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BUSINESS



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THINGS BB CONSIDERING FOR MPS



Containing high inflation


Withdrawing lending rate cap or making it flexible


Hiking policy rate further


Restoring stability in foreign exchange market


Keeping private credit growth target unchanged



EXPERTS' SUGGESTIONS

- No other scope but to withdraw lending rate cap
- Interest rate on deposit should be raised
- Money supply should be controlled further
- Imports should be contained aggressively
- Loans should be given to productive sector

KEY INDICATORS

- Average inflation in May: 5.99%
- Private sector credit growth in Apr: 12.48%
- Weighted average rate on lending in Apr: 7.04%
- Foreign exchange reserves on Jun 15: \$41.38b
- Trade deficit in Jul-Apr: \$27.56b

Wage hike dwarfed by rising inflation

MD FAZLUR RAHMAN and REJAUL KARIM BYRON

The wage growth in Bangladesh grew slower than the inflation rate in May, handing a blow to the country's millions of low-paid skilled and unskilled workers already struggling to make ends meet amid the rising cost of living.

According to the Wage Rate Index (WRI) of the Bangladesh Bureau of Statistics, pay rose 6.38 per cent last month compared to a year ago and were up 10 basis points from April's.

Inflation surged to an eight-year high of 7.42 per cent in May, driven by a hike in food costs, underscoring the plight a majority of the population in Bangladesh is currently


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BB treads a tightrope

It finds tools dwindling to fight inflation

AKM ZAMIR UDDIN

A key role of central banks is to conduct monetary policy to achieve price stability and help attain targeted economic growth.

But central banks in many countries are currently struggling to fight against runaway inflation caused by global supply chain disruptions stemming from the Russia-Ukraine war and the coronavirus pandemic.

The Bangladesh Bank, the central bank of Bangladesh, is also finding it hard to rein in the soaring inflation as it is set to draw up its monetary policy for the next fiscal year, beginning from July 1.

The latest inflation data, for May, released by the Bangladesh Bureau of Statistics on Monday has intensified further pressure on the central bank as it plans to unveil the monetary policy for FY2022-23 this month.

Point-to-point inflation surged to an eight-year high of 7.42 per cent in May, driven by a hike in food costs, exacerbated by global commodities price leaps, the depreciation of the local currency and supply bottlenecks.

The average inflation rate stood at 5.99 per cent during the July-May period, data from

the BBS showed, against the revised target of 5.7 per cent set for the outgoing fiscal year, ending on June 30.

Central banks usually hike their key interest rate, also known as the repurchase agreement (repo) in Bangladesh, so as to contain price pressures since the move reduces the money supply.

The Federal Reserve, the central bank of the United States, last week approved its biggest interest rate increase since 1994 to tackle an inflation that is running at a four-decade high.

The key interest rate is followed by commercial banks to set the interest rates on both loans and deposits. Banks also take short-term loans from the central bank on the basis of the rate.

But the situation is quite different in Bangladesh as the central bank has been maintaining a 9-per cent cap on lending since April 2020, meaning borrowing from banks is cheaper if the inflation rate is considered.

Amid a sharp increase in price pressures, the central bank raised its key interest rate for the first time in a decade on May 29 in order to contain inflation as it raised the repo rate by 25 basis points to 5 per

cent.

Although banks now feel discouraged to disburse loans to borrowers due to the increase in the key interest rate, the measure has hardly had any impact on reducing the demand for funds.

What is more, the upward trend of inflation may continue

BB officials, who are working to formulate the monetary policy statement, admit that the central bank has been left with one single tool – withdrawing the lending rate cap – to fight against inflation.

Although the BB is the authority to lift the cap, it can't do so in a true sense: it had to

foreign exchange market is another priority for the central bank's monetary policy.

The foreign exchange reserves stood at \$41.38 billion as of June 15 in contrast to \$46.15 billion on December 31.

The soaring import payments have contributed to the instability in the foreign exchange market.

Between July and April, imports went up by 41 per cent to \$68.66 billion, while exports grew by 35 per cent to \$41 billion. This resulted in a record trade deficit of \$27.56 billion, up 53 per cent year-on-year.

Withdrawing the lending cap will also help bring back discipline to the foreign exchange market as the cost of import financing will go up.

The BB official says it will keep unchanged the private sector credit growth for the next fiscal year to disburse funds to the productive sector smoothly.

Riding on the economic recovery, private sector credit growth improved to 12.48 per cent in April, against the full fiscal year's goal of 14.8 per cent.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, said that the central bank had

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in the coming months as the exchange rate of the taka against the US dollar is trending lower due to the shortage of the American greenback amid an abnormal hike in import payments.

Still, the government has set an average inflation target of 5.6 per cent for FY23 although it has failed to hit the goals, set at similar ranges, in the last three fiscal years, including the outgoing FY22.

Inflationary pressures will also worsen due to the recent floods.

impose the ceiling in line with the government's instruction.

The BB may go for a withdrawal of the cap or make it more flexible such that funds will become costlier.

"We are now discussing to this end. We hope that a positive decision will be declared while unveiling the next monetary policy," said an official.

The key interest rate might be hiked once again if the lending rate is finally lifted, he said.

Ensuring stability in the

experiencing, BBS data showed on Sunday.

In Bangladesh, inflation has been rising since October owing to accelerated costs for commodities globally amid lingering supply chain disruptions and the Russia-Ukraine war.


