

Star BUSINESS

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SCAN FOR DETAILS

STRENGTH OF BANGLADESH



- Work orders are shifting from China, other countries
- Diversifying production to MMF and technical clothing items
- Rising green garment factories that brightened country image
- Local primary textile sector can supply raw materials timely
- Garment sector is capable of taking additional work orders

BB toughens rules further to curb imports

STAR BUSINESS REPORT

In an effort to keep the foreign exchange reserves stable, the Bangladesh Bank yesterday asked banks to take up to 100 per cent of import payments in advances from businesses while opening letters of credit (LCs) for luxury and non-essential items.

The central bank issued a notice to this effect, saying the initiative would help keep the financial sector stable amid the dragging volatility stemming from rocketing import bills, exacerbated by higher commodity prices and the supply bottlenecks fuelled by the Russia-Ukraine war.

On May 10, the central bank imposed a margin of up to 75 per cent on a number of imported items, but the initiative has failed to rein in the purchase of foreign goods and products, prompting the central bank to raise it further yesterday.

BB says the initiative would help keep the financial sector stable amid the dragging volatility stemming from rocketing import bills, exacerbated by higher commodity prices

Now, banks will have to impose a margin of at least 100 per cent on the opening of LCs for electronic goods such as air conditioners, refrigerators and washing machines.

The same rate would be applicable for sedan cars and sport utility vehicles, gold and gold ornaments, readymade garments, leather and jute goods, cosmetics, furniture, and home decor items.

Banks will have to apply a similar margin on the imports of fruits, flowers, non-cereal food items such as processed foods and beverages, canned foods, chocolate, biscuits, juices, soft drinks, alcohol, and tobaccos.

There is no margin on LC opening aimed at buying essential food items, baby food, fuel oil, lifesaving drugs, and the products for the farm, export-oriented and local industrial sectors. However, banks still can set margins for these items based on their relationship with customers.

READ MORE ON B3

BY THE NUMBERS

- Apparel export target: \$100b by 2030
- Bangladesh exported \$42.61b garments last fiscal year
- Needs to export additional \$57.38b in next 8 years
- Global market size of MMF garments is \$700b
- Bangladesh's 74pc exported garments are cotton-made
- MMF accounts for 78pc of global apparel market
- BGMEA hopeful of \$50b garment export by 2023
- Bangladesh has 163 green garment factories

CHALLENGES

- Inadequate supply of gas
- Long lead time
- High transport costs
- High cost of production
- Absence of innovative design centres
- High cost of funds

BGMEA targets \$100b export by 2030

STAR BUSINESS REPORT

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) yesterday set a \$100-billion apparel shipment target by 2030, which is more than double the country fetched in the just-concluded financial year.

The platform is upbeat about hitting the goal as significant orders are shifting to Bangladesh from China and other countries and exporters are increasingly producing mid-range items, manufacturing more and more products from manmade fibre (MMF), and entering new markets.

The fresh target means suppliers will have to ship \$7.17 billion additionally per year from the current level to reach the goal.

Bangladesh exported garment items worth \$42.61 billion in the last fiscal year that ended on June 30, data from the Export Promotion Bureau showed.

"It is possible to achieve the target as we are diversifying the products and markets," said Faruque Hassan, president of

the BGMEA, while unveiling the new logo and new vision of the platform at the Westin Hotel in Dhaka.

Bangladesh will mainly rely on three important products, including the shipment of mid-range garment items, MMF-made items and technical clothes like the uniforms used by healthcare professionals and professionals in other service sectors, said Hassan.

Exporters' presence in the \$700-billion global MMF-made garment market is not that much as local producers are stronger in making apparel items from cotton fibre.

In the global fashion industry, 78 per cent of items are made from MMF and the rest are from cotton fibre. In the case of Bangladesh, cotton accounts for 74 per cent of items produced and only 26 per cent are MMF-based.

"So, we have a huge room to expand in the MMF and technical item segments as well as continuing our strength in the mid-range items," Hassan said.

Another strength of Bangladesh is the development

of the local primary textile sector.

In the past, manufacturers used to face challenges in securing the supply of raw materials like fabrics and yarn on time. But the local primary textile sector has made huge strides in recent

years, expanding its capacity significantly, thus cutting the long lead time.

The primary textile sector is also expanding its capacity to meet the demand for additional MMF, technical and other garment items.

The garment sector, however, had failed to achieve its \$50 billion export target set for 2021, mainly because of externalities in 2016 and

2017 and the severe fallout of Covid-19 in 2020 and 2021, said Hassan.

"We expect that buyers will pay better prices for our diversified garment items."

Currently, the BGMEA is carrying out three studies to boost exports.

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dbi CERAMICS

The studies are looking into how to innovate products, sell technical clothes and market products through digital platforms.

"The future of the garment business will depend on online sales," Hassan said.

According to the BGMEA chief, of the export-oriented garment items produced in Bangladesh by 2030, some 80 per cent would be

manufactured in green garment factories as local manufacturers are turning to eco-friendly production in keeping with the demand from consumers more concerned about businesses' impacts on the environment.

Bangladesh is already a global champion in green garment factories and is home to 163 such factories, including 49 platinum-rated, the highest certification given by the US Green Building Council.

