tk 103.50 for every Tk 100.00 remitted. Let us also assume we reach $25 billion again in June 2023. How much additional expenses will the government incur for it at the existing exchange rate of Tk 89.90? It would be a subsidy of Tk 5,618 crore with 2.50 per cent and with one taka more in every hundred it would be Tk 7,866 crore. That is an additional subsidy of Tk 2,247 crore worth spending for the greater good of a greater number of people, for stabilising the forex market and for ousting the bad players from the ground.

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US inflation skyrockets

AFP, *Washington*

US inflation surged to a new four-decade high in May, defying hopes that price pressures had peaked and deepening President Joe Biden's political troubles as Americans struggle to meet the cost of essentials like food and gas.

Government data released Friday put inflation at 8.6 per cent, extending increases not seen for a generation, with gas prices hitting daily records fueled by Russia's invasion of Ukraine and supply chain challenges related to the pandemic.

Biden, whose popularity has taken a hit as prices surge just months before November's midterm elections, has made fighting inflation his top domestic priority but is finding he has few tools to directly affect prices.

"I'm doing everything in my power to blunt Putin's price hike and bring down the price of gas and food," he said Friday while speaking at the Port of Los Angeles.

"We're better positioned (than) just about any country in the world to overcome the global inflation we're seeing and to take the next step towards forming a historic recovery."

The president has tried to hammer home his optimistic message about economic progress in the wake of the pandemic, including rapid GDP growth and record job creation, while pressing Congress to take action to lower costs on specific products.

Biden cited releasing 30 million barrels of reserve oil and repeated his call to approve legislation to go after firms such as shipping companies that are taking advantage of limited competition to impose steep price hikes.

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People shop for groceries at a supermarket in Glendale, California. Government data released Friday put inflation at 8.6 per cent, extending increases not seen for a generation, with gas prices hitting daily records.

PHOTO: AFP/FILE

India's fuel demand jumps 24pc

REUTERS

India's fuel consumption jumped 23.8 per cent in May from a year earlier, continuing a recovery from a relatively low base in 2021 when the world's third biggest oil consumer was in the grip of a second wave of Covid-19.

Consumption of fuel, a proxy for oil demand, totalled 18.27 million tonnes last month, according to data from the Indian oil ministry's Petroleum Planning and Analysis Cell.

Last month's increase was the biggest year-on-year jump since April 2021. Consumption also rose modestly, by 0.4 per cent, from April.

The yearly increase is "because of a lower base, as demand in May 2021 was low due to high Covid cases at that time," although the monthly rise was surprising, said Refinitiv analyst Ehsan Ul Haq.

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