The WRI is intended to measure the movement of wages of low-paid skilled and unskilled workers over time in the main sectors of the economy and is also used to measure the changes in real wages.

In fact, the wage growth has been running below the inflation rate since February, as pent-up demand, abnormally high global commodities prices and supply disruptions sent the price pressure high globally and in Bangladesh. Wage growth has failed to keep pace.


Service sector workers witnessed the highest increase in wages among the three main sectors of the economy in May, rising 6.77 per cent, as high-income groups are increasingly seeking more services following a significant fall in coronavirus infections. It was 6.59 per cent in April.

Industrial workers' pay was up 16 basis points to 6.46 per cent compared to a month ago.


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DSEX ▼	CASPI ▼
0.76% 6,357.38	0.74% 18,728.39


COMMODITIES

Gold ▼	Oil ▼
\$1,837.97 (per ounce)	\$107.50 (per barrel)


ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.46% 51,597.84	▼ 0.74% 25,771.22	▼ 0.05% 3,096.40	▼ 0.04% 3,315.43

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NBR makes VAT registration easier for firms

SOHEL PARVEZ

The National Board of Revenue (NBR) has relaxed rules regarding value-added tax (VAT) registration of manufacturing entities operating in Bangladesh, a move welcomed by the businesses as it would reduce their cost of compliance.

From next fiscal year, companies that have one production or manufacturing unit will be able to get a central or only one registration to comply with the VAT law, said the revenue authority.

Until now, firms could sign up for only one VAT registration if they made goods in more than one unit and sold those through multiple sales centres.

However, companies that have only one manufacturing unit and one sales outlet were not allowed to get the central registration for VAT.

Instead, they had to get separate registrations for each of unit or sales centre, which would increase the cost of doing business of firms.

"We had been urging for the change in this provision for many days...this is a very progressive move," said Debabrata Roy Chowdhury, director for legal and corporate affairs and company secretary of Nestle Bangladesh.

"(It) will benefit many firms that only operate with one factory," said the official of the fully owned subsidiary of Nestlé SA, Switzerland, one of the world's largest foods and beverage companies.

"This will simplify the VAT operations, reduce cost of doing business and save our time," he added.

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Midway through their life cycle, flowering maize plants await a grim future in Shonpocha Char of Bogura's Shariakandi upazila as the Jamuna river continued to run 53 centimetres above the danger level yesterday afternoon. The deluge reached here on Friday night after a record-breaking rainfall upstream in India's Meghalaya and Assam on Wednesday. Over 9,000 hectares of the upazila's croplands have been left inundated by floodwaters. The photo was taken yesterday.

PHOTO: MOSTAFA SHABUJ

NBFI MDs

BB issues eligibility criteria

STAR BUSINESS REPORT

Star Business Report

The Bangladesh Bank yesterday said the interested candidates for the post of managing directors of non-bank financial institutions (NBFIs) have to obtain at least 20 years of working experience at banks or NBFIs.

The candidate also has to have two years' experience of working in the immediate lower post of a managing director, according to a Bangladesh Bank notice.

The NBFIs which have lower than Tk 1,000 crore in their financial balance sheet will be allowed to recruit the general managers of state banks and executive vice presidents of private banks as their MDs.

The candidate also has to have 20 years of working experience, including 5

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IDLC, Direct FN sign deal for brokerage software

STAR BUSINESS DESK

IDLC Finance has signed an agreement with Direct FN on using a brokerage management software, enabling the former's customers to place real-time orders and for Magnus Corporation to be the latter's local distributing partner.

M Jamal Uddin, managing director of the non-bank financial institution, and Primal Silva, business head of Direct FN, signed the agreement at the former's corporate head office in Gulshan, Dhaka recently, said a press release.

Arman Ahmed, managing director of Magnus Corporation, Md Saifuddin, managing director of IDLC Securities, and Asif Saad Bin Shams, deputy managing director of IDLC Finance, and Mir Tariquzzaman, general manager, were present.



A carpenter carves designs on a headboard in Bastuhara area of Khulna city yesterday. Creating such patterns can take up to seven days, when each day's pay amounts to Tk 500 for the woodworker. While a whole bed can sell for Tk 25,000 to Tk 30,000, such impressions alone can cost an additional Tk 4,000 to Tk 10,000 depending on the intricacy.

PHOTO: HABIBUR RAHMAN

China keeps key lending rates unchanged

REUTERS, Shanghai

China stood pat on its benchmark lending rates for corporate and household loans, as expected, on Monday, with global central banks' rate increases making it tough for Beijing to stimulate a weak domestic economy by lowering rates.

Markets widely believe that Chinese policymakers are wary of risks that the yuan will depreciate and capital outflows will be triggered if they embark on further monetary easing to underpin a Covid-19 hit economy at a time when other major economies are tightening their rates policies.

Central banks across Europe raised interest rates last week, some by a level that shocked markets, in the wake of the Fed's 75 basis point hike to combat high inflation.

Global bond investors calling for fast rate hikes

REUTERS, New York

A series of surprise actions by some of the world's largest central banks fretting about runaway inflation has left bond investors battered. Now, a growing chorus of investors is calling on policymakers to move fast to end the uncertainty.

Until central banks are able to bring down inflation, some investors said, markets will not have any certainty about rates. Their best way forward may be to get to neutral interest rates – the level at which monetary policy is neither stimulating nor restricting the economy – as fast as they can, the investors said.

