

## Dollar slides further after US inflation surprise

REUTERS, London

The dollar lost further ground versus other major currencies on Thursday, after traders reined in bets on an aggressive interest rate hike by the Federal Reserve after softer-than-expected US inflation data the previous day.

The dollar index remained on the back foot in early European trading hours, slipping 0.2 per cent to 105.010, after recording its biggest daily fall in five months, of 1 per cent, the previous day.

Data on Wednesday showed US consumer prices were unchanged in July, month on month, after advancing 1.3 per cent in June.

"Yesterday's data gave hope that inflation has peaked and the Fed will need to raise rates less sharply to keep inflation under control," currency analysts at Commerzbank said in a note.

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Traders pared bets the Fed would raise rates by 75 basis points for a third straight time at its September policy meeting, and now see a half-point increase as the more likely option.

Fed policymakers sought to temper any expectations of significantly looser policy, with Neal Kashkari telling a conference on Wednesday that the central bank was "far, far away from declaring victory" on inflation.

"While yesterday's data clearly reduces the risk of further aggressive Fed action (+75bps) and therefore helps curtail US dollar demand, we equally see it as unlikely that this data alone will prompt much further US dollar selling from here," currency analysts at MUFG said in a note.

The euro and Japanese yen were among the currencies to benefit from the dollar's weakness and both added to the previous day's gains. The euro was last up a quarter of a percent at \$1.03255.

The yen gained 0.2 per cent to 132.615 yen per dollar.

Sterling was broadly flat versus the dollar at \$1.22250, after gaining more than 1 per cent the previous day.



A worker at a jute farm in Ishan Gopalpur union of Faridpur sadar upazila is seen hanging bunches of raw jute for drying following the retting process, which involves soaking jute stalks in waterbodies to extract the fibres within.

PHOTO: SUZIT KUMAR DAS

# Scanty rainfall affects jute retting

Lowers quality while fuelling production costs

SUZIT KUMAR DAS, AHMED HUMAYUN KABIR TOPU and AMINUL ISLAM

Growers are facing trouble in retting raw jute as a lack of rainfall has reduced the availability of natural waterbodies, affecting the quality of the eco-friendly fibre being produced, according to farmers.

In the face of a declining monsoon season, many producers are being forced to carry their harvested plants to other areas in hopes of finding suitable waterbodies.

A section of them are also having to use diesel engine pumps for retting jute, which increases their production cost on one hand and deteriorates the quality of the fibre on the other.

Under such circumstances, farmers are seeing a fall in profits.

"A lot of our jute became rotten before we could extract the fibres as there was no water to soak it in," said Sumon Mia, a jute grower of Muratia village under Saltha upazila of Faridpur, the biggest jute producing district.

He got a profit of Tk 15,000 from each bigha of land last year but this time around, the profit will not be more than Tk 5,000 per bigha.

In July, when farmers started harvesting the cash crop, the country saw 57.6 per cent less rainfall than the last 30-year average for that month and lowest in the last 41 years.

The average rainfall in June is 439.9 millimetres but this year, precipitation declined 3.6 per cent to 423.8 millimetres, according to the Bangladesh Meteorological Department.

Farmers across Bangladesh have grown jute on a total of 7.53 lakh hectares of land in the current harvesting season, according to data from the Department of Agricultural Extension. Last year, they sowed jute on 7.27

lakh hectares of land to bag 84.32 lakh bales of the fibre within, up 9 per cent year-on-year, according to the Bangladesh Bureau of Statistics.

In Faridpur, which accounts for 9 per cent of the total jute production, farmers cultivated the fibre on nearly 86,000 hectares. Of the total area, 80 per cent has already been harvested with raw jute currently selling for between Tk 3,000 and Tk 3,200 in local markets, which is the same price that it was last year.

Farmers say they are getting an average of about 15 maunds (one maund equals over 37 kilograms) of jute per bigha but still, the higher cultