

Star BUSINESS



Default loans now stand at Tk 126,389cr

Kamal says
STAR BUSINESS REPORT

Finance Minister AHM Mustafa Kamal told parliament yesterday that people had defaulted on repayments against loans amounting to Tk 126,389 crore in the country as of March this year according to Credit Information Bureau.

Banks and financial institutions are unable to realise another Tk 21,046 crore due to High Court stay orders, he added while responding to a question.

Highlighting government steps, Kamal said cases were being filed against loan defaulters, a defaulter of one bank cannot take loans from another and banks have been advised to use alternative dispute resolution methods to recover loans.

Banks and financial institutions are unable to realise another Tk 21,046 crore due to High Court stay orders, the finance minister said

He also said the bank company act would be amended where intentional loan defaulters would face various restrictions.

Replying to another question, Kamal said there was no specific information on money laundering from Bangladesh and it was very difficult to determine the amount.

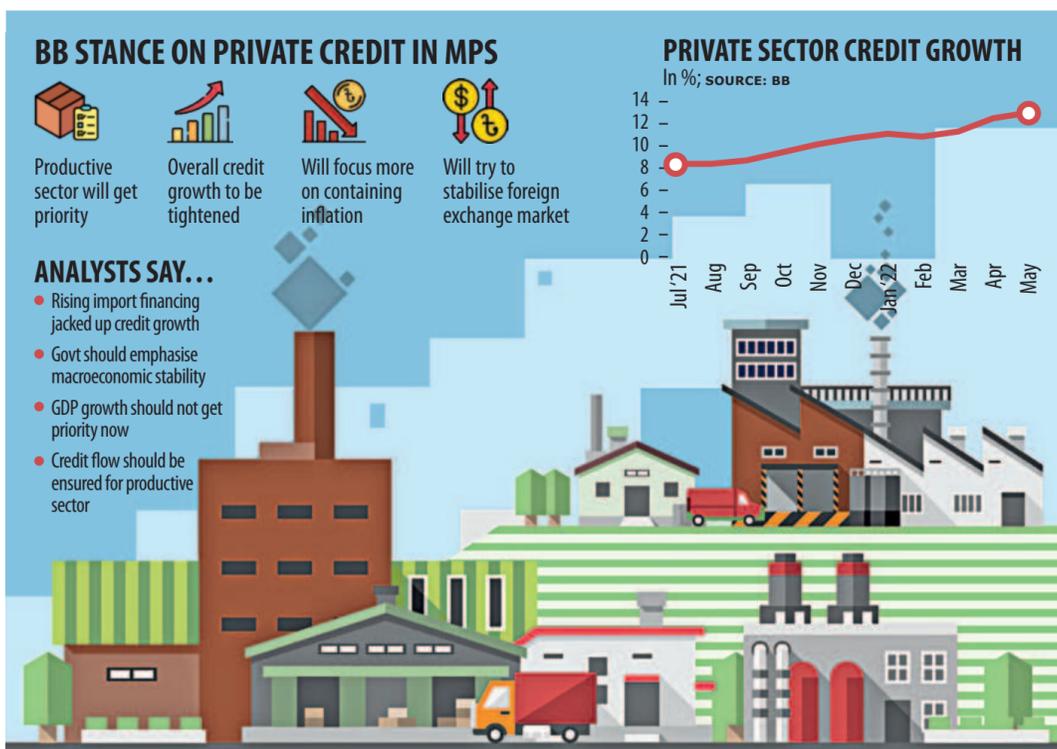
He mentioned that various development agencies and research institutes have different estimates but they too do not claim that their figures were wholly appropriate.

All government agencies are working to track down possible smuggling sources, prevent money laundering and bring the money back, he said.

Some 20,41,534 Singaporean dollar has been returned on November 20, 2012 which was smuggled to Singapore.

The Anti Corruption Commission is currently investigating a number of cases involving the purchase of flats or houses or money laundering in other ways abroad, such as to Singapore, Malaysia,

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Private credit growth ticks up further

Good news for businesses, bad for consumers

AKM ZAMIR UDDIN

Private sector credit growth in Bangladesh accelerated to 12.94 per cent in May, the highest in more than three years, but rising inflation and deepening volatility in the exchange rate have paled the attainment.

The credit growth in the first 11 months of the current fiscal year is, however, below the Bangladesh Bank's ceiling of 14.80 per cent for the entire year.

Economists say both the government and the central bank should focus on containing inflation, instead of GDP growth, restoring discipline in the foreign exchange market and tightening the private sector credit growth until the macroeconomy returns to its former self.

The BB will revise the target on June 30 when it is due to unveil its monetary policy statement for the coming fiscal year of 2022-23.

Contacted, Md Habibur Rahman, chief economist of the BB, said that monetary programmes might be designed in a way that tightens the credit flow to the private sector.

It was time to contain inflation and ensure stability in the foreign exchange market,

he said, adding that the next Monetary Policy Statement (MPS) will highlight the issues with utmost importance.

The MPS would come at a time when inflation shows no signs of abating.

Inflation surged to an eight-year high of 7.42 per cent in May, driven by a hike in food

In addition, the monetary authority may hike the key interest rate to make funds costlier, said the central banker.

Central banks usually hike the key interest rate, also known as the repurchase agreement (repo) in Bangladesh, so as to rein in the

private sector accelerated in recent months due to a strong recovery of the economy from the pandemic-induced slowdown, said Mashrur Arefin, managing director of The City Bank.

The recovery has fueled the post-import financing as many businesses have taken up loans to settle import bills. In addition, demand for almost all goods has skyrocketed, leaving a positive impact on credit growth, he said.