Although international retailers and brands are not paying higher prices for the green initiatives, they are placing more work orders with garment factories.

Speaking at the logo-unveiling event, Shirin Sharmin Chaudhury, speaker of parliament, suggested garment manufacturers not forget the issue of climate change and the importance of protecting waterbodies during production.

Abdus Salam Murshedy, a former president of the BGMEA, said many industries would be set up in the southwestern region of Bangladesh thanks to the opening of Padma Bridge.

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STOCKS	
DSEX ▲	CASPI ▲
0.39%	0.41%
6,372.13	18,770.10

COMMODITIES	
Gold ▼	Oil ▼
\$1,781.90	\$107.47
(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.19%	▲ 1.03%	▼ 0.52%	▼ 0.04%
53,134.35	26,423.47	3,104.11	3,404.03



Workers lay out electric lines using a truck, capable of running both on the road and rail tracks, on the country's first metro rail. Construction and installation of different facilities are also nearing completion, with the authorities planning on partially launching commercial operations from December this year. The photo was taken at Farmgate yesterday.

PHOTO: RASHED SHUMON

Govt raises prices of cowhide

STAR BUSINESS REPORT

The government yesterday hiked the price of cured cowhides in Dhaka by 8 per cent to Tk 47-52 per square foot (sqft) ahead of Eid-ul-Azha, when millions of cattle are sacrificed by the country's Muslim community as a part of their religious duties.

Similarly, the price of cowhides cured with salt will cost Tk 40 to Tk 44 outside the capital.

Eid-ul-Azha accounts for nearly half of the rawhides collected annually, providing a key raw material for the \$1.24 billion export-earning leather and leather goods industry in Bangladesh.

Commerce Minister Tipu Munshi announced the new prices through a virtual press conference from his office in Dhaka following a meeting with tanners and rawhide traders.

The government had fixed cowhide prices at Tk 40 to Tk 45 per sqft inside Dhaka and Tk 33 to Tk 37 per sqft everywhere else for last year's Eid-ul-Azha.

Meanwhile, the price of castrated goat hides has been fixed at Tk 18 to Tk 20 per sqft while the cost of female goat hides is

Tk 12 to Tk 14 per sqft across the country this year.

Munshi also said rawhide laden trucks and other vehicles will not be allowed to enter Dhaka or the Savar Tannery Industrial Estate (STIE) in the first week of Eid in order to reduce the pressure of processing leather on the STIE's central effluent treatment plant.

The inflow of rawhides from all over the country, be it on a single day or a single week, is so high that the plant cannot bear the load with its present capacity.

If the rawhides are not processed in time, then a lot of them get damaged, he added.

The commerce minister went on to say that salt must be applied to the rawhides as a part of the curing process so that they can be preserved for at least one week before being sent to Dhaka and the STIE.

Like previous years, the government is approving the applications of different companies seeking to export rawhides to create more demand and enable better prices. Last year, the government allowed 14 companies to export 2.30 crore sqft of rawhide.

READ MORE ON B3





A street vendor goes round the Kuakata sea beach on his rickshaw van selling kufli, a frozen dairy dessert, giving visitors some respite from the sweltering heat. Working from morning to evening, he logs sales worth Tk 3,000 to Tk 5,000 and makes profit of Tk 1,000-1,500. The photo was taken recently.

PHOTO: TITU DAS

Is US in a recession? GDP is not the only measure

REUTERS, Washington

By some early estimates, the US economy, as measured by gross domestic product, may have shrunk in the three months from April through June. Add that to the decline from January through March, and that would be a contraction for two quarters in a row.

By an often-cited rule of thumb, that means the world's largest economy is in recession.

But deciding when a recession has begun or predicting when one might occur is not straightforward. The "two quarters" definition is not how economists think about business cycles, because GDP is a broad measure that can be influenced by factors like government spending or international trade. Instead they focus on factors like jobs, industrial production, and incomes.

At issue now is personal consumption data for May, released last week, which showed spending and disposable income

dropped on an inflation-adjusted basis. That sparked a host of gloomy forecasts for June, and increasing speculation that a downturn is coming soon, if it is not here already.

The weeks ahead are likely to include pitched debate about the real health of the economy. Whether the US is headed for a recession or already in one is a growing concern for corporate chief executives and their employees, the Federal Reserve, and the administration of President Joe Biden.

DOESN'T FALLING GDP = RECESSION?

Not always. In 2001 gross domestic product, after revisions, fell in the first three months of the year, but then rebounded in the next three months to a level higher than it ended the year before. GDP declined again in the fall.

Even though there were not two consecutive quarters of declining GDP, the situation was dubbed a recession at the time, because employment and industrial production were falling.

The pandemic recession only lasted

two months, from March to April 2020, even though the steep drop in economic activity over those weeks meant GDP shrank overall in both the first and second quarters of the year. In 2016 there was a noticeable drop in industrial activity that some dubbed a "mini-recession," though GDP never declined.

WHO DECIDES AND HOW?

In the United States, the official call is made by a panel of economists convened by the National Bureau of Economic Research, and sometimes comes a year or more after the fact.

The private non-profit research group defines recession as a "significant decline in economic activity that is spread across the economy and that lasts more than a few months." The panel concentrates on things like jobs and industrial output that are measured monthly, not quarterly like GDP. It examines the depth of any changes, how long declines seem to be lasting, and how broadly any trouble is spread.

There are tradeoffs. In the pandemic, for example, the

depth of the job loss, in excess of 20 million positions, offset the fact that growth resumed quickly, leading the group to officially call the situation a recession in early June, before the end of the second quarter.

While each of three criteria -- depth, diffusion, and even duration -- "needs to be met individually to some degree, extreme conditions revealed by one criterion may partially offset weaker indications from another," the group says.

SO ARE WE IN A RECESSION NOW?

Almost certainly not. While the "two quarter rule" has caveats and exceptions, there has never been a recession declared without a loss of employment. Jobs are being added in the US by hundreds of thousands monthly.

The pace will likely slow, but there would need to be a sharp reversal for the current path of job growth to turn into one that looks like recession.

Industrial production, another factor that figured prominently in declaring the 2001 recession, has also been rising steadily, at least through May.

Two become BB directors



Shabbirul Alam

Saeda Khanam

STAR BUSINESS REPORT

Two additional directors of Bangladesh Bank, Md Shabbirul Alam Chowdhury and Saeda Khanam, have been promoted to the post of director.

Chowdhury's promotion came into effect on June 26. He was previously an additional director of the Department of Financial Institutions and Markets. Chowdhury also worked in other departments, including foreign exchange policy, SME and special programmes.

Khanam's promotion came into effect on July 3. She had joined the central bank as an assistant director in 2002.

Sarker elected vice chair of Dhaka Bank

STAR BUSINESS REPORT

Md Aman Ullah Sarker was recently elected as vice-chairman of Dhaka Bank Limited, according to a press release from the private commercial bank.

Sarker is associated with Rahmat Group, a leading textiles, spinning, weaving, plastics and accessory manufacturer.

With a business background spanning 31 years, Sarker earned his bachelors and master's degrees in business administration from the University of Dhaka.



MDB launches two deposit schemes

STAR BUSINESS REPORT

Midland Bank Limited (MDB), a fourth generation private commercial bank in Bangladesh, recently inaugurated two new deposit schemes to mark its ninth year of commercial operations.

Md Ahsan-uz Zaman, managing director and chief executive officer of MDB, Md Zahid Hossain, deputy managing director, and members of the senior management team formally launched the products on June 20.

Customers can open an account for either product from any MDB branch or agent banking outlet while they can also avail the facility through the bank's internet banking application "midland online".

Ukraine conflict raises

FROM PAGE B4

stormed Ukraine, exceeding 400 euros (\$418) per tonne in May on the European market, double its level last summer.

The higher costs are dramatic for developing countries. More than 30 nations depend on Russia and Ukraine for 30 per cent of their wheat import needs, according to the UN Food and Agriculture Organisation.

The two countries, considered the breadbaskets of Europe, accounted for 30 per cent of global grain exports before the war.

Their production has increased in recent years, with Russia becoming the top exporter and Ukraine closing in on third place.

What are the consequences for Ukraine?

A Russian naval blockade has prevented Ukraine from shipping out

25 million tonnes of grain that are now stuck in farms or silos at ports. While some quantities have been transported via rail and road, exports are still six times smaller than by sea.

Ukrainian farmers faced a dangerous planting season, with some having to work with flak jackets and rely on specialists to remove mines and other ordnance from fields.

Ukraine's wheat harvest is expected to fall by 40 per cent this year, the country's grain association says.

Has wheat become a war weapon?

US Secretary of State Antony Blinken has branded Russia's blockade as "blackmail", saying it was a deliberate strategy by Russian President Vladimir Putin to force the rest of the world "to give in to him" and drop sanctions on Moscow.

"In times of war, big producing countries

literally hold the fate of others in their hands," Parmentier said.

Turkey has spearheaded efforts aimed at resuming grain deliveries across the Black Sea and said on June 22 that four-way talks with Russia, Ukraine and the United Nations could be held in the coming weeks.

What's the future?

China is not expected to release wheat stocks while India has imposed a temporary ban on its exports after a heatwave hit harvests.

Global wheat production is forecast to reach almost 775 million tonnes in 2022-2023, 4.5 million lower than the previous year, according to the US Department of Agriculture.

Reduced production in Ukraine, Australia and Morocco will "only partly" be offset by increases in Canada, Russia and the United States, the department said.

Sri Lanka warns of crisis

FROM PAGE B4

with the International Monetary Fund depended on finalising a debt restructuring plan with creditors by August.

"We are now participating in the negotiations as a bankrupt country," Wickremesinghe said.

"Due to the state of bankruptcy our country is in, we have to submit a plan on our debt sustainability to them separately. Only when (the IMF) are satisfied with that plan can we reach an agreement."

The IMF last week said more work was needed to

set the nation's finances right and repair its runaway fiscal deficit before a deal could be struck on a funding arrangement to address its balance of payments crisis.

It has also told authorities to do more to fight corruption and bring an end to costly energy subsidies that had long been a drain on the government budget.

Sri Lanka is almost entirely without petrol and the government has shut down non-essential public services in an effort to conserve fuel.