"We're seeing these sort of rate hikes in an economy that is clearly slowing, and it creates this extraordinary uncertainty on how much will inflation come down and how much the

Fed will have to go," said Rick Rieder, chief investment officer of global fixed income at BlackRock, the world's largest asset manager.

"Sometimes the markets can take some time to adjust to it, but in the long run it's a better way to go," Rieder told Reuters in an interview.

Both DoubleLine Capital Chief Executive Jeffrey Gundlach and billionaire investor Bill Ackman in recent days also have called for higher rates by the Federal Reserve.

Central banks, especially the Federal Reserve, have faced criticism that they have acted too slowly in taming inflation. Investors said that has led to ugly surprises, such as the Fed's larger-than-anticipated rate rise on Wednesday in the wake of the highest US inflation reading in more than four decades.

"Playing catch-up is harder now as the central bank let ...

the first best policy response slip through its fingers" last year, said Mohamed El Erian, chief economic adviser at Allianz and chair of Gramercy Fund Management.

Fed Chair Jerome Powell said last week that the US central bank's target was to bring inflation down without a sharp slowdown in economic growth or a steep rise in unemployment, acknowledging that the path was becoming more challenging.

The Federal Reserve hiked rates on Wednesday by 75 basis points – its biggest raise in nearly three decades – and committed to delivering more big moves. Central banks across Europe also raised rates, in some cases by amounts that shocked the markets.

The moves wreaked havoc in bond markets, already in the throes of their worst start to a year in history.

Ahead of the Fed's hike, two-year Treasuries hit their highest yield since the 2008 global financial crisis and benchmark 10-year yields – an important barometer for mortgage rates and other financial instruments – climbed to their highest level in over a decade.

In Europe, Germany's 10-year Bund yield hit an eight-year high, at 1.93 per cent, last week. In Switzerland, 10-year yields were set to end the week almost 50 basis points higher and set for their biggest weekly surge since March 2020.

Higher prices are bruising consumers by eroding savings while higher rates increase borrowing costs. US housing finance giant Freddie Mac said last week the average contract rate on a 30-year fixed-rate mortgage rose by more than half a percentage point to 5.78 per cent, the greatest one-week jump in 35 years.

European delegation visits Idcol projects

STAR BUSINESS DESK

A high-level delegation led by Johannes Schneider, head of German development cooperation, visited three renewable energy projects financed by Infrastructure Development Company Ltd (Idcol) at Dhamrai, Savar recently.

Among the team members were representatives of Germany, Denmark, Sweden, Switzerland and Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ), said a press release.

"This initiative will allow us to better coordinate and consolidate our engagement in the green energy sector and strengthen our relationship with the Bangladesh government and the private sector," said Schneider.

Md Mostofa Kamal, additional secretary to renewable energy at Power Division, greeted the visiting team.

Alamgir Morshed, executive director of Idcol, and Golam Mustafa, additional secretary and member of administration at Sustainable and Renewable Energy Development Authority (Sreda), were present.

Ukrainian refugees could ease eurozone labour crisis: ECB

REUTERS, Frankfurt

The influx of Ukrainian refugees into the European Union could gradually ease labour shortages in the euro zone as some of those fleeing the war are likely to settle permanently, the European Central Bank said on Monday.

Around seven million people, mostly women and children, have fled Ukraine so far since Russia launched its invasion on February 24, and more are leaving each day, with many hoping to find durable employment opportunities in the 27-nation EU.

"Under all of the assumptions detailed thus far, back-of-an-envelope calculations point to a median increase of between 0.2 per cent and 0.8 per cent in the euro area labour force in the medium term," the ECB said in an Economic Bulletin article.

"This corresponds to an increase of between 0.3 and 1.3 million in the size of the euro area labour force as a result of the Ukrainian refugee crisis," it added.

With unemployment at a record low, the euro zone has been struggling with increasing labour shortages and the influx of refugees could "slightly ease" labour market tightness, the ECB said.

Still, getting people to work may prove difficult due to administrative barriers, the ECB added.

"Barriers to the labour market and other frictions remain significant impediments to refugees, making it difficult for them to integrate into host countries' labour markets, especially in the short term," it said.

Proposed tax cuts

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expense of those with fewer resources because the services that would likely get cut are beneficial to those in a lower-income bracket.

Proponents argue that if more money is put back into consumers' pockets, spending will increase. Hence, the economy will grow and wages will rise.

At the end of the day, the outcome depends on where the cuts are made.

Considering arguments from both schools of thought, we may consider some other prevalent issues of our current socioeconomic context.

First of all, is Bangladesh ready to compete with global competitors for attracting FDI? To place Bangladesh in a competitive stage, tax cuts alone will not help. We need to make our business environment competitive too.

We will be competitive only when we can make businesses free of bureaucratic hassles, economic zones are available, transportation systems are eased and have a robust physical infrastructure, uninterrupted energy supply and availability of skilled human resources. These developments will make the business environment stronger, attract foreign investments and augment domestic private sector investments.

To make all of these available, we need to invest in these areas. Only the

government can do so. The government needs money to make the investments. But tax cuts will make the government weaker to invest in the developments.

Is it guaranteed that incremental profits from tax cuts will be invested in the economy? The answer is no. Particularly a country like Bangladesh, where tax avoidance is rampant and Tk 68,000 crore is laundered abroad annually through trade mis-invoicing, cannot expect that the incremental profits in business houses will be invested in the economy that will consequently generate jobs and tax buoyancy. We must stop the loopholes to prevent the siphoning off money first.