However, higher-than-expected import payments have strained the balance of payments in Bangladesh.

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

As a result, the local currency has suffered a major depreciation in recent weeks.

Yesterday, the taka traded at Tk 92.95 per USD on the interbank platform in contrast to Tk 84.80 a year ago.

Higher import costs brought the reserves down to \$41.38 billion on June 15, way lower than \$46.15 billion on December 31.

"This is not the right time to target a higher GDP growth. Rather, we should

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costs amid significant spikes in global commodity prices.

"But we will definitely take plenty of measures to supply adequate funds to the productive sector such that expected jobs are generated," Rahman said.

The central bank might consider withdrawing the lending rate cap or making it flexible such that the money supply gets tightened, said a BB official, wishing not to be named.

The central bank has maintained a 9-per cent cap on loans since April 2020.

price pressures since the move reduces the money supply.

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

But it may have to increase the policy rate once again in keeping with a revision of the lending rate cap. The central bank will keep the private sector credit growth unchanged for FY23, the BB official said.

The credit growth in the

RMG exports to Russia on decline

Exporters keep hopes up on alternative shipment, payment modes

REFAYET ULLAH MIRDHA

The ongoing Russia-Ukraine war has started to have a heavy impact on garment shipments to Russia as export earnings are declining significantly from this promising market for Bangladeshi apparel goods.

In the July-February period, earnings from garment export to Russia stood at \$482.23 million, meaning that the average monthly earning was \$60.15 million in the first eight months of the current fiscal year.

However, the average monthly earning in the last three months between March and May from the Russian market declined significantly to \$27.05 million, totalling \$81.7million.

Although apparel shipment earnings during



the July-May period showcased a 4.32 per cent year-on-year growth to \$562.40 billion, the amount was mainly against garments shipped before the start of the war.

In the July-May period of last fiscal year, earnings from apparel shipments to the Russian market stood at \$539.10 million, according to data from the Export Promotion Bureau (EPB).

Exporters said the shipments of garment items declined to Russia after the beginning of the war mainly for two important reasons.

Firstly, many goods-carrying ships were stuck in associated ports in the beginning of the war. Secondly, when the SWIFT ban against Russian banks came into effect, the local exporters were in a quagmire as to how they could receive payments.

As a result, they did not manufacture goods for future shipments, although work orders had been placed earlier.

So, garment export to Russia is going through a downward trend over the last three to four months.

However, the exporters are saying that shipments would rebound soon for the restoration of formal shipping channels and arrangements for local exporters to receive payments in Chinese currency.

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6,317.80	18,602.24

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(per ounce)	(per barrel)

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FUND FOR WORKERS FICCI opposes tax on contribution

STAR BUSINESS REPORT

The Foreign Investors' Chamber of Commerce and Industry (FICCI) yesterday expressed concerns over a provision in the proposed national budget for fiscal year 2022-23 that would require companies to pay tax on their contributions towards the Workers' Profit Participation Fund (WPPF).

The measure would increase the income tax burden and similarly raise the effective tax rate on all companies as contributions towards the WPPF are statutory payments for the benefit of employees, which are paid from pre-tax profit as per the law, said the chamber.

However, it has been proposed to consider WPPF contributions as inadmissible expenses based on the idea that they are appropriations of profit after tax, such as dividends, according to FICCI.

"The benefits of a potentially business friendly national budget could unravel unless some of the provisions are reversed," FICCI said while sharing its budget reaction at the Hotel Sheraton in Dhaka.

"Such an imposition is inconsistent with the tax-friendly environment the government has been trying to build over the years and a diversion from the current provisions of the Labour Act," it added.

To address the issue, FICCI recommended that allocations for the fund should be considered

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Banglalink subscribes to The Daily Star for interns

STAR BUSINESS DESK

Banglalink recently partnered with The Daily Star to distribute "The Daily Star Newspaper Gift Cards" among interns of the telecommunication service provider.

Bearing the motto "Sharing Wisdom", The Daily Star subscription gift card is a new initiative of the newspaper for celebrating festive occasions.

Subscription of this newspaper can be availed for free redeeming the gift card. Corporate organisations can also collect this gift card.

The gift card can be purchased at The Daily Star's circulation hotline: 01711623906.

Shuvashish Roy, head of business at The Daily Star, and Ankit Sureka, head of corporate communications and sustainability of Banglalink, were present at an event in Dhaka marking the partnership's launching, said a press release.

"This initiative would help the interns broaden their outlook and let them enrich their knowledge," said Sureka.



Workers load dried coconut leaf stalks, traditionally used in making brooms, onto a truck for transportation to Nilphamari district. Such manual labour from dawn to dusk earns them Tk 500 to Tk 700 a day. The photo was taken in Load Point area in Pirojpur's Nesarabad upazila, next to the Sandhya river, recently.

PHOTO: TITU DAS

Air tickets set to climb from pandemic low

AFP, Doha

Propelled by inflation, the price of air tickets has begun to take off again after tumbling during the pandemic, a reversal that looks set to intensify due to environmental pressures, experts say.

For members of the International Air Transport Association, gathered in Doha for their annual meeting this week, minds are focused on how far such increases risk undermining passenger growth targets.

The IATA is also pleading for government support in reconciling the long-term commitment to net zero carbon emissions with those ambitious targets.

The aviation industry has just gone through two years where planes flew with rows of empty seats, even as they offered fares much lower than before the Covid-19 pandemic.

But with the sector still mired in the red despite movement restrictions being largely lifted, the bargain bonanza for passengers is very much over.