There have been clashes

outside the few petrol stations still selling fuel, with tens of thousands lining up for the slim chance of securing limited supplies and no fresh stocks expected for at least two weeks.

The United Nations estimates that about 80 per cent of the public are skipping meals to cope with food shortages and record prices.

Wickremesinghe said the IMF expects Sri Lanka's economy to shrink by seven per cent this year, even worse than the dire forecasts issued by the country's central bank.

Turkish inflation hits two-decade high of 78.6pc

AFP, Istanbul

Inflation in Turkey in June soared to an annual rate of 78.6 per cent -- the highest in 24 years, according to official data released Monday -- as President Recep Tayyip Erdogan's unconventional economic policies continued to take their toll.

But independent estimates published by Turkish economists showed prices rising at more than double that figure.

The inflation rate reported by Turkey's state statistics agency was the highest since the emerging market suffered a currency meltdown during a global financial crisis in 1998.

Inflation had stood at 73.5 per cent in May and at 15.0 per cent at the start of last year.

Economy Minister Nureddin Nebati on Friday vowed that consumer prices will start dropping in December.

"I promise to you and to the president, we will see a drop in inflation starting in December," he was quoted as saying by Turkish media.

According to the official data, the surge in inflation in June was driven by a jump of 123.4 per cent in the cost of transportation and a 94-per cent increase in non-alcoholic drinks.

Turkey's latest problems began when Erdogan forced the central bank to go through with a series of interest rate cuts last year that he said were part of his "new economic model".

The policy rate went down despite rising consumer prices.

But the Turkish leader rejects conventional economics and affirms that high interest rates cause prices to rise.

Economists believe his approach has exacerbated the pain felt world-wide from the jump in food and energy prices caused by Russia's invasion of Ukraine.

However, more and more economists are starting to question Turkey's official data.

A monthly report released Monday by Turkey's ENAG group of independent economists showed consumer prices rising by 175 per cent in June.

ENAG said prices had risen by 71.4 per cent since the start of the year alone.

The Istanbul chamber of commerce said inflation in Turkey's largest city has reached an annual rate of 94 per cent.



Mahbub Rahman, chairman of Eastland Insurance Company, inaugurated its "Half-yearly Business Conference-2022" at the Dhaka Chamber of Commerce & Industry on Monday. Board members Kamal Uddin Ahmed and Mahbub Jamil, Executive Vice Chairman Ghulam Rahman and Chief Executive Officer Abdul Haque were present.

PHOTO: EASTLAND INSURANCE COMPANY



Arif Quadri, managing director and CEO of United Commercial Bank, inaugurated a Muksudpur branch in Gopalganj on Monday. Deputy managing directors Mohammed Khorshed Alam and ATM Tahmiduzzaman were present.

PHOTO: UNITED COMMERCIAL BANK

New Zealand business confidence down

REUTERS, Wellington

New Zealand's business confidence continued to worsen in the second quarter of this year as companies grappled with increased costs and higher interest rates, a private think tank said on Tuesday.

A net 65 per cent of firms surveyed

expected general business conditions to deteriorate compared with 40 per cent pessimism in the previous quarter, the New Zealand Institute of Economic Research's (NZIER) quarterly survey of business opinion showed. It added that business confidence is now at its lowest level since the first quarter of 2020 when the Covid-19 pandemic was declared.



Car imports surged in the just concluded fiscal year but the market is expected to slow down this year as Bangladesh Bank has imposed new measures to stop incoming shipments considering the taka's falling value against the US dollar. The photo was taken from Mongla port recently.

PHOTO: HABIBUR RAHMAN

Used car imports surge in FY22

But sellers say imports to cool down this year

SOHEL PARVEZ

Car imports surged in the just concluded fiscal year thanks to reduced import tariff and release of pent-up demand among the country's middle-class amid the economy's gradual recovery from Covid-19.

Car dealers imported 20,009 vehicles, mostly used passenger cars and microbuses, through Mongla Port in fiscal 2021-22, which is the highest since the seaport in the southwest coastal region started handling imported used vehicles, according to the Mongla Port Authority (MPA).

Meanwhile, used car sellers imported more than 14,400 vehicles in the preceding fiscal year, as per data from the MPA and Bangladesh Reconditioned Vehicles Importers and Dealers Association (Barvida), a national body of used vehicle importers and dealers.

"We had a good year as the market expanded because of a cut in import duty in the last fiscal," said Abdul Haque, managing director of Haq's Bay Automobiles Ltd, a leading used car importer and retailer.

"We saw increased demand for hybrid

cars and microbuses," he added.

In fiscal 2021-22, the government slashed import tariffs on hybrid cars and microbuses depending on the engine capacity, enabling the sector to import an increased number of used vehicles.

Many people who kept their car purchase plans pending bought the vehicles after the reopening of economic activities, said Aslam Serniabat, owner of Car Selection, which sells 900 cars annually, and vice president of Barvida.

However, auto sellers said the market began to slow down after Bangladesh Bank tightened the rules regarding opening letters of credit for vehicle imports in May, when the central bank aimed to discourage imports as the crisis for US dollars worsened owing to skyrocketing import costs.

The central bank had initially slapped car importers with a rule that they would have to pay 75 per cent of the import cost to bring in vehicles.