The second most important consideration for a corporate tax cut is that we are a net import country. Our business houses love to import more and sell than to manufacture. The export diversification strategy could not be implemented effectively in spite of huge government efforts, because of a lack of adequate innovative entrepreneurship.

On the other hand, many of the local businesses are only designed to make quick money by producing and selling unnecessary goods that are sucking money from low-income households by creating an environment that promotes cheap internationalism and

rampant consumerism.

Many of the big businesses are destroying our traditions too. Some are destroying micro-entrepreneurs by producing cookies, packet spices, chips and puffed rice. Should we provide them with a wholesale tax cut or be judicious in providing tax breaks? Should we not be industry-specific?

Our economy is still agriculture-based. More than half of the employment opportunity is created by the sector. Our country is rich in agricultural produce.

In addition to staples, fisheries, dairies and poultry, we produce the tastiest fruits in the world. But food-processing industries have not flourished yet. Instead of using locally available raw materials, we are manufacturing goods by importing them from other countries.

A large portion of the population is unemployed while we are producing goods that are employing a tiny fraction of the employable population. Instead of providing wholesale tax breaks to all of the business houses, our policy should be designed to give a boost to agriculture-based industries and essential import-substitute industries, not fancy and luxurious items.

The author is the lead consultant of Dhaka Consulting Ltd.

Russia now China's

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other buyers avoiding Russian energy imports.

Although demand in China remains muted, there has been some improvement in the past month as cities began to loosen virus restrictions after the country's worst Covid outbreak since the early days of the pandemic.

This has allowed some supply chain problems to ease and industrial production to pick up, official data showed.

China's latest purchases of Russian oil marked a record amount, according to Bloomberg News.

Beijing – which has repeatedly refused to condemn Moscow's bloody invasion of Ukraine – has also been accused of providing diplomatic cover for Russia by blasting Western sanctions and arms sales to Kyiv.

Once bitter Cold War

enemies, Beijing and Moscow have stepped up cooperation in recent years as a counterbalance to what they see as US global dominance.

The pair have drawn closer in the political, trade and military spheres as part of what they call a "no limits" relationship.

Earlier this month they unveiled the first road bridge linking the two countries, connecting the far eastern Russian city of Blagoveshchensk with the northern Chinese city of Heihe.

Last week, President Xi Jinping assured President Vladimir Putin of China's support on Russian "sovereignty and security" on a call between the two leaders.

The Kremlin said the pair had agreed to ramp up economic cooperation in the face of "unlawful" Western sanctions.

Germany resorts

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government, will help bring down consumption by the powerful sector.

A procedure similar to a tender process will see the state offer a remuneration to companies promising the biggest energy savings.

The mechanical engineering industry group VDMA welcomed the move.

"That allows you to direct the reduction at the place where the damage is less significant," it said in a statement.

Funding will also be released to finance the

filling up of tanks before winter.

Habek stressed that the increased use of coal was only "provisional" in the face of the "worsening" situation in the gas market.

Gazprom has said that exports to countries that did not belong to the former Soviet Union were down 28.9 per cent between January 1 and June 15 compared to the same period last year.

After cutting daily gas supplies to Germany and Italy, Gazprom CEO Alexei Miller said last week that Moscow will play by its own rules.



Shams Abdullah Muhaimin, deputy managing director of Prime Bank Ltd, and Mohsin Ali, executive director of Wave Foundation, exchange signed documents of an agreement at the bank's office in Gulshan, Dhaka recently on disbursing remittance of different international exchange companies. Syed Faisal Omar, head of financial institutions at the bank, and Anwar Hossain, deputy executive director of the foundation, were present.

PHOTO: PRIME BANK



Eddie Bearnot, managing director of Care Nutrition, and Hindol Roy, chief operating officer of its local franchisee, launched three products at a function in Dhaka recently. Tanvir Ali, chief financial officer, and Monwarul Islam, manager for accounts and finance, were present.

PHOTO: CARE NUTRITION



Mohsina Yasmin, executive member of Bangladesh Investment Development Authority, Hayakawa Yuhō, chief representative of Japan International Cooperation Agency, and Nakayo, senior vice-president, cut a ribbon to inaugurate Ship International Hospital in Dhaka recently. Iqbal Arslan, president of Swadhinata Chikitsashak Parishad, Ito Naoki, ambassador of Japan to Bangladesh, Kobayashi Hiroyuki, chairman of the hospital, Kojima Hideo, deputy chairman, and Moazzem Hossain, managing director, were present.

PHOTO: SHIP INTERNATIONAL HOSPITAL

City Bank bond makes trading debut

STAR BUSINESS DESK

Trading of City Bank Perpetual Bond yesterday began at the Dhaka Stock Exchange (DSE) under settlement category “N”.

Sheikh Mohammad Maroof, acting managing director of City Bank, and Mohammad Mahbubur Rahman, additional managing director, rang the bell to inaugurate the trading at the DSE Tower in Motijheel, Dhaka, a press release said.

The DSE trading code for City Bank Perpetual Bond is “CBLPBOND” while the scrip code is 26011, it added.