In the United States, the average price of an internal flight has shot up, from \$202

in October 2021 to \$336 in May this year, according to the Federal Reserve Bank of Saint Louis.

In the European Union, the price of a return ticket before tax in April returned to that seen in the same month of 2019, after a near-20 per cent fall in 2020, according to aviation research specialists Cirium.

The oil price shock stoked by Russia's invasion of Ukraine is the most obvious factor in these price rises.

Airlines estimate that fuel prices will account for 24 per cent of their total costs this year, up five percentage points from last year.

Ticket prices are also being stoked by wider inflation -- now at 40-year highs in developed markets -- as well as stronger-than-expected demand for tickets and labour shortages.

But Scott Kirby, chief executive of United Airlines, said despite the trend clearly rising, prices had yet to shoot beyond historical norms.

"In real terms, pricing is back to 2014 levels... and it's lower than it was essentially every year before" then, he said.

"So... I don't think we're going to see demand destruction." But Vik Krishnan, a partner at McKinsey & Co, is cautious about how long the current high demand will last.

"Some of the travel that we're seeing right now is a function of all the stimulus that governments" pumped into economies during the pandemic, boosting citizens' spare income, he said.

"The number one discretionary income spending is travel and that's what people are doing. But "how long that lasts remains to be seen", he added.

Beyond rising costs and fears that government stimulus will fade, airlines face commitments that sit very uneasily alongside each other.

On the one hand, they target carrying a total of 10 billion passengers by 2050, up from 4.5 billion in 2019.

And yet over the same time horizon, they are beholden to achieving "net zero" carbon emissions.

The total cost of transitioning the sector to "net zero" is estimated by the IATA at an eye-watering \$1.55 trillion.

Jamuna Bank, Bengal Commercial Bank sign deal

STAR BUSINESS DESK

Bengal Commercial Bank has signed an agreement with Jamuna Bank for a "VISA International Associate Membership".

Mirza Elias Uddin Ahmed, managing director of Jamuna Bank, and Tarik Morshed, managing director of Bengal Commercial Bank, inked the deal at the latter's head office in Dhaka, said a press release.

AKM Atiqur Rahman and Mohammed Fazlur Rahman Chowdhury, deputy managing directors of Jamuna Bank, and KM Awlad Hossain and Md Rafiqul Islam, deputy managing directors of Bengal Commercial Bank, were present.

Stagflation: a looming crisis

FROM PAGE B4

Our growth fell to 3.45 per cent in 2020 from a record 8.15 per cent in 2019. In 2021, the economy recovered slightly with a growth of 6.94 per cent.

The government sets a target of 7.5 per cent GDP growth in the current fiscal year. The trend clearly shows that we won't be able to reach the level of 2019 even in 2023. This means our economic growth will also slow down like most countries.

It is evident that the economy has to face double blows: stagnant or slow growth coupled with high inflation. Experts term this unusual economic condition as stagflation.

The term was first used by British Conservative Party politician Iain Macleod in a speech to the House of Commons in 1965.

Stagflation refers to a situation where prices keep rising while economic growth slumps. Consequently, unemployment goes up over a period of time.

Usually, inflation and unemployment tend to be inversely correlated. When unemployment rates increase, inflation decreases and vice versa. However, the world witnessed this unusual economic condition in the 1970s and it was devastating.

There are primarily three root causes -- supply shock, poor fiscal and monetary policies -- for the stagflation to happen. This is clearly detrimental to the economy from many perspectives. For households, as the economy slows down, the overall disposable income of people also gets negatively impacted.

On the other hand,

people have to spend more on the same goods and services because of the soaring prices. Resultantly, consumers' spending slows down to adjust to their income. As consumers buy less, revenue declines for businesses eventually.

Besides, during such an uncertain period, investment decisions are normally halted. What should businesses do to combat stagflation? First, they must prioritise spending. Organisations should delay their expensive purchases that are not critical for business and focus on efficiencies to bring down costs so that they can offer competitive prices.

Maximising productivity also helps to bring down costs. Managing cashflows would be very critical. In order to improve cashflows, companies need to be vigilant to reduce accounts receivables, negotiate with their vendors for longer payment terms and have control over inventories.

They should also be creative in optimising revenues by unfolding all potential opportunities. Businesses can be opportunistic about acquisitions because that will enable them to expand into new markets.

Business organisations alone can't fight stagflation. The government needs to adopt a contractionary monetary policy by increasing the interest rates to curb the money supply, which would help control inflation.

Though the higher rates would hinder new investments causing unemployment to go up, the market usually recovers faster from unemployment

than it does from persistently high consumer prices. During the crisis period, the government needs to expand the coverage of its social safety net programmes to help the people having low or no income.

In such a dire situation, there is no alternative for the government and businesses but to work together to avoid potential economic catastrophe. More importantly, the world needs to find a way to immediately stop the war, which is causing unbearable damage.

The author is chairman and managing director of BASF Bangladesh Ltd. Views are personal.

Oil prices

FROM PAGE B4

That has fanned concerns that economies around the world are heading for a recession, sending chills through crude markets.

Eyes are on a two-day Congressional testimony by Federal Reserve boss Jerome Powell this week, which will be looked over for an idea about officials' plans for fighting runaway prices. However, Goldman Sachs said it still sees prices for the black gold to resume their upward march.

"With commodity demand above supply, markets remain tight even as growth rates slow," it said in a note.

"Investors should remember that Fed-induced slowdowns are simply a short-term abatement of the symptom, inflation, and not a cure for the problem, underinvestment."

Brussels worried about EU countries' shift back to coal

AFP, Brussels

Brussels and NGOs expressed concerns Tuesday about several EU countries, including Germany, reverting to using coal for power generation as the fall-out from Russia's war in Ukraine hits energy supplies.

