City Bank, Evercare Hospital sign deal

STAR BUSINESS DESK

City Bank recently signed an agreement with Evercare Hospital Dhaka and Evercare Hospital Chittagong enabling Citygem priority banking customers to avail complimentary health screening along with a companion once a year.

Sheikh Mohammad Maroof, acting managing director of City Bank, and Vinay Kaul, chief marketing officer of Evercare Hospitals Bangladesh, inked the deal at the bank's head office in Dhaka, said a press release.

Nurullah Chaudhury, deputy managing director of the bank, Arup Haider, head of retail banking, Fahria Huque, head of Citygem priority banking, and Mustafa Alim Aolad, chief financial officer of Evercare Hospital Dhaka, were present.

Norway raises rate to combat inflation

AFP, *Oslo*

Norway's central bank announced Thursday a sharper-than-expected interest rate hike and warned of more to come, as policymakers tighten monetary policies worldwide to fight surging inflation.

Central bank banks across the world have launched a series of rate increases in efforts to tame soaring consumer prices, but the curbing of easy money policies has raised fears that the policies could spark recessions.

Norway's central bank raised its main rate by half a percentage point to 1.25 per cent, its fourth hike since September, when it stood at zero.

The previous increases had been of 0.25 percentage points each and few analysts had predicted Thursday's sharper hike.

Snake gourds packed into baskets for transportation to a weekly market in Birshena village of Jhalakathi district. This farmer sowed seeds worth Tk 3,000 in the March-April period and hopes to attain harvests worth Tk 70,000 till July. Currently, the vegetable is selling for Tk 700-1,200 per maund (around 37 kilogrammes). Some 46,057 tonnes were produced on around 19,424 acres of land in the country in fiscal year 2020-21, according to the Bangladesh Bureau of Statistics. The photo was taken recently. PHOTO: TITU DAS

US Fed chair admits recession a 'possibility' after rate hikes

AFP, *Washington*

The US economy remains strong but a series of aggressive rate hikes meant to cool soaring inflation could eventually trigger a recession, Federal Reserve Chair Jerome Powell cautioned Wednesday.

Powell, whose testimony before senators was closely watched by investors and analysts, also said the world's largest economy faces an "uncertain" global environment and could see further inflation "surprises."

The Fed chair again stressed that policymakers understand the hardships caused by rising prices and are committed to bringing down inflation, which has reached a 40-year high.

Last week, the US central bank announced the sharpest interest rate increase in nearly 30 years and promised additional similar moves to combat the price surge, with gas and food costs skyrocketing and millions of Americans struggling to get by.

But when peppered with questions about the prospect of a recession, Powell acknowledged the risk.

"It's not our intended outcome at all, but it's certainly a possibility," he told the Senate Banking Committee.

"And frankly, the events of the last few months around the world have made it more difficult for us to achieve what we want, which is two percent inflation and still a strong labor market."

In his opening remarks, Powell insisted the US economy "is very strong and well positioned to handle tighter monetary policy." "Inflation has obviously surprised to the upside over the past year, and further surprises could be in store," the Fed chief said in his semi-annual appearance before Congress.

Policymakers "will need to be nimble" given that the economy "often evolves in unexpected ways," he said.

The Fed is facing intense criticism that it was too slow to react to the changing economy, which benefited from a flood of federal government stimulus.

Last week's super-sized 0.75-percentage-point increase in the benchmark lending rate was the third since March, taking the policy rate up a total of 1.5 points. Powell at the time said a similar increase was likely in July.

The ideal scenario would be for those moves to cool the economy enough to douse inflation pressures, without choking off growth -- the hoped-for "soft landing."

"I think it's going to be very challenging," Powell said, insisting there are "pathways" to avoid recession, and that he does not view the risk of a downturn as "particularly elevated." Financial markets seemed cheered by his relatively upbeat comments, which echo those of other Fed officials in recent days who have pushed back against rising pessimism.

But Wall Street stocks lost steam late in the trading session, and the Dow finished the day down 0.2 per cent.

In addition to easing the financial strain on less-wealthy American families, the Fed chief said tamping down inflation was "essential" to maintain a healthy labor market.

The US economy recovered quickly from the Covid-19 pandemic, helped by robust consumer spending, and has continued to create jobs at a strong pace, pushing unemployment down to near a 50-year low.

Recession fear stalks oil, copper and stocks

REUTERS, *London*

Prospects for a firm start on Wall Street helped European shares claw back from a new low for the year on Thursday as investors weighed the risk of hefty interest rate rises tipping economies into recession.

Tech-laden Nasdaq futures were up 1 per cent, while S&P500 futures gained 0.7 per cent.

Stronger US futures helped shares in Europe, reverse an earlier fall to a 2022 low on the back of dismal economic data in Germany and France.

Crude oil also recouped earlier losses but copper remained at 16-month lows as fears of a slowdown cast a pall over the red metal.

US Treasury yields remained lower on Thursday after Federal Reserve Chair Jerome Powell, in testimony to the US Senate Banking Committee on Wednesday, underlined the central bank's commitment to cutting inflation at all costs and acknowledged a recession was "certainly a possibility".