Yesterday though, it revised this measure to encompass 100 per cent of the import cost.

Bangladesh's taka lost 8.9 per cent in value against the US greenback

since January this year even though Bangladesh Bank injected more than \$7 billion into the market to stabilise the exchange rate.

The depreciation of taka has increased car import costs at a time when importers had to pay more to bring in used vehicles, mainly from

The depreciation of taka has increased car import costs at a time when importers had to pay more to bring in used vehicles, mainly from Japan

Japan, as manufacturers cut automobile production amid a semiconductor shortage following the global coronavirus outbreak.

Import costs and the price of passenger cars are going to increase further in the ongoing fiscal year as the National Board of Revenue hiked the supplementary duty for vehicles with engine capacities of above 2,000 cubic

centimetres (cc).

Md Habib Ullah Dawn, president of Barvida, said 19,000 units of used cars were imported in fiscal year 2021-22.

He said the market had been doing well but the problem began after Russia invaded Ukraine, when the dollar crisis and shortage of passenger cars altogether affected the car market.

"The overall market has become slow after the new duty measure. The market is not going to be good in the new fiscal year as car prices will go beyond the purchasing capacity of many," Dawn added.

He also said the price of cars with engine capacities of up to 2,000cc would rise by about Tk 200,000 for each vehicle due to the increased duty, depreciation of taka and higher prices in source countries.

Similarly, the price of cars with engine capacities ranging from 2,000cc to 4,000cc are likely to increase by Tk 40,000 to Tk 80 lakh, he added.

Dawn then said the government should not have increased supplementary duty on hybrid cars as those are relatively environment friendly.

ADN Telecom to acquire 60pc of SOS Developments

STAR BUSINESS REPORT

ADN Telecom yesterday said it is going to acquire 60 per cent of SOS Developments Ltd at an investment of Tk 2 crore.

In a filing on the Dhaka Stock Exchange, the telecommunication company informed that its board has approved the draft share transfer agreement to acquire the share.

The investment would come from its own source of funds, said ADN Telecom, an internet service provider, multi protocol label switching, international private leased circuit, and internet protocol telephony service provider.

SOS Developments is a private limited company and its nature of business is providing fire security solution services. It has entered into a "Fire Service Welfare Trust", a joint venture agreement for providing fire security solution services with an innovative device with its own systems called instant response system as a fire guard.

Bepza pays worker arrears of shuttered DEPZ factory

STAR BUSINESS REPORT

Bangladesh Export Processing Zones Authority (Bepza) has paid arrears of Tk 18.11 crore of workers of A-One (BD), a factory of Dhaka Export Processing Zone (DEPZ) which has shut down.

The due payments were cleared through a programme organised by the DEPZ on July 4.

Arrears of some workers were paid through pay orders in the programme.

DEPZ Executive Director Abdus Sobhan handed over the pay orders while the remaining workers' arrears were deposited with their bank accounts.

Mentionable, the management announced closure of the A-One (BD) factory in February 2020 due to lack of export orders and its failure to pay wages of workers.

Maruti Suzuki to phase out petrol cars

REUTERS, Bengaluru

Automaker Maruti Suzuki India Ltd will phase out vehicles that run completely on petrol in seven to 10 years, the Economic Times newspaper reported on Monday, citing a senior executive.

The move comes as Maruti, India's biggest car manufacturer, looks to update its product offerings in line with green targets set by the Indian government, the report said.

"In the next decade, we will convert all vehicles. There will be no pure petrol vehicles. They will either be electrified, or driven by CNG or bio-fuels," CV Raman, Maruti's chief technology officer, told the newspaper.

BGMEA targets \$100b export

FROM PAGE B1

The BGMEA's new logo represents nine concepts: people, inclusivity, transparency, infrastructure, innovation, circularity, global network, brand Bangladesh, and environment.

However, lifting the garment export to \$100 billion won't be easy since Bangladesh will have to navigate challenges in the coming years.

The country is set to lose duty-free export benefits, which have turned Bangladesh into an apparel manufacturing hub, once it becomes

a developing nation in 2026 after moving out of the group of the least-developed countries.

In an unpromising sign, the apparel industry could lose \$5 billion in export earnings annually if the country can't retain the preferential trade benefit.

In a positive development, the European Union, the largest export destination of Bangladesh, has extended the duty-free export benefit to 2029.

Australia has also assured Bangladesh of continuing the duty-free benefit after graduation.

BB toughens rules

FROM PAGE B1

Importers will have to pay 75 per cent of the import prices for all other goods upfront.

Importers will have to bear the margin costs from their own coffer and they will not be allowed to take up loans from banks to meet the expenditures.

The central bank is toughening the import finance rules as Bangladesh's foreign exchange market has remained volatile since abnormally high commodity prices and additional imports needed to feed the rebounding economy from the pandemic have driven up the import bills.

Between July and May, imports surged to \$75.40

billion, up 39 per cent year-on-year

Exports and remittances, the two biggest sources of foreign currencies for Bangladesh, have not kept pace.

Exports grew 33 per cent to \$44.58 billion during the 11-month period, sending the trade deficit to an all-time high of \$30.81 billion.