"We have to make sure that we use this crisis to move forward and not to have a backsliding on the dirty fossil fuels," European Commission chief Ursula von der Leyen told several European media in an interview.

"It's a fine line and it is not determined whether we are going to take the right turn," she added.

The shift -- a reaction to power-hungry Europe being increasingly starved of Russian gas and oil -- seriously undermines the EU's vaunted ambition to become climate neutral by 2050.

That goal is one of the cornerstones of von der Leyen's policies at the helm of the EU executive.

Germany, Austria and the Netherlands have in the past couple of days said they will ease restrictions on power stations fired by fossil fuel.

German Economy Minister Robert Habeck on Tuesday described Russian energy giant Gazprom's slashing of gas supplies to Europe as an "attack on us" by Moscow.

UK inflation hits

FROM PAGE B4

Countries around the world are being hit by soaring inflation as the Ukraine war and the easing of Covid restrictions fuel energy and food price hikes.

That has forced central banks to hike interest rates, risking the prospect of recession as higher borrowing costs hit investment and consumers further in the pocket.

The Bank of England has raised its key interest rate five times since December.

"The modest rise in CPI inflation... won't prevent the Bank of England from raising interest

rates further, but it may encourage it to opt again for a quarter-point rate hike at its next meeting in August rather than upping the ante" with a half-point rise, predicted Paul Dales, chief UK economist at Capital Economics.

It comes as Britain faces strikes across other sectors. Lawyers in England and Wales having voted to walk out from next week in a row over legal aid funding.

Teaching staff, workers in the state-run National Health Service and the postal service are also mulling strike action.

Navana Pharma IPO price discovery from July 4

STAR BUSINESS REPORT

Navana Pharmaceuticals Ltd will begin the process to discover the cut-off price of its shares under the book-building method of the initial public offering on July 4.

The bidding period for eligible investors will continue until July 7, said the Dhaka Stock Exchange in a notice on its website yesterday.

It comes amid the criticism of the bidding process of the Bangladesh Securities and Exchange Commission (BSEC) since eligible investors don't get enough time to make bids and win stocks. For example, eligible investors got less than 10 seconds to win bids in case of the IPO of JMI Hospitals.

Mohammad Rezaul Karim, a spokesperson of the BSEC, said that until the Public Issue Rules were amended, the share allocation on the "first come first served" basis would continue.

An asset manager said as the BSEC has fixed the valuation process of a stock, all eligible investors quote almost the same price.

"But those who bid first win the shares. The BSEC should allocate shares among all of the top bidders."

The valuation report submission period for eligible investors through the electronic subscription system of the exchanges will start on July 12 and continue till July 14.

Eligible investors, namely pension funds, recognised provident funds and gratuity funds, that intend to submit applications must maintain a minimum investment of Tk 1.5 crore. It is Tk 3 crore for other eligible investors.

The minimum bidding value shall be Tk 20 lakh, said the notice.

Navana Pharmaceuticals plans to raise Tk 75 crore through the IPO.

The company's net profit after tax stood at Tk 19.18 crore and earnings per share were Tk 2.39 in the July-March period of the current financial year.

Unilever launches liquid product refill machines

STAR BUSINESS DESK

Unilever Bangladesh has introduced a refill machine in Bangladesh for dispensing liquid products among consumers as part of an innovative approach in reducing plastic use.

Currently, two machines have been placed at Unimart in Gulshan 2 and Agora at Japan Garden City in Mohammadpur.

Abdul Hamid, director general of the Department of Environment (DoE), inaugurated the machine at Gulshan 2 recently, said a press release.

"By adopting a 'test, learn and refine' mentality, we have developed innovative solutions that will help people cut their use of plastic for good," said Zaved Akhtar, managing director of Unilever Bangladesh.



Kazi Raihan Zafar, a director of Midland Bank Ltd, attends the bank's 9th founding anniversary at its head office in Gulshan, Dhaka on Monday. Md Ahsan-uz Zaman, managing director of the lender, and Md Zahid Hossain, deputy managing director, were also present at the programme.

PHOTO: MIDLAND BANK



Md Nazrul Islam Mazumder, chairman of Exim Bank, inaugurates the bank's 141st branch -- Exim Shubo Sakal -- in Gulshan, Dhaka yesterday. Mohammed Haider Ali Miah, managing director of the bank, Mohammad Abdullah, Nasreen Islam and Md Nurul Amin, directors, Firoz Hossain Md Humayun Kabir and Shah Md Abdul Bari, additional managing directors, and Md Zoshim Uddin Bhuiyan and Maksuda Khanam, deputy managing directors, were present.

PHOTO: EXIM BANK



Alamgir Kabir, chairman of Southeast Bank Ltd, attended the bank's 661st board meeting at its head office in Dhaka yesterday. In the photo, Kabir greets Anjuman Ara Shahid with a bouquet as a new director of the board of directors during the meeting. Duluma Ahmed, vice-chairperson of the bank, Jusna Ara Kashem, director, and M Kamal Hossain, managing director, were present.

PHOTO: SOUTHEAST BANK

Nat'l council to develop automobile industry

STAR BUSINESS REPORT

The government has formed a national council to develop the automobile industry which, in conjunction with a policy framed recently, is expected to facilitate the sector's expansion and cut Bangladesh's over-reliance on imported vehicles.

The industries ministry formulated an "Automobile Industry Development Policy" in August 2021 to encourage local and foreign investment in assembling and manufacturing motor vehicles and their components.

