Inflation in France hits 31-year high

AFP, *Paris*

French inflation accelerated to its highest level since at least 1991 in June, official data showed Thursday, as food and energy costs have surged since Russia's invasion of Ukraine.

Consumer prices jumped 5.8 per cent compared to the same month last year, with energy soaring 33.1 per cent and food rising 5.7 per cent, statistics agency Insee said in its preliminary release.

Price growth was 6.5 per cent when measured using the Harmonised Index of Consumer Prices -- the preferred yardstick of the European Central Bank, tasked with checking inflation in the 19-nation eurozone.

Despite the increase, "this data is probably one of the first indications that we are approaching peak inflation" in France, ING analyst Charlotte de Montpellier said.

She added that price growth should begin slowing by the end of 2022 as energy prices stabilise and the economy slows from its sharp Covid-19 rebound.

But a politically divided parliament may struggle to maintain support to households that has kept inflation milder than in other European countries.

Across the currency bloc, consumer prices rose 8.1 per cent in May, far higher than the ECB's target of two percent.

Inflation has spiked since Russia's February 24 invasion of Ukraine, which has drawn unprecedented Western sanctions -- including on some of its energy exports -- and blocked supplies of Ukrainian grain from reaching world markets.

While world leaders scramble to unblock food shipments and find alternative energy sources, central banks must pursue their inflation-fighting mandates with little sense of when the price pressures might end.

Business is brisk at this weekly makeshift market in Bhairab Bazar of Kishoreganj's launch ghat area, sitting on Tuesday night and wrapping up the next morning. Around 500 traders sell locally-made clothes for all ages and genders at both retail and wholesale.
PHOTO: SANAD SAHA

Global crop problems point to years of high food prices

REUTERS

Eric Broten had planned to sow about 5,000 acres of corn this year on his farm in North Dakota, but persistent springtime rains limited him to just 3,500 in a state where a quarter or more of the planned corn could remain unsown this year.

The difficulty planting corn, the single largest grain crop in the world, in the northern United States adds to a string of troubled crop harvests worldwide that point to multiple years of tight supplies and high food costs.

Russia's invasion of Ukraine, a major agricultural exporter, sent prices of wheat, soy and corn to near records earlier this year. Poor weather has also reduced grain harvests in China, India, South America and parts of Europe. Fertilizer shortages meanwhile are cutting yields of many crops around the globe.

The world has perhaps never seen this level of simultaneous agricultural disruption, according to agriculture executives, industry analysts, farmers and economists interviewed by Reuters, meaning it may take years to return to global food security.

"Typically when we're in a tight supply-demand environment you can rebuild it in a single growing season. Where we are today, and the constraints around boosting production and (war in) Ukraine ... it's two to three years before you get out of the current environment," said Jason Newton, chief economist for fertiliser producer Nutrien Ltd.

United Nations Secretary-General Antonio Guterres said last week that the world faces an unprecedented hunger crisis, with a risk of multiple famines this year and a worse situation in 2023.

Ahead of a crucial North American harvest, grain seeding delays from Manitoba to Indiana have sparked worries about lower production. A smaller corn crop in the top-producing United States will ripple through the supply chain and leave consumers paying even more for meat than they already are, as corn is a key source of livestock feed.

Global corn supplies have been tight since the pandemic started in 2020, due to transportation problems and strong demand, and are expected to fall further.

The US Agriculture Department (USDA) expects end-of-season US corn stocks to be down 33 per cent from pre-pandemic levels in September before this year's harvest, and down 37 per cent in September 2023. In North Dakota, corn would normally be at least knee-high by mid-June, but only about two-thirds of the state's crop had even emerged from the ground.

It was late May before Broten was able to plant any corn, and he traded in his seed for shorter-season and lower-yielding varieties twice before finally deciding it was too late to plant more. Ideally, he would have finished corn planting by the first week of the month. He could not wait any longer for fields to dry out.

"We were pushing the envelope, working ground that was way too wet, just trying to get a crop in," Broten said, noting that wheel tracks are still visible in his corn fields where his farm machinery compacted the saturated dirt.

"Our production goals for the farm are going to be way down," he said. The slow spring planting pace already forced USDA to lower its national corn yield outlook last month by 4 bushels per acre. That cut alone slashed the US harvest potential by more than 9 million tonnes, or equal to almost half of China's record US imports last year.