Remittance transfers plummeted 15.95 per cent year-on-year to \$19.19 billion between July and May.

The rising import bills against moderate exports and lower remittance brought the foreign exchange reserves down to \$41.86 billion on June 29 from \$46.08 billion a year ago.

Suez Canal records highest ever revenue

AFP, Cairo

Egypt's Suez Canal Authority announced Monday an all-time revenue record, earning \$7 billion during the last fiscal year following a series of toll hikes for vessels transiting the vital waterway.

Between July 2021 and June 2022 - Egypt's fiscal year - some 1.32 billion tons of cargo were shipped through the canal, Suez Canal Authority (SCA) chief Osama Rabie said.

Gas consumption set to contract due to Russia: IEA

AFP, Paris

Gas consumption will contract slightly this year due to high prices and Russian cuts to Europe, with only slow growth over coming years as consumers switch to alternatives, the IEA said Tuesday.

The International Energy Agency chopped its forecast for global gas demand by more than half in its latest quarterly report on gas markets.

It now expects growth of just 3.4 percent by 2025, an increase of 140 billion cubic metres (bcm) from 2021 levels, which is less than the 175 bcm jump in demand registered in 2021 alone.

"The consequences of Russia's invasion of Ukraine on global gas prices and supply tensions, as well as its repercussions on the longer-term economic outlook, are reshaping the outlook for natural gas," said the IEA.

"Today's record prices and supply disruptions are damaging the reputation of natural gas as a reliable and affordable energy source, casting uncertainty on its prospects, particularly in developing countries where it had been expected to play a growing role in meeting rising energy demand and energy transition goals," it added.

While Russia has cut supplies to Europe and European nations have pledged to wean themselves off Russian gas, the impact quickly rippled throughout the world.

European nations are trying to make up the shortfall by importing more liquefied natural gas (LNG) shipped by tanker, which the IEA said is creating supply tensions and leading to demand destruction in other markets.

It warned that the scramble for LNG risked not only causing economic harm to other more price sensitive importers, but pushing up prices and thus contributing to additional revenues for Russia.

"In this context, an accelerated phase-out of Russian gas should primarily focus on reducing gas demand and scaling up domestically produced low-carbon gases" such as biogas, biomethane, and green hydrogen, said the IEA.

The IEA, which advises energy importing nations on policy, said in its new forecast for lower gas demand growth that only a fifth of the reduction came from expected efficiency gains and substituting renewables for gas.

Nordic cenbanks join 50bps rate hike club

REUTERS, London

Norway and Sweden have joined the ranks of central banks opting for 50 basis-point interest rate rises, delivering their biggest policy tightening moves in two decades.

June saw the US Federal Reserve upping rates by 75 basis points and the Swiss National Bank surprise with a half-point hike. That means the Bank of Japan is the only major developed world central bank still chanting the inflation-is-transitory mantra.

Here's a look at where policymakers stand in the race to contain inflation.

UNITED STATES
The Federal Reserve vaulted to the top-hawk spot on June 15, raising the target federal funds rate by three quarters of a percentage point to a 1.5 per cent-1.75 per cent range.

It acted days after data showed 8.6 per cent annual U.S. inflation, triggering a market frenzy over potentially even more aggressive responses in the coming months.

The Fed is also reducing its \$9 trillion stash of assets accumulated during the pandemic.

CANADA
The Bank of Canada delivered a second consecutive 50 bps rate increase to 1.5 per cent on June 1, and said it would "act more forcefully" if needed.

With April inflation at 6.8 per cent, Governor Tiff Macklem has not ruled out a 75 bps or larger increase and says rates could go above the 2 per cent-3 per cent neutral range for a period.

Deputy BoC governor Paul Beaudry has warned of "galloping" inflation and markets price an unprecedented third consecutive 50 bps increase in July.

BRITAIN
The Bank of England (BoE) raised interest rates by 25 bps on June 16, its fifth rate rise since December, taking rates to 1.25 per cent -- the highest since January 2009.

Given that it sees UK inflation heading above 11 per cent, it might

well have to fulfil its promise to act "forcefully" if needed.

NORWAY
Norway, the first big developed economy to kick off a rate-hiking cycle last year, raised rates by 50 bps on June 23 to 1.25 per cent, its largest single hike since 2002.

The Norges Bank plans to raise rates by 25 bps at each of its four remaining policy meetings in 2022, although larger increments are also possible, Governor Ida Wolden Bache said.

SWEDEN
Another late-comer to the inflation battle, Sweden's Riksbank delivered a half percentage point interest rate hike on June 30 to 0.75 per cent.

The move was Sweden's biggest in more than 20 years. As recently as February, the Riksbank had forecast unchanged policy until 2024, but governor Stefan Ingves now expects rates to hit 2 per cent in early-2023 and said 75 bps moves are possible.

EURO ZONE
With euro zone inflation hitting 8.6 per cent in June, the European Central Bank (ECB) will raise interest rates by 25 bps on July 21 for the first time since 2011 and again in September.

The bank is also accelerating work on a tool to contain bond market fragmentation within the bloc. From July 1 it will also use proceeds from maturing German, French and Dutch bonds to buy debt from weaker markets such as Italy.

JAPAN
That leaves the Japan as the holdout dove.