The policy aims to provide investors the opportunity to import capital machinery and equipment to make cars at zero duty to encourage establishment of automobile related factories.

Headed by the industries minister, the council will coordinate various activities related to sectoral development and automobile development policies.

It will also monitor the impact of the policy on other sectors of the economy, according to a notification issued by the industries ministry last week. The panel will sit at least twice a year.

"These initiatives will take the automobile sector forward. We will be able to discuss problems, challenges and prospects of the sector in the council," said Hafizur Rahman Khan, the immediate past president of the Bangladesh Automobiles Assemblers and Manufacturers Association.

"This is a positive step and we are really happy to see the development. Now, we want the council to start working as early as possible," he said.

The move comes at a time when demand for cars is increasing thanks to Bangladesh's steady economic growth that has fuelled the growth of the middle class.



Under the pilot scheme, workers in the export-oriented garment sector will get enhanced social security through income protection.

PHOTO: STAR

ILO launches pilot employment injury scheme

STAR BUSINESS REPORT

Bangladesh, in association with the International Labour Organisation (ILO), Germany and the Netherlands, yesterday rolled out the pilot project of the country's first employment injury scheme for workers.

The ILO, in collaboration with the labour and employment ministry, launched the pilot of the Employment Injury Scheme (EIS) Project at the Hotel InterContinental in Dhaka, according to a press release from the United Nations agency.

As a result, workers in the export-oriented readymade garment sector will get enhanced social security through income protection.

Salman F Rahman, an adviser of the prime minister, inaugurated the scheme in presence of Labour Secretary Md Ehsan-E-Elahi and ILO Country Director Tuomo Poutiainen and higher officials from the embassies of Germany, Norway and the Netherlands.

"The launch of the Employment Injury Protection scheme for garment workers in Bangladesh is an important and historic step in strengthening accident protection in the country," said Poutiainen.

"The ILO is happy to support this effort

and work with the government, employers and workers to create a modern and contemporary compensation system for workers and their families that protect their incomes and living when they need it the most. Such a system also promotes sustainable business practices and provides the right kind of signals to investors."

Keeping in mind that workers in the garment industry play a remarkable role in the country's growing GDP, it is important to consider their rights and security on priority. This facility will be expanded to other economic sectors upon the success of the EIS pilot, said the ILO.

Since 2013, the ILO and German development agency GIZ have been working with Bangladesh and industry partners for ensuring workers' social and financial security. As a continuation of the process, the government has decided to introduce a periodic payment scheme for occupational injuries, disabilities and deaths in the garment industry.

Ehsan-E-Elahi called the occasion a historic day for Bangladesh since it is the first ever social insurance scheme in the country as envisioned in the National Social Security Strategy.

Faruque Hassan, president of the

Bangladesh Garment Manufacturers and Exporters Association, said the pilot scheme would contribute to the social well-being of workers and employers and the improvement of the country's social security system.

Shamim Ara, president of the National Coordination Committee for Workers' Education, stated that through the pilot scheme, workers have taken a step forward to getting freedom from accidental nightmares. "This step will ensure workers' safety and prevent their helplessness due to workplace accidents."

Bas Blaauw, first secretary of the embassy of the Netherlands in Bangladesh, said the scheme has the potential to be a win-win situation, as social protection and sector competitiveness go hand in hand.

"The EIS pilot can rightly be considered the peak of the reform process," said Johannes Schneider, head of development cooperation at the German embassy.

"We now have, for the first time, an employment injury scheme that meets international standards in terms of compensation and that effectively protects workers and their families from falling into poverty as a result of workplace accidents and occupational diseases."

RMG exports to Russia

FROM PAGE B1

The local exporters appreciated payments in Chinese currency as it is helping them continue business with Russia.

With the war running for the past five months, local garment exporters are still hopeful that shipments to Russia will rise because it had continued even during the war.

They are hopeful, going as far as even expecting the shipment figures to go up in the future as Russian retailers and brands have been placing work orders with Bangladeshi manufacturers while foreign retailers and brands had been leaving Russia for the SWIFT ban.

The local garment exporters said earnings from shipping apparel items to Russia was supposed to be grounded, as predicted by some people because of the outbreak of the Russia Ukraine war that began on February 24 this year.

Still, they are capable of making earnings from the shipments to Russia although the growth is declining every month. For instance, Rajiv Chowdhury, managing director of Fatullah-based Young 4 Ever Textile, said he was able to receive \$5 lakh as export payment from his Russia buyer but through an alternative route from Turkey.

"Primarily with the breakout of the war, I was scared regarding the payment from the Russian buyer but finally the buyer paid me the amount from

Turkey," he said.

Until now, the Russian buyers had been interested in placing work orders to his factory but Rajiv remains very cautious regarding buyers from this nation as the war was still going on.

With the SWIFT ban, many local garment exporters have been receiving payments through alternative channels such as in Chinese currency.

Few work orders were put on hold and deferred and now the business is being restored gradually, BGMEA said

Chowdhury also said big buyers easily complete making payments through the alternative channels such as in Chinese currency but reaching shipments to the war zone had turned very risky.

He said every year he usually ships more than \$1 million worth of knitwear items like t-shirts and polo shirts to Russia. Shahidul Islam, managing director of Rupa Group, another exporter of knitwear items like sweaters, polo shirts and t-shirts, has been very cautious in making shipments to Russia although he was determined to reach his goods in spite of the risks posed by the war.

Usually, he ships knitwear items worth \$2 million in a year. But

reaching this annual figure apparently seems impossible within the six months left of the current year because of a slowdown in exports for the war, he said.