Having gotten approval from Bangladesh Bank and the Bangladesh Securities and Exchange Commission on August 19, 2020 and December 9, 2020 respectively, the bank completed the successful subscription of Tk 4 billion on March 7, 2021 through private placement.



Cell towers in the Sylhet and Sunamganj districts have gone down following record flooding in the region, leaving about 40 lakh people stranded without a way to call for help or reassure loved ones of their safety. The picture was taken yesterday.

PHOTO: SHEIKH NASIR

US recession not inevitable

Treasury secretary says

AFP, Washington

A recession in the United States is not “inevitable” but the economy is likely to slow, Treasury Secretary Janet Yellen said Sunday, days after the US Federal Reserve hiked interest rates, raising fears of a contraction.

“I expect the economy to slow” as it transitions to stable growth, she said on ABC’s “This Week,” but “I don’t think a recession is at all inevitable.”

The US economy has recovered strongly from the damage wrought by Covid-19, but soaring inflation and supply-chain snarls made worse by the war in Ukraine have increased pessimism.

Wall Street stocks tumbled after the US central bank, seeking to cool inflation, on Wednesday raised the benchmark borrowing rate by 0.75 percentage points, the sharpest rise in nearly 30 years.

Mobile users suffer as towers go down in Sylhet

MAHMUDUL HASAN

Panic and uncertainty have gripped the relatives of people living in flood-hit Sylhet and Sunamganj as they are unable to communicate with their loved ones due to an electricity blackout that has put about half of the local mobile network towers out of commission.

As such, most of the 40 lakh stranded people from the two districts and many in the similarly affected Netrokona, Habiganj and Moulvibazar districts are finding it difficult to call for help.

Mohammad Alam, who lives in Sylhet’s Uposhohor area, said his relatives were very worried about him as they could not contact him from Saturday to Sunday evening. The network become partially functional on Sunday evening but only in Sylhet city, he added.

Anxieties are running so high that people like Mohammad Kawsar Uddin, an expat, even returned home from Saudi Arabia on Saturday after failing to contact his family in Sunamganj’s Modonpur area.

According to the Bangladesh Telecommunication Regulatory Commission, out of a total 3,617 network towers in Sylhet, Sunamganj, Netrokona, Habiganj and Moulvibazar, 1,146 sites have

reactivated as of Monday night while 976 remain dysfunctional.

According to officials of the operators, network towers usually run on commercial electricity while there are batteries as a standby power supply.

Grameenphone, the most used network provider among mobile subscribers in Sylhet, did not immediately reply to requests for comment.

However, Yasir Azman, chief executive officer of Grameenphone, said in a Facebook post that they cannot keep all of their towers functional without electricity and vehicle access.

“Even if we fixed the generators and batteries of all affected towers, they would eventually shut down without regular electricity. We have been collaborating with various authorities to keep our network running since the situation began,” he added.

In another post, he said his team is using local boats, professional speed boats and any other feasible transport to take generators to remote mobile sites.

“We need patience but we can’t wait without acting on alternatives,” Azman added.

Shahed Alam, chief corporate and regulatory officer of Robi Axiata, said they

fought all odds to keep 75 per cent of their cell sites in Sylhet division operational while restoration of the remaining sites is underway.

“We are working closely with Bangladesh Army and the border guard to co-ordinate evacuations by ensuring network availability in affected areas despite the major challenge of power shortage,” he added.

Ankit Sureka, head of corporate communications and sustainability at Banglalink, said their teams have been working relentlessly to keep the network up and running in affected areas.

“However, prolonged power outages are causing network blackouts in some areas and our backup power systems are running out,” he said.

“The flooding damaged some of our network infrastructure,” Sureka added.

Telecom Minister Mustafa Jabbar said the main problem is ensuring access to electricity for the network towers.

“Transporting the required fuel is also difficult,” he added.

Jabbar went on to say that he already instructed to use Bangabandhu Satellite-1 to keep telecommunication and internet functional by setting up VSAT (Very Small Aperture Terminal) hubs.

Keep payment services active in flood-hit areas: BB

STAR BUSINESS REPORT

Bangladesh Bank yesterday asked banks, mobile financial service (MFS) providers and payment service providers (PSPs) to take effective measures to ensure that payment services were available to people in flood-hit areas.

Branches of banks, ATM booths, agent banking outlets and MFS agent points in such areas were now suffering from inundation, which is why people were now unable to conduct financial transactions.

Banks, MFS providers and PSPs will have to adopt alternative ways to ensure that their payment systems remain running

Against this backdrop, banks, MFS providers and PSPs will have to adopt alternative ways to ensure that their payment systems remain running in flood affected districts including Sylhet, Sunamganj, Moulvibazar, Habiganj, Kishoreganj, Netrakona, Kurigram and Rangpur.

The central bank issued a notice to this end.

A Bangladesh Bank official said the central bank had arranged a meeting with banks, MFS providers and PSPs yesterday asking them to open booths in shelters in the flood-hit zones.

Stocks continue falling again

STAR BUSINESS REPORT

Stock market index tumbled yesterday for the second consecutive day amid low participation of investors.

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), dropped 49 points, or 0.76 per cent, to 6,356.

Turnover of the Dhaka bourse also dropped, hitting Tk 823 crore, down from the previous day’s Tk 895 crore.

At the DSE, 36 stocks up, 325 down and 19 remained unchanged.

Meghna Insurance topped the gainers’ list that rose 9.90 per cent. Fine Foods, KDS Accessories, Sonargaon Textiles and JMI Hospital were also on the list of top gainers.