On June 18, it maintained ultra-low interest rates and vowed to defend its cap on bond yields with unlimited bond-buying. It holds 10-year yields in a 0 per cent-0.25 per cent range.

BoJ boss Haruhiko Kuroda stressed commitment to maintaining stimulus though, in a nod to yen weakness, Kuroda called its rapid decline to 24-year lows "undesirable" as it heightened uncertainty.

StanChart introduces digital cross-border LC

STAR BUSINESS REPORT

Standard Chartered Bangladesh has recently completed the transmission of the country's first-ever paperless and digital cross-border letter of credit (LC).

The first client to complete the paperless application for the LC issuance was Heidelberg Cement Bangladesh Ltd, said the multinational bank in a press release yesterday.

The transaction was made possible by a recent amendment to Bangladesh's Import Policy Order, advocated for by Standard Chartered.

As per the new order, clients can apply for an LC online using bank's digital portal and there is no requirement to submit a signed physical copy of the application.

The change will facilitate international trade for the country by making the LC application process simpler, faster, and more efficient, said the bank.

The first client to complete the paperless application for the LC was Heidelberg Cement Bangladesh

"Digitalising trade is a critical lever to accelerate economic development and improve productivity," said Naser Ezaz Bijoy, chief executive officer of Standard Chartered Bangladesh, in the press release.

He described the online LC application system as a milestone in the digital trade journey of Bangladesh.

"Digital LC application will increase the operational efficiency for our clients."

Jashim Uddin Chowdhury, chief financial officer of Heidelberg Cement Bangladesh, welcomed the development, saying it would reduce the time taken for forwarding an application to banks.

Stanley Sia, co-head of Asia, Digital Channels & Data Analytics of Standard Chartered, said, "Bangladesh has always been a priority market for trade digitalisation in the Standard Chartered's global footprint, given its immense potential."

"The revision in the Import Policy Order is a change we have long been waiting for. We believe that this amendment in the policy is a big, positive step towards making Bangladesh's trade more globally competitive."



Traders are seen with piles of saris awaiting sale at the Karatia market in Tangail sadar upazila. Although they had anticipated better sales this year following two years of downturn during the Covid-19 pandemic, Tangail sari weavers and traders have been let down by the poor customer turnout this year, particularly ahead of Eid-ul-Azha.

PHOTO: MIRZA SHAKIL

Poor Eid sales frustrate Tangail sari traders

MIRZA SHAKIL, Tangail

Tangail sari weavers and traders are disappointed ahead of Eid-ul-Azha this year as the people's decreasing purchasing power coupled with the ongoing flood situation in different parts of the country has led to poor sales, according to market players.

Weavers and traders said they could not sell an adequate number of saris even during Eid-ul-Fitr, when demand for the product is traditionally high compared to the current festival season.

This only compounded their woes following a two-year standoff with Covid-19, which had brought business to a grinding halt.

Tangail saris are produced all over Tangail district but production is particularly high in the Pathrail area of Delduar upazila, which is known as the capital of Tangail sari.

"Here, weavers produce different qualities and variations of saris using cotton, jute, silk and more," said Jogendra Basak, a weaver living in Pathrail. "Certain local weavers are adept at making changes to their designs to keep up with current trends and they can produce both casual and formal saris with prices ranging from Tk 500 to Tk 20,000."

And thanks to this flexibility in design and materials used, Tangail saris are usually a hot item in local markets ahead of any major cultural event, such as the two Eids, Puja and Pahela Baishakh.

"But sales are not satisfactory this year. Instead, business has fallen a lot since the coronavirus pandemic," said Abdur Razzak,

who sells the saris through his shop called Tangail Kutir in Pathrail.

"I think people do not have sufficient money to buy saris at the moment as they spent a lot of their savings during and after the pandemic period," he added.

Razzak went on to say the abnormal spike in prices of all essential goods also cut the people's purchasing power.



Swapan Basak, a sari trader in Delduar upazila, said weavers had made various designs for the last several months in anticipation of higher sales on the occasion of Pahela Baishakh and Eid-ul-Fitr.

However, almost no sales were registered during Pahela Baishakh while receipts were also poor in the festival market centring Eid-ul-Fitr.

Now, traders have been frustrated by the low turnout of wholesalers ahead of Eid-ul-Azha.

As such, the saris are being sold almost exclusively at different local markets, including the hundred-year-old weekly Karatia and Bajitpur markets in Tangail sadar upazila.

In the past, wholesalers also came from

India to buy Tangail saris, market sources said.

"But the number of wholesalers is not satisfactory this year," said Saiful Islam, a sari trader based in Karatia market.

Shahjahan Ansary, an organiser of the Karatia market, said the market would witness annual sales of around Tk 200 crore during the pre-pandemic era.

Sumi Akter, a resident of Bakshiganj in Jamalpur district who came to buy saris from Karatia market a couple of days ago, said prices of the product have increased this year.

"I sell the saris online with a low profit margin but as the prices of all types of Tangail saris ranging between Tk 1,000 and Tk 2,000 have increased by 20 per cent, my business has become untenable," she added.

Local weavers and traders said increasing input costs, such as yarn and wages, forced them to slightly increase prices this year.