Shipments to Russian markets will rebound for local garment exporters as this is a promising one, he said.

Mohammad Hatem, executive president of the Bangladesh Garment Manufacturers and Exporters Association, still sees Russia as a very promising export destination as Russian buyers were getting habituated to paying through alternative channels such as in Chinese currency.

Moreover, the old export shipment routes of Russia have also been restored. For instance, currently, the local garment exporters can ship goods through the ports in Finland, Belarus and Hamburg.

The only route closed until now for shipment of goods to Russia is through Poland, he said. "We see Russia as a boon in spite of the ban," he said.

"We are exporting in alternative ways and receiving payments in alternative ways. Hope the export will rebound to Russia soon," said Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association.

Few work orders were put on hold and deferred and now the business is being restored gradually, he said.

FICCI opposes tax

FROM PAGE B1

allocations for the fund should be considered as permissible expenses under section 29 of the Income Tax Ordinance instead of inadmissible ones under section 30 as suggested in the proposed budget.

FICCI President Naser Ezz Bijoy said the growth of multinational companies operating in Bangladesh could slow down if certain provisions, such as those regarding the WPPF, are included in the national budget as they may discourage both domestic and foreign investment.

"As per the Labour Act, an individual is required to pay tax on it for amounts exceeding Tk 50,000 but on the other hand, 10 per cent of 5 per cent of the net profit should be contributed to the government welfare fund," he said.

"So, imposing tax on WPPF contributions is basically taxing payments to the government."

He went on to say that the measure is identical to double taxation as both employees and employers would bear the burden. "In addition, imposing this will create more challenges in the ease of doing business in Bangladesh," said Naser, also chief executive officer of Standard Chartered Bank.

FICCI also urged the government to bring changes to the conditions related to the corporate tax benefits unveiled in the proposed budget.

The government

proposed cutting the corporate tax rate by 2.5 percentage points for listed and non-listed companies.

However, firms will have to conduct most of their transactions through banks and mobile financial services to avail the benefit. They also cannot spend or invest more than Tk 12 lakh using cash.

"The law should allow companies that collect at least 50 per cent of their proceeds through banking channels to avail the benefit while the ceiling could be gradually increased by 10 per cent from next year," it said.

Naser opposed the government's bid to offer unquestioned amnesty to legalise undisclosed offshore properties and funds.

"We disagree with the proposal from an ethical point of view," he said.

The FICCI president then said the measure is detrimental for compliance with tax laws as it will encourage tax evaders.

However, Naser lauded the government's decision to introduce a uniform corporate tax rate of 10 per cent.

"This will create a level playing field for all exporters. Going forward, we will expect some more initiatives to diversify exports," he said.

Rupali Haque Chowdhury, former president of the FICCI, said the government should maintain policy consistency to attract more foreign investment, especially for new economic zones in the country.

Egyptian, Saudi firms sign accords worth \$7.7b

AFP, Cairo

Saudi and Egyptian companies signed agreements worth a total of \$7.7 billion during a visit to Cairo by the Saudi crown prince, state media in both countries said.

The deals were related to "infrastructure, logistical services, port management, agri-foods, the pharmaceutical industry, fossil fuels and renewable energy, and cybersecurity" and were worth \$7.7 billion, Egyptian daily Al-Ahram said. "Fourteen investment agreements worth more than 29 billion riyals (\$7.7 billion) were signed between a group of leading Saudi companies in

various economic activities and several Egyptian companies and authorities," Saudi state-run Al-Ekhabriya said on Twitter. The Saudi investment ministry said the agreements aimed to "enhance investment and economic cooperation between the two countries."

Trade between Egypt and the kingdom leapt more than 62 per cent last year compared with 2020, reaching \$9.1 billion, according to official Egyptian figures.

Egyptians working in Saudi Arabia are an important source of foreign currency, with transfers worth more than \$11 billion in the 2020-2021 financial year, up more than 17 per cent compared with the previous year.

Default loans Private credit growth

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Hong Kong, Australia, United Kingdom, United States and Canada.

Over another question, Kamal said, "Bangladesh will not become bankrupt like Sri Lanka... Bangladesh's economy stands on a strong and solid foundation. Our macroeconomic variables are very strong."

Most of Sri Lanka's foreign loans were taken under commercial and sovereign bonds, which have to be repaid in five years with high interest, he said.

The repayment period of Bangladesh's foreign loans is much longer and at lower interest rates and the Bangladesh government has no sovereign bond, he added.

He said the current debt situation in Bangladesh was tolerable and sustainable and there was no major risk like that faced by Sri Lanka in the medium and long term.

Stocks snap losing streak

STAR BUSINESS REPORT

Shares on the Dhaka Stock Exchange ended marginally higher yesterday, breaking a three-day losing streak.

The DSEX, the benchmark index of the premier bourse in Bangladesh, rose 6 points, or 0.09 per cent, to close at 6,317.

The DSES Index, which represents the Shariah-based companies, was up 0.18 per cent to 1,381. The DS30 Index, which consists of the blue-chip firms, however, slipped 0.06 per cent, to 2,293.

Turnover declined 4.27 per cent to Tk 694 crore compared to the previous session.

Of the securities, 193 advanced, 123 declined and 66 were unchanged.

Meghna Pet Industries gained the most with a 9.96 per cent rise. Information Services Network, Imam Button Industries, Meghna Condensed Milk Industries, Meghna Insurance, Bangladesh Welding Electrodes and Sonali Paper & Board Mills also advanced significantly.

Bangladesh National Insurance Company lost the most at 1.99 per cent. KDS Accessories, Rangpur Dairy & Food Products, CVO Petrochemical Refinery, GSP Finance Company, and Progressive Life Insurance saw major declines.