"Powell said (money markets) are appropriately priced, which means we are going to double the Fed funds rate this year," said Jeremy Schwartz, global chief investment officer at Wisdom Tree Investments.

"Coming into this year, we thought you might be able to avoid (recession) this year, but certainly the data has started to come in much more negative," Schwartz said. In a further sign of market caution, JPMorgan analysts said more investors were turning to cash, surpassing its previous peak in March 2020, when markets went into a tailspin due to Covid-19 lockdowns.

Canada inflation hits 39-year high

AFP, *Ottawa*

Canadian inflation jumped to 7.7 per cent in May, marking the largest annual increase in prices for goods and services in almost four decades, the government statistical agency said Wednesday.

The figure topped even the most bullish forecasts, following a 6.8 per cent rise in prices the previous month.

The price increases, Statistics Canada said in a statement, were "broad-based, pinching the pocketbooks of Canadians and in some cases affecting their ability to meet day-to-day expenses."

Desjardins analyst Royce Mendes reacted by saying the agency "really should add a warning label to these scorching hot inflation prints."

"We had expected stronger price increases than the consensus, but this is very surprising," he said in a research note, warning that a "jumbo-sized" interest rate hike by the Bank of Canada is now likely coming.

According to Statistics Canada, gasoline led the rise in prices, up 48 per cent in the 12 months to May 31. Groceries also cost more (up 9.7 per cent) due to supply-chain disruptions as well as higher transportation and input costs.

Cooking oil notably recorded its largest price increase ever. Costs of fresh vegetables such as onions, peppers and carrots, as well as fish also rose.

Experts fear

FROM PAGE B4

The floods have not spared banana plantations in Lalmonirhat either.

Nur Mohammad spent Tk 1.5 lakh to plant around 800 banana trees on four bighas of land in the Dharla River basin of Char Falimari in Mogholhat union of Lalmonirhat sadar upazila.

He had hoped to sell the bananas for Tk 5-6 lakh but his dreams were broken when his orchard became submerged.

Mohammad told the Daily Star that floods usually occur in July but as they arrived earlier this year, farmers like him in char areas are suffering heavy losses.

Kabul Mia, a banana grower in the same char, said his banana trees are now rotting in the damp conditions. Last year, he earned Tk 4 lakh by cultivating bananas but this year, he will not be able to even raise the capital invested.

Rafiqul Islam, a banana farmer in Char Gorokamandal area of the Dharla River basin, said the malbhog variety of banana is mainly produced in char areas of the Mogholhat, Kulaghat and Barbari unions in Lalmonirhat sadar upazila, Naodanga and Shimulbari unions of Phulbari upazila, and Holokhan union of Kurigram sadar upazila.

There are about 100 banana orchards in the region that range from two to eight acres in size.

It costs Tk 150-200 to plant each banana tree, which sell for between Tk 500 and Tk 800. Up to 650 banana trees can be planted on each acre of land, which will produce the fruit within a year.

"Banana growers have been affected by early floods this year as trees are rotting before the fruit can mature," Islam said.

Malek Spinning to issue bonds

FROM PAGE B4

It began commercial operations in 1991 and was one of the first Uster-certified spinning mills in the country.

Malek Spinning procures cotton from the finest farms in the US, which enables it to produce a consistently superior quality of yarn compared to its peers, the company said in its website.

The company supplies 100 per cent of its yarn to local knit garment makers, who then export their apparel products to world-renowned retailers.

Located in Shafipur (Kaliakoir) of Gazipur, Malek Spinning's daily production capacity ranges between 30,000 kilogrammes and 33,000 kilogrammes of yarn. Stocks of Malek Spinning dropped 0.35 per cent to Tk 28.4 at the DSE yesterday.

Time for Padma Bridge Plus

FROM PAGE B1

impact on this region. Increasing water salinity is causing agricultural production to suffer, and this region is particularly prone to flooding.

As a result of the Padma Bridge connecting the southern region and making communication easier, many investors who were apprehensive before will now be prepared to invest there. This will lead to economic growth, the creation of jobs, and the development of the entire economy, not just the southern region.

TDS: We know that you have found in your 2010 study that the Padma Bridge project would be economically viable. What were the major findings that led to this conclusion?

Raihan: Yes, I, together with my co-author Dr Bazlul H Khondker, did the first background work in 2010 on "Estimating the economic impacts of the Padma Bridge in Bangladesh" for the Bangladesh Bridge Authority. In the 2010 study, we showed that this bridge would generate economic activities, contribute to the GDP, and create employment opportunities in the southern part of Bangladesh. It will also contribute to the reduction in poverty. Many of the critical findings of this paper have been cited and mentioned in important policy documents.

TDS: Twelve years have passed since the study, which concluded that, under certain conditions, Bangladesh's GDP would grow by 0.33 per cent to 1.26 per cent annually and southwest region's GDP by 1.66 per cent to 2.3 per cent. Do you see any change in the ground reality that is likely to affect projections of benefits/impact of the bridge after 12 years?

