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

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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 40,0000 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

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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.

# 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.

# BB toughens rules

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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.

In Bangladesh, the majority of banks are facing a US dollar crisis due to the escalated imports. As a result, the exchange rate of the taka has weakened against the dollar.

The official exchange rate stood at Tk 93.45 per dollar yesterday compared to Tk 84.80 a year ago.

# Govt raises

FROM PAGE B1

This year, the ministry may allow the export of nearly 60 lakh sqft of rawhide by a similar number of companies.

Senior Commerce Secretary Tapan Kanti Ghosh and other government high-ups were also present at the press conference.

# 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 raiseinterest 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.