"The Dhaka stocks inched up amid cautious trading," said International Leasing Securities Ltd in its daily market review.

It said the investors were concerned due to the deteriorating exchange rates, the rising inflation and the flood in the northeastern region of the country. Some investors preferred to book profit while others took the opportunity of buying stocks at lucrative prices.

The Chittagong Stock Exchange also rose.

The CASPI, the all share price index of the bourse in the port city, added 11.19 points, 0.06 per cent, to end at 18,602.

Of the securities, 112 were up, 118 were down and 47 did not see any price movement. Turnover, however, plummeted 32 per cent to Tk 38.27 crore compared to Tuesday's Tk 56.27 crore.

Best of India Expo kicks off in Dhaka today

STAR BUSINESS DESK

The Federation of Indian Export Organisations (FIEO), in association with the High Commission of India in Bangladesh, will organise the "Best of India Expo 2022" to be held from June 23-25 at Bashundhara International Convention City in Dhaka.

Over 50 Indian companies will participate in the three-day event, supported by the India-Bangladesh Chamber of Commerce and Industries.

The exhibitions will be open to the public every day from 10:00am to 7:00pm, a press release said.

The expo will showcase the best quality products from India in the top 10-12 sectors of Bangladesh.



Boats packed with guavas are seen at a floating market in Bhimruli of Jhalakathi. Farmers and traders of agricultural products in Barishal, Jhalakathi and Pirojpur are expected to get better prices for their produce because of stronger connectivity once the Padma Bridge opens on June 25.

PHOTO: STAR/FILE

Padma Bridge breathes hope into southern farmers

SUSHANTA GHOSH

Farmers and traders of agricultural products in Barishal, Jhalakathi and Pirojpur are counting the days until June 25, when Prime Minister Sheikh Hasina will officially open Padma Bridge, as the resulting increase in connectivity will ensure better prices for their produce.

"The wholesale price of guava was Tk 10 to Tk 15 per kilogramme (kg) at the beginning of last season but we are hoping for better prices this year as the opening of Padma Bridge means we can pick fresh fruits and have them sent to markets in Dhaka by 10:00am every day," said Niranjan Halder, a guava farmer.

Similarly, the roughly 20,000 farmers in Barishal, Jhalakathi and Pirojpur who grow guavas, hog plums, lemons, and an assortment of vegetables believe that Padma Bridge will lead them into a new frontier.

Farmers have been growing a variety of guava native to the Barishal region for the last 200 years in Nesarabad upazila of Pirojpur district, Jhalakathi and Banaripara of Barishal district, according to the Department of Agricultural Extension (DAE).

Although the region produces more than 200,000 metric tonnes of guava each year, farmers have yet to get fair prices during the peak harvesting season due to a supply glut caused by slow movement of the fruit.

As a result, guava prices even come down from Tk 5 per kg to as low as Tk 1-2 per kg at times.

Hog plum cultivation takes up most of the farmland in Barishal with more than 27,000 metric tonnes of the fruit being produced from about 21,000 hectares of land in the region this year.

But in order to sell their hog plums, guava and vegetables, local traders and farmers set up floating huts in the wide areas of various waterways, including those in the Bhimruli, Kuriana, Atghar, Zindakathi and Alangkarkathi areas.

"Many tourists come to see these," said Mithu Halder, chairman of the Kuriana Union Parishad of Nesarabad upazila in Pirojpur.

He went on to say that with the completion of Padma Bridge, more people would be encouraged to visit the area thanks to the reduced travel time.

Humayun, a farmer from Jhalakathi sadar upazila, said growers like him finally have hope for fair prices this year.

"Trucks will be able to come day-in and day-out after sending agricultural goods to Dhaka so it will be possible to send trucks from here every morning," he added.

Shubh Jeet Halder, a wholesaler of the Bhimruli floating market, said he bought at least 3 tonnes of guava from the market and sent it to warehouses in Dhaka last year, but could not get a fair price.

In addition to guava, the country's southern region is also the largest supplier of watermelon.

And although watermelon is cultivated in all districts of Barishal, Patuakhali district is the highest producer as it alone accounts for one-third of the watermelons grown throughout the country.

DAE officials in Barishal have confirmed that the region produces 80 per cent of the country's watermelons.

Summer watermelon has been planted on 36,624 hectares of land across Bangladesh this year with a production target of 19.25 lakh tonnes.

However, Barishal alone contributed 24,008 hectares with a yield target of 1,224,524 tonnes already having been achieved.

Shekhar Kumar Sikder, a wholesaler in the Kuriana area of the Nesarabad upazila, said wholesalers in Dhaka will be able to buy agricultural products directly from them once Padma Bridge opens.

"So, farmers in the area will finally get fair prices," he added.

Padma Bridge will also bring changes to the vast water areas in the region.

Sumon Saha, a trawler boatman in Pirojpur, said they will get more tourists in the waterways after the bridge opens.

"We used to get a lot of benefits from tourism in the past. At the time, at

least 10,000 people with 200 trawlers roamed the waterways every day. But this time the number is expected to double because of Padma Bridge," he added.

As such, authorities of the Baudir Hotel in Kuriana and Jayita Hotel in Jhalakathi sadar upazila are expecting higher profits from increased tourism.

Ridayeshwar Dutta, additional director of the Barishal DAE, said he believes Padma Bridge will play a unique role in creating a good market for local agricultural products.

Similarly, adding value to these agricultural products locally is also creating the potential for new industrialisation.