BB to discourage luxury imports

STAR BUSINESS REPORT

Bangladesh Bank yesterday said it has decided to raise the ratio of payments businesses must make to banks while opening letters of credit (LCs) for luxury goods, foreign fruits and non-essential items such as non-cereal food, canned and processed products.

The move is aimed at discouraging the imports of the items, said the central bank in its monetary policy statement for the next fiscal year.

On May 10, the central bank instructed banks to take up to 75 per cent of import payments in advance from businesses to open LCs for luxury and non-essential goods.

Yesterday, the BB also said it would roll out new refinance schemes to ramp up the production of import substituting products in order to cut the reliance on foreign purchases and save foreign currencies.

GP says SIM ban unexpected

STAR BUSINESS REPORT

Leading mobile phone operator Grameenphone termed the telecom watchdog's latest ban on its SIM sales as an unexpected move, stating that it will take its next course of action after assessing the regulator's letter related to the bar.

On June 29, Bangladesh Telecommunication Regulatory Commission (BTRC) in a letter instructed the top telecom operator not to sell new SIM cards for what it said was the operator's failure to provide quality service.

According to the BTRC, the operator cannot sell any new SIM until it improves its quality of services and reduce its rate of call drops.

Grameenphone has been adhering to and staying well ahead of the regulator's quality of service benchmark and the International Telecommunication Union's international benchmark, the operator said in a statement.

"In addition, GP has also been closely collaborating with the BTRC to constantly improve the network quality and service by acquiring the highest allowable spectrum in the recent auction and taking a series of network modernisation steps," the operator said in a press release.

"Against this backdrop, we are currently assessing this recent unexpected letter to determine our next course of action. We believe that constructive dialogue with the regulator is the best way to resolve issues in the best interest of our existing and new customers."

Sweden sets sharpest rate hike since 2000

AFP, *Stockholm*

Sweden's central bank announced Thursday its steepest interest rate hike since 2000 to combat inflation, as monetary policymakers worldwide scramble to tame runaway prices.

After lifting the rate from zero to 0.25 per cent in May, the Riksbank said it was raising it by 50 basis points to 0.75 per cent this time as prices "have been rising considerably faster than expected since the start of the year".

Is the next generation ready

FROM PAGE B4

immense contribution to the economic freedom of Bangladesh that we witness today.

I had the privilege of meeting one such hero who struck a chord with his humility while sharing his initial struggles in business. Soon after the liberation war, he got a few thousand taka from his father from the sale of a piece of land. He used this money to travel to Bhairab (a river port and trading hub) to purchase rice which he would transport to Chittagong by train. There were days he slept in the rail station and worked hard on having a good relationship with the station master, who seemed very important at that point of his life. After loading the goods on the train, he would take the Chittagong bound bus in order to reach the port city before the slow cargo train. He would then trade in advance with rice traders of Khatunganj before his goods arrived at the station. The traders would receive a note slip from him which acted like a guarantee and collect their allocated rice from the station later. That really had me wondering how amazingly this gentleman practically applied forward buy/sell knowledge to make profit without any formal education in finance or marketing.

There is another economic freedom fighter whom I have met a couple of times in business forums that I have to mention here. Last year, I had the opportunity to visit his office in Gulshan. While talking to him, I was observing his table and some of his works. To my amazement, he goes through product cost sheets in details, visits his factories by helicopter once a week, and works long hours every day and has absolute control of his empire even at this senior age.

These examples clearly highlight all the hard work and dedication that goes behind the kind of success they enjoy today. They shine bright despite not having the sophistication that comes with foreign degrees nor the global knowledge that the next generation may have. The next generation, on the other hand, is emerging armed with global knowledge from global institutions, but they are mostly groomed in a caged environment. Can this generation bring the same level of passion, hard work and dedication to family businesses? Can they make a difference with their fresh positive approach, strong ethical values, contemporary global management/people practice, governance etc.? If the answer is in the negative, then the sustainability of such family businesses would be extremely difficult.