AFC Agro Biotech eroded mostly that dropped 1.98 per cent. S Alam Cold Rolled Steels, Paper Processing & Packaging, Aramit Ltd, and Ring Shine Textiles were among the other companies in the loser tally.

Beximco Ltd became the most traded stock with shares worth Tk 83 crore changing hands followed by JMI Hospital, Anwar Galvanizing, Bangladesh Shipping Corporation, and Shinepukur Ceramics.

The Chittagong Stock Exchange (CSE) also fell yesterday. The CASPI, the all share price index of the port city bourse, edged down 139 points, or 0.74 per cent, to 18,728.

Among the 287 stocks traded, 35 rose, 225 fell and 27 remained the same.

Wage hike dwarfed

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Agriculture labourers saw the slowest growth with their wages rising by 6.27 per cent, up from 6.22 per cent in April.

Although the wage growth rose, it was not enough to offset the consumer prices leaps.

Mustafizur Rahman, a distinguished fellow of the Centre for Policy Dialogue, said food inflation in May was the sharpest since May 2014, owing to a spike in prices in international markets and import-induced inflation caused by the depreciation of the local currency.

According to Rahman, the purchasing power of workers should be calculated by taking into account the price hike of the essentials consumed by workers.

“The prices of essentials have risen significantly compared to what the official inflation figure tells us. So, from that point of view, workers have seen a significant erosion of their purchasing power.”

The point-to-point inflation growth in May was higher than the wage hike during the same period, said Nazneen Ahmed, country economist of the United Nations Development Programme Bangladesh.

“That means the real purchasing power of the low-income people has declined during this period. Though the base year for the two estimates is different, this gives an indication of real wage rate decline.”

The base year for the Consumer Price Index is 2005-06 while that of the WRI is 2010-11.

Among the sub-sectors, the wage of workers employed in the construction sector was 4.83 per cent last month. It was 4.75 per cent in April.

Division-wise, workers in the Rangpur division saw the biggest raise, taking home 9.39 per cent higher wages in May than a year ago.

The low-paid skilled and unskilled workers in Barishal came second with their pay rising 7.39 per cent.

Their counterparts in the Dhaka division experienced the slowest pace of growth at 5.07 per cent.

The pay of workers grew 6.73 per cent in Chattogram, 6.20 per cent in Khulna, 6.05 per cent in Rajshahi, and 5.83 per cent in Sylhet, BBS data showed.

Rizwanul Islam, a former special adviser for the employment sector at the International Labour Office in Geneva, thinks there is no mechanism for wages to rise in tandem with price increases.

“So, the poor and low-income people who depend on wage and salaried incomes see a decline in their real incomes and suffer an immediate crunch. A similar situation is faced by those who are self-employed in a variety of petty businesses.”

The labour economist called for taking urgent steps to help the poor and lower-income groups.

And augmenting the supply of essential foods through the usual government channels such as TCB would be the obvious way one can think of, he said.

“However, given the

track record of this channel, the time has come to think about alternative modalities like food stamps to provide immediate relief to the low-income people.”

The floods have added further woes, so the affected people should receive special attention, said CPD’s Rahman.

He said the increase of the price of rice by 50 per cent from Tk 10 per kilogramme to Tk 15 under the Trading Corporation of Bangladesh’s open market sales operation might hit the poor and the marginalised.

“The social safety net programmes, in terms of allowance and coverage, should be expanded.”

BB issues

FROM PAGE B1

years as a manager of a branch.

NBFs will have to publish advertisements in two English newspapers and two others in Bangla.

In addition, they have to display the recruitment notice on their respective websites such that qualified and transparent persons can be appointed.

The applicants have to obtain post-graduation degree from a recognised university.

Having higher educational degree on economics, banking and finance and business administration will be considered as additional qualifications.

The former chairmen, directors and officials of banks and NBFs who were sacked from their posts cannot be appointed as managing directors.

NBR makes

FROM PAGE B1

Bangladesh has 3.58 lakh VAT registered entities, a very small number of which are centrally registered, according to the NBR.

Snehahish Barua, partner at chartered accountancy firm Snehasish Mahmud & Co, said the NBR’s latest move would make simpler the obtaining of a central registration for companies.

“Documentation and administration cost will be reduced. The number of VAT disputes will also be reduced,” he said.

Also known as

consumption tax, the VAT is the biggest source of revenue. It accounted for 39 per cent of the total tax of Tk 103,350 crore collected in fiscal year 2020-21.

From July till April this fiscal year, VAT and supplementary duty collection from domestic business activities grew 13 per cent year-on-year to Tk 84,916 crore.

The indirect tax collection was 37 per cent of the total Tk 2,27,756 crore tax collection logged by the NBR until April this fiscal year, according to the NBR.

BB treads a tightrope

FROM PAGE B1

already sold a huge amount of dollars in exchange for the taka to keep the market stable.

“This has reduced the money supply, but we have to protect our foreign exchange reserves. And it is not expected that dollars are injected to squeeze the money supply.”

The central bank has supplied more than \$7 billion into market this fiscal year.

Depositors will also feel encouraged in keeping their funds with banks if the cap is withdrawn.

As per a central bank instruction, banks can’t offer an interest rate to fixed depositors that is below the average inflation figure.