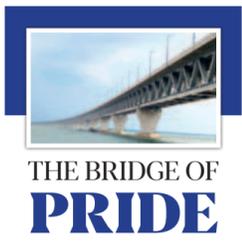
Besides, Padma Bridge will also ensure that it takes less time and ice to transport hilsa fish and these benefits will soon reach consumers as well, said Nirab Hossain Tutul, president of the Barishal Fish Farmers Association.

The same goes for hilsa traders of Kuakata and Patharghata, he added.

Likewise, about five lakh fishermen in the southern region are waiting for the easy transport of hilsa and other fish through Padma Bridge.

Anisur Rahman Talukder, director of the Department of Fisheries in Barishal, said the potential for hilsa production across the country this year is six lakh tonnes, of which more than 60 per cent will come from Barishal.

"Due to the Padma Bridge, hilsa traders will get at least 20 to 30 per cent higher prices. All in all, this benefit will spread thousands of crores of taka in the fisheries sector," he added.



THE BRIDGE OF PRIDE

UK inflation hits 40-year high

AFP, London

British annual inflation has hit a fresh 40-year high, official data showed Wednesday, further eroding workers' wages and pressuring the Bank of England to keep on raising interest rates.

The rate edged higher to 9.1 per cent in May from 9.0 per cent in April, remaining at the highest level since 1982, the Office for National Statistics (ONS) said in a statement.

UK inflation is set to top 11 per cent before the end of the year according to the Bank of England, fuelled by soaring energy prices that have raised the prospect of a global recession.

UK inflation increased in May on "continued steep food price rises and record high petrol prices", said ONS chief economist Grant Fitzner.

This was offset by clothing costs rising by less than a year earlier and a drop in prices of computer games, he added.

Decades-high inflation is causing a cost-of-living crisis.

Britain's railway workers are this week staging the sector's biggest strike action in more than 30 years, as soaring prices erode the value of wages.

"The further increase in Consumer Prices Index inflation to 9.1 per cent underscores the severe pressure that businesses and households are under," said David Barhier, head of research at the British Chambers of Commerce.

"This inflationary surge sits alongside a poor economic outlook and unless the government acts with urgency to encourage businesses to invest, the chances of a recession will only increase."

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Shoppers browse products in an indoor market in the city centre of Bradford, northern England. The further increase in Consumer Prices Index inflation to 9.1 per cent in the UK underscores the severe pressure that businesses and households are bearing.

Stagflation: a looming crisis

SAZZADUL HASSAN

The global economy has been passing through turmoil since the pandemic outbreak in early 2020. And when the economy had started to bounce back after a disastrous couple of years, the Russia-Ukraine war began in February this year, aggravating the situation.

The recent lockdown in China and the ongoing supply chain disruptions had poured water on a drowned mouse. In the backdrop of such a volatile situation, the World Bank has warned that many countries would fall into the trap of recession, which would last for a longer period of time.

In its latest Global Economic Prospects Report, the World Bank says global economic growth is expected to drop to 2.9 per cent this year, which is 1.2 percentage points lower than the 4.1 per cent predicted in January. Compared to 2021, the predicted growth is much lower.

The misery is far from over. The forecast for the global economic growth in 2023 and 2024 looks gloomy as well. Growth is expected to hover around the same level in 2022.

To add to the woe, inflation remains abnormally high in many countries. Even some of the stronger economies in the world are feeling the heat!

The US inflation has hit its highest rate in four decades at 8.6 per cent over the last year. Britain's annual inflation rate jumped to 9 per cent in May, the highest in 40 years.

Inflation in Germany also reached its highest level in nearly half a century in May this year. The Harmonised Index of Consumer Prices shows inflation in Germany was 8.7 per cent in May.



During the crisis period, the government needs to expand the coverage of its social safety net programmes to help the people having low or no income. In such a dire situation, there is no alternative for the government and businesses but to work together to avoid potential economic catastrophe

Our neighbouring countries are also struggling with high inflation. In India, the Consumer Price Index based inflation was 7.04 per cent in May, though the analysts think inflation hasn't peaked yet and more pain will likely to be seen. It will possibly breach the 8 per cent mark in the coming months.

The inflation rate in Pakistan was 13.8 per cent in May. Sri Lanka is in real trouble. The Colombo Consumer Price Index increased to 39.1 per cent in May from 29.8 per cent in April.

The situation with regard to inflation is similar in Bangladesh.

According to the Bangladesh Bureau of Statistics, the annual inflation rate shot up to 7.42 per cent in May from 6.29 per cent in April. It was the highest price rise since May 2014, underpinned by soaring prices of food.

Food inflation was 8.3 per cent as opposed to 6.23 per cent in April. Experts opined that this challenging situation would persist due to the unfavourable global macroeconomic environment.

In the last two years, Bangladesh did relatively well in comparison to many of its neighbouring countries in terms of GDP growth. However, the country experienced a dip in economic growth in 2020 due to the pandemic.

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Oil prices plunge more than 5pc on recession fears

AFP, Hong Kong

Oil prices plunged more than five percent Wednesday as traders grow increasingly worried that demand for the commodity will take a hit from a possible recession caused by a sharp hike in interest rates aimed at reining in inflation.

West Texas Intermediate lost 5.6 per cent to \$103.31 a barrel, while Brent was off 5.2 per cent at \$108.62.

Crude has soared in recent months to multi-year highs on concerns that tight supplies caused by the Ukraine war will not be enough to meet demand from reopening world economies, particularly China as it emerges from months-long lockdowns.

But central banks have been forced to ramp up borrowing costs as the rise in energy costs has helped send inflation soaring to levels not seen since the 1980s.

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PHOTO: AFP/FILE