As per the study of John Ward, Loyola University, Chicago, as much as 44 per cent of family businesses experience a growth decline in the first generation, 40 per cent survive through the second generation, 15 per cent make it through the third generation, and only 1 per cent survive onto the fourth generation. The most common reasons of failure include family problems, informal culture, absence of formal coaching and counselling of both the generations, high attrition of non-family talent, weak succession planning, and lack of practical bearing of the new generation.

If this trend of business failure over generations holds true for Bangladesh, then the loss would be extremely costly for the nation. Moreover, it would also measure up to the nation's failure to uphold the contribution of the economic freedom fighters who are an integral part of the rapidly emerging economic giant that Bangladesh is shaping into.

The author is a telecom and management expert

FY23 budget's journey

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Zahid Hussain says the immediate challenge for the budget would be managing the subsidy budget.

The government has made a major allocation for subsidies. But already there are talks that electricity, diesel and fertiliser prices would be adjusted upwards to reduce pressures on the fiscal management.

"If the prices are increased, it would only add fuel to the fire," said Zahid.

One of the ways for the government to avoid fanning inflation could be moving away from the expansionary plans that have been envisaged in the budget.

"There has to be some austerity. But there is no such proposal," he said.

Zahid says the government has ways to cut expenditures to rein in inflation.

"If the government can do that, it would help cut the demand for US dollars and cool the domestic demand."

Ahsan H Mansur does not want to paint the macro-economy situation as entirely dire. "But it is mismanaged and the government is not listening to orthodox economics."

He says the government would have to set out for revenue reforms even if there might not be immediate results, since the lack of revenue reforms is responsible for the current situation.

"We are a poor country. Our government is even poorer. It has come up with a small budget. But you can't run a populous country like Bangladesh with a small budget by navigating through the impacts of climate change, salinity, river erosion, and recurrent natural disasters."

Because of the weaker revenue generation, the country is failing to meet the budget deficit comfortably from its own sources, he added.

China's factory, services

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to recover this month, 49.3 per cent of the companies reported orders were insufficient," said Zhu Hong, senior statistician at NBS. "Soft market demand is still the main problem facing the manufacturing industry."

"Some firms have faced a squeeze in their profit margins, and relatively huge operating difficulties," Zhu added.

The factory hub of Shenzhen was shut for a week in March while Shanghai, located at the heart of the Yangtze River Delta manufacturing area, was put under a strict lockdown for about two months before curbs were lifted on June 1.

An Amcham China survey showed on Thursday supply chains received some relief in June, with fewer companies reporting Covid disruptions but an overwhelming 98 per cent of firms in the poll still experiencing a negative impact from Covid on their business.

Analysts expect further improvement in economic conditions in the third quarter, although the official GDP target of around 5.5 per cent for this year will be hard to achieve unless the government abandons the zero-Covid strategy.

"This surge of economic activities will likely keep the momentum into July, as further relaxation of mobility restriction takes place," said Zhang Zhiwei, chief economist at Pinpoint Asset Management.

"Nonetheless, China is sticking to the zero-Covid policy stance. I think this means the economic growth will likely stay below its potential before the policy is further relaxed."

Morshed Alam, chairman of Mercantile Bank, hands over the cheque bearing a donation worth Tk 10 crore to Ahmad Kaikaus, principal secretary to the prime minister, for the flood-affected people at the Prime Minister's Office in Dhaka recently. Prime Minister Sheikh Hasina attended the event virtually from the Gono Bhaban. ASM Feroz Alam, vice- chairman of the bank, was present. PHOTO: MERCANTILE BANK

CQK Mustaq Ahmed, independent director of Prime Bank, hands over a cheque bearing a donation worth Tk 10 crore to Ahmad Kaikaus, principal secretary to the prime minister, for the flood-affected people at the Prime Minister's Office in Dhaka recently. Prime Minister Sheikh Hasina attended the event virtually from the Gono Bhaban. Hassan O Rashid, managing director of the bank, was present. PHOTO: PRIME BANK

Md Nazrul Islam Mazumder, chairman of Exim Bank, hands over a cheque for Tk 10 crore to Ahmad Kaikaus, principal secretary of the prime minister, for the flood-affected people at the Prime Minister's Office recently. Prime Minister Sheikh Hasina joined the event virtually from the Gono Bhaban. Mohammad Abdullah and Md Nurul Amin, members of the board of directors of the bank, were present. PHOTO: EXIM BANK