But it will be harmful for banks as they have to give out loans at 9 per cent, Mansur said. “There will rarely be any margin for

banks if the lending cap is not scrapped.”

Rizwanul Islam, a former special adviser for the employment sector at the International Labour Office in Geneva, thinks standard

The increase in the repo rate is weightless when the lending rate is capped, said Zahid Hussain, a former lead economist of the WB

monetary policy would not be the appropriate instrument for fighting this inflation.

“It would be necessary to address the supply side of the issue and see where the problems are and address them accordingly. While that is done, it would be important to find instruments to provide protection to those who are



Monzurur Rahman, chairman of the board of directors of Pubali Bank, inaugurated a relocated branch on Satmasjid Road in Mohammadpur, Dhaka recently. Shahdeen Malik, independent director, Safiul Alam Khan Chowdhury, managing director, Mohammad Ali, additional managing director, and AS Sirajul Haque Chowdhury, general manager, were present.

PHOTO: PUBALI BANK

Crypto industry fears contagion as bitcoin plunges

REUTERS, London/Hong Kong

The cryptocurrency industry was on edge on Monday as bitcoin held just above \$20,000 and investors feared that problems at major crypto players could unleash a wider market shakeout.

Bitcoin, the world’s biggest cryptocurrency, dropped on Saturday to as low as \$17,592.78, falling below the key \$20,000 level for the first time since December 2020.

It picked up slightly during London trading hours on Monday, at around \$20,510 at 1232 GMT. But it has still lost 55 per cent of its value this year and 35 per cent this month alone in the cryptocurrency sector’s latest meltdown.

Bitcoin’s fall follows problems at several major crypto firms. Further declines, market players said, could have a knock-on effect as other crypto investors are forced to sell their holdings to meet margin calls and cover losses.

Crypto hedge fund Three Arrows Capital is exploring options including the sale of assets and a bailout by another firm, its founders told the Wall Street Journal in a story published Friday, the same day Asia-focused crypto lender Babel Finance said it would suspend withdrawals.



The panoramic sea beach in Kuakata is seen bustling with tourists, and with the Padma bridge set to open on June 25, the number of travellers could more than triple in no time. The picture was taken recently.

PHOTO: TITU DAS

Kuakata tourism to boom once Padma bridge opens

SOHRAB HOSSAIN, PATUAKHALI

Kuakata, home to the second largest beach in Bangladesh, is already visited by a large number of domestic and foreign tourists each year but their numbers could increase seven-fold once the Padma Multipurpose Bridge is officially opened, according to local businesspeople.

Currently, the main challenge of visiting Kuakata is crossing Padma river, which is a four-to-five-hour ferry ride that adds to a nearly 14-hour journey. But once the ridge is inaugurated on June 25, it will take a total of just five or six hours for to reach the destination from Dhaka.

As such, a whole new world of possibilities has opened up when it comes to doing business in Kuakata.

"Many hotels in the region have started enhancing their facilities and services in anticipation of an onrush of tourists once the bridge opens," said Motaleb Sharif, general secretary of the Kuakata Hotel-Motel Owners Association.

"The long journey discourages people from coming to Kuakata but the number of tourists will increase after the bridge opens as it will save time and money in travelling," he added.

Sharif, also owner of Kuakata Guest House, went on to say the region houses about 150 residential hotels that can cater to some 15,000 tourists.

An average of about 4,000 to 5,000 tourists visit Kuakata each day but



their numbers multiply by three to four times during winter, the peak holiday season.

People come to walk along the 18-kilometre beach, swim in the sea and take in various sights, such as various plant and animal species in reserve forest areas like Gangamati.

Travellers can also see the traditional wooden boats made by the local Rakhine community while a temple in Mistripara, five kilometres east of Kuakata beach, is home to one of the largest Buddha statues in Asia.

In addition, tourists in Kuakata can take a boat to Fatra, which is a part of the Sundarbans. Located 20 kilometres away, the region is home to variety of wildlife such as deer and crocodiles.

Md Al Amin, assistant general manager of Sikdar Resort, said the number of

tourists in Kuakata would naturally increase after the launch of Padma bridge. "We started with 12 villas and 68 rooms but now, 20 more villas and 34 rooms have been constructed," he added.

Nurul Kabir, a tourist from Dhaka, said although he always wanted to go to Kuakata, the transportation system was the main obstacle for him.

"But if the Padma bridge is launched, there will be no such obstacle because even the distance from Dhaka to Cox's Bazar is longer," he added.

KM Bachchu, president of the Kuakata Tour Guide Association, said the number of tourists visiting the region would be several times higher than present levels after the opening of Padma bridge.

"That is why the scope of tour guides is being expanded. We are arranging their training as well as trying to make the beach more beautiful," he said.

"We are motivating and training our staff so that tourists can enjoy the

natural beauty of Kuakata without any hindrance," Bachchu added.

Echoing the same, Zahirul Islam Miron, managing director of Samudra Bari Resort, said they are increasing the number of rooms and manpower available while also improving existing facilities to ensure better service.

Rumman Imtiaz Tushar, president of the Tour Operators' Association of Kuakata, said the bridge's opening would revolutionise the region.

"We are also preparing to launch 'homestay' services in nearby homes to cope with the added pressure of tourists. To this end, we have already trained about 500 homeowners on tourist services and there are plans to do more," Tushar added.

Meanwhile, on the occasion of inaugurating Padma bridge, numerous residential hotels and motels are giving 50 per cent discounts to attract tourists.

"We are giving special discounts to share the joy of launching Padma bridge," said Shafiqur Rahman Chan, president of the Hotel-Motel Owners Association.

"Our main objective is to make trips to Kuakata more enjoyable for tourists," added Chan, also owner of Hotel Banani.

With construction having begun back in November 2014, the long-awaited Padma Bridge will at last establish rapid communication with the country's southern region.

The bridge was constructed with domestic financing, without foreign loans or grants of any type, while the finance ministry provided an amount of Tk 30,000 crore as credit, according to an official of the Bangladesh Bridge Authority.

"We will have to repay with one per cent interest in 35 years," he said.

Proposed tax cuts from 360-degree perspectives

SABBIR AHMED

Finance Minister A H M Mustafa Kamal FCA, MP placed his fourth national budget in parliament on June 9, proposing reducing the tax burden on businesses significantly. The proposed base income tax rate is 27.5 per cent, a reduction by 2.5 percentage points from the current 30 per cent.

This base rate was 35 per cent only a few years ago. The income tax rate for the listed companies has also been cut by the same percentage. All export-oriented industries will enjoy a corporate tax rate of 12 per cent from the next fiscal year starting on July 1.

The corporate income tax rate has been gradually reduced in the last couple of years.

Besides, the finance minister has proposed to cut the advance income tax rates, the tax deducted at source, advance value-added tax rate and, in some cases, advance and regular VAT altogether. The proposed budget has created enthusiasm among the business community.

The revenue generation target for the National Board of Revenue (NBR) for the coming year has been proposed to be Tk 3.70 lakh crore, up from Tk 3.30 lakh crore for the current fiscal year. The new revenue generation target is 12.12 per cent higher than the revised goal in the outgoing fiscal year.

The finance minister's budget speech did not mention how the perceived decrease in tax collection, due to the reductions in taxes, will be made up.

The business community of Bangladesh has long demanded a corporate tax cut since our rates are higher compared to other foreign direct investment destinations. Economists and other experts have also advocated for making corporate tax rates competitive to attract more FDI.

Instead of providing wholesale tax breaks to all of the business houses, our policy should be designed to give a boost to agriculture-based industries and essential import-substitute sectors

Persisting trade tension between the US and China, which is prompting a withdrawal of investments from China, has created an opportunity for us to attract the investors. Advocates of corporate tax reduction are also arguing that the reduction will increase profit, which will enhance private investment, growth and employment.

A debate on the corporate tax cut is age-old. One school of thought opines in favour and the other against it.

The arguments of corporate tax cut advocates are based on the neoclassical growth model associated with the veteran US economist Robert Solow that long-term growth arises from exogenous technological progress. The tax policy can then 'only' affect the level of gross domestic product and the transition to steady growth. Lower corporate taxes encourage corporate savings and investments and so imply higher GDP in the long run.

The other school of thought argues that higher corporate tax can promote economic growth, by shifting the tax burden away from labour and/or by financing productive government spending. In other words, economic growth is largely unaffected by how much tax the wealthy pay. Growth is more likely to accelerate if lower-income earners get a tax cut.

A corporate tax cut helps the rich at the

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Germany resorts to coal amid Russia gas supply cuts

AFP, Berlin

Germany announced emergency measures on Sunday to ensure its energy needs after a drop in Russian gas supplies, including reverting to coal in what it called a "bitter but indispensable" step.

"To reduce gas consumption, less gas must be used to generate electricity. Coal-fired power plants will have to be used more instead," the economy ministry said in a statement.

The move comes after Moscow turned up the pressure on Western allies by sharply reducing flows of natural gas in its pipelines to western Europe, driving up energy prices.

Gazprom said the supply reductions via the Nord Stream pipeline are the result of repair work, but EU officials believe Moscow is punishing allies of Ukraine, where Russian forces launched an invasion in February.

Berlin's temporary recourse to coal marks a turnaround for Chancellor Olaf Scholz's ruling coalition of Social Democrats, Greens and the liberal FDP, which has vowed to wind down its coal usage by 2030.

"It's bitter but indispensable for reducing gas consumption," economy and climate minister Robert Habeck said in a statement.

A law outlining the new measures is due to be adopted in the coming weeks, he added.

Under the measures, the government will allow the use of coal-fired power plants that are currently considered in reserve for use only as a last resort.

The steps also include an "auction" system for the sale of gas to manufacturers, which, according to the

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An open-cast lignite mine is seen near the coal-fired power station Neurath of German energy giant RWE in Garzweiler, western Germany. The country is reverting to coal after Moscow turned up pressure on Western allies by sharply reducing flows of natural gas in its pipelines to western Europe.

PHOTO: AFP/FILE

Russia now China's biggest oil supplier

AFP, Beijing

China's imports of oil from Russia in May rose 55 per cent year on year, customs data showed on Monday, with the West sanctioning fuel imports from Moscow over its invasion of Ukraine.

The world's second-biggest economy imported around 8.42 million tonnes of oil from Russia last month, as Beijing continued to refuse to condemn Moscow's war.

The latest number was a spike from the 5.44 million tonnes China imported in May 2021, according to figures from the Customs Administration, helping Russia to overtake Saudi Arabia as China's main source of oil.

In May, China imported 7.82 million tonnes of oil from Saudi Arabia.

The new customs data comes four months into the war in Ukraine, with

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