They also mentioned that they had to increase their workers' wages due to a shortage of skilled labour in the profession as many handloom factories were permanently closed during the pandemic period.

As per data from the Tangail office of the Bangladesh Handloom Board, about three lakh weavers were employed by about two lakh handloom factories in different upazilas of Tangail a few decades ago.

At present, there are more than 25,000 manual handlooms and 3,000 power looms in the district but around half of the one lakh people currently working in the district came from neighboring regions, such as Sirajganj and Pabna.

MFS-to-bank fund transfer limit fixed

STAR BUSINESS REPORT

The central bank yesterday fixed the maximum transfer limit from a mobile financial service account to a bank account, a move that would give a boost to the fast-expanding mobile banking in Bangladesh.

The daily limit is Tk 50,000 and the monthly ceiling is Tk 3 lakh, said Bangladesh Bank in a notice. The decision came into effect immediately.

The move came as the central bank hadn't fixed any limit for transferring funds from an MFS account to a bank account when it issued its circular in April this year, creating confusion among service providers, said a central banker.

In fact, it was not mentioned in any previous circular.

As a result, most MFS providers have capped the daily transfer limit at Tk 25,000, equivalent to the cash-out ceiling.

The central banker says since a user can't keep more than Tk 3 lakh in their account at any given time, they have to transfer it to bank accounts. But they could not do so comfortably owing to the perceived cap.

"Now, we have come up with the new limit. As a result, the confusion will be cleared up," said the central bank official.

In Bangladesh, MFS has expanded thanks to its growing popularity among the low-income groups as well as the government's fund transfers related to various social safety net programmes and incentives.

There were 11.08 crore MFS users in Bangladesh in April, data from the central bank showed, transacting Tk 92,933 crore in the month.

Zimbabwe to sell gold coins as currency plunges

REUTERS, Harare

Zimbabwe's central bank said it would start selling gold coins this month as a store of value to tame runaway inflation, which has considerably weakened the local currency.

The central bank governor John Mangudya said in a statement on Monday that the coins will be available for sale from July 25 in local currency, US dollars and other foreign currencies at a price based on the prevailing international price of gold and the cost of production.

The "Mosi-oa-tunya" coin, named after Victoria falls, can be converted into cash and be traded locally and internationally, the central bank said. The gold coin will contain one troy ounce of gold and will be sold by Fidelity Gold Refinery, Aurex and local banks, it added.

Gold coins are used by investors internationally to hedge against inflation and wars.

Last week, Zimbabwe more than doubled its policy rate to 200 per cent from 80 per cent and outlined plans to make the US dollar legal tender for the next five years to boost confidence.

Soaring inflation in the southern African country has been piling pressure on a population already struggling with shortages and stirring memories of economic chaos years ago under veteran leader Robert Mugabe's near four-decade rule.

Annual inflation, which hit almost 192 per cent in June, cast a shadow over President Emmerson Mnangagwa's bid to revitalise the economy.

Zimbabwe abandoned its inflation-ravaged dollar in 2009, opting instead to use foreign currencies, mostly the US dollar. The government reintroduced the local currency in 2019, but it has rapidly lost value again.

WHEAT WAR

Ukraine conflict raises hunger fears

AFP, Paris

Russia's invasion of agricultural power Ukraine has severely disrupted the global wheat market, prompting warnings that the conflict could lead to hunger in some countries.

Why is wheat irreplaceable?

Wheat is milled into flour to make a huge range of foods, from bread to pasta to desserts.

"Everyone eats wheat, but not everyone is capable of producing it," says Bruno Parmentier, an economist and author of the book "Feeding Humanity".

Only around a dozen countries produce enough wheat to be able to export it, too.

China is the world's top producer but is also a major importer of the commodity to feed its 1.4 billion people.

Russia, the United States, Australia, Canada and Ukraine are the world's top exporters. Egypt, Indonesia, Nigeria and Turkey are among the top importers.

Why are wheat prices high?

Grain prices were already high before Russia began its invasion of Ukraine in February.

There were several factors behind the increases: Energy prices soared as economies bounced back from Covid lockdowns, sending costs for nitrogen-based fertilisers higher. The end of Covid restrictions also led to major disruptions to global supply chains as demand surged for all sorts of products.

In addition, a heatwave in Canada led to a dismal harvest in the country last year.

Why did the war worsen things?

Wheat prices surged even higher after Russian troops

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A farmer drives a combine harvester in a wheat field in Sainte Foy d'Aigrefeuille, near Toulouse, southwestern France.

PHOTO: AFP

Sri Lanka warns of crisis thru 2023

PM admits bankruptcy

AFP, Colombo

Sri Lanka is bankrupt and the acute pain of its unprecedented economic crisis will linger until at least the end of next year, Prime Minister Ranil Wickremesinghe told parliament Tuesday.

The island nation's 22 million people have endured months of galloping inflation and lengthy power cuts after the government ran out of foreign currency to import vital goods.

Wickremesinghe said the once-prosperous country will go into deep recession this year and acute shortages of food, fuel and medicine will continue.

"We will have to face difficulties in 2023 as well," the premier said. "This is the truth. This is the reality."

He said Sri Lanka's ongoing bailout talks

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