Raihan: In the 2010 study, we highlighted that high transaction costs, high transportation costs, delays and associated uncertainties are all challenges created by the lack of a bridge over the river Padma. There had been little investment in agriculture, industry and services sectors in the southern districts. Foreign investors were also unenthusiastic about investing in that region. As a result, the contribution of the southern region to the overall economy has remained modest. The country's most prominent industry, readymade garments, as well as other major industries, have remained absent from investing in the southern districts. They face numerous challenges in terms of connectivity, availability of land, investment facilities, funding, and availability of skilled labour. We argued in our 2010 study that the Padma Bridge will help ease many of these constraints and will lead to significant economic and social gains.

I would argue that the expected gains from Padma Bridge should be higher than what we initially envisaged in 2010. The economy has progressed since 2010. There have been improvements in the structural change in the economy, export growth, development of physical infrastructure, significant improvement of electricity generation, some special economic zones in the pipeline, and development of seaports. If these favourable factors are effectively utilised, we can expect much larger gains from the Padma Bridge.

TDS: When can we expect to recover the full investment made so far in Padma Bridge?

Raihan: Padma Bridge alone will not be enough to transform the current status of the southern districts. I would argue for Padma-plus. What exactly is Padma-plus? In the future, the Padma Bridge will serve as a stimulant for the growth of the southern districts, as well as of the overall economy and connectivity, which would not be able to take place on their own. We need other supporting policies and programmes, which I'm calling Padma-plus.

What are these enabling policies and programmes likely to be? These southern districts are particularly vulnerable to flooding, and the road infrastructure is regularly damaged. As a result, flood-resistant infrastructure must be built in this area. The southern districts will be better connected to one another as a result of this.

Access to capital is a problem for investors who want to invest there. As a result, banks must step up and provide funding to investors in those sectors. Investing in businesses ranging from garment manufacturing to agro-processing can be done in a variety of ways. When it comes to agriculture, whether it is crop diversification or agriculturally diverse products, banks are required to fund these endeavours.

We also recognise that land availability is a significant problem when it comes to investment. Another issue we face is that industrialisation reduces cropland. We must identify economic zones in the southern districts in order to encourage and promote investment within them. As a result, agricultural land will not be wasted unnecessarily. If we can designate industrial plots, investors will be able to invest in a planned manner. If there is no oversight, numerous types of resorts and restaurants will spring up on the spur of the moment, wasting valuable agricultural land. Along highways, residential and industrial plots are growing up, and this needs to be monitored and checked.

A key concern is the availability of skilled labour. We have some significant goals ahead of us if we look into the future. We hope to achieve the 2030 Sustainable Development Goals and to be promoted to upper-middle-income country status by 2031. In 2026, we will no longer be classified as a least developed country (LDC). To achieve these ambitious objectives, we will need strong economic growth and more productive investments. To do so, we will need a skilled workforce. The new investments in these southern districts will necessitate a large number of skilled workers. We need to prioritise this issue.

It will be necessary to ensure that electricity, gas, and water facilities are available. The utilisation of these resources must be done in a way that is sustainable. When it comes to electricity, using renewable energy is a good example. Establishing effluent treatment plants near the factories to ensure that they do not pollute the surrounding water. There is potential for planned industrialisation in the south because it is still a virgin land when it comes to industrialisation. We must also ensure that these districts have good connectivity to our ports, such as Mongla, Payra or any that might be developed in the future. Padma-plus is required to fully use the region's connectivity with India, Nepal, and Bhutan.

TDS: We have seen recently the case of Sri Lanka and the Hambantota port. You mentioned earlier that our case cannot be compared to Sri Lanka. But the question is whether we have been able to prepare ourselves to reap maximum benefit from this mega investment.

Raihan: Although I do not think Bangladesh's foreign debt is a major concern at this time, policymakers should proceed with caution. We need to reevaluate how much of the foreign debt is invested in productive sectors and how much of it is yet to produce results.

In Bangladesh, there is little link between a megaproject's feasibility study and the reality on the ground during implementation. Failure to meet deadlines has resulted in an increase in costs, which has been a major source of concern. We need to assess the current state of foreign debt-financed megaprojects. It's time to analyse the projects' current status and reassess the implementation strategy.

Infrastructure development is undoubtedly vital, but it must be linked to the overall development of the economy, that is, by lowering the cost of doing business, enhancing competitiveness, industrialisation, and increasing exports.

TDS: Finally, what would be your suggestions to realise benefits the most from the Padma Bridge. What would be your suggestions for other mega projects in this regard?

Raihan: The government can't be complacent while dealing with foreign debts for financing mega projects. There has been some complacency through cost and time overruns.

How to address the challenges related to cost and time overruns? Ensuring transparency and accountability from the very beginning is important. There are complaints of improper or inadequate feasibility studies for many projects. A stock-taking of the mega projects, rechecking their feasibility studies, overhauling the implementation plans, and ensuring monitoring and evaluation of the implementation will help reduce the problems of cost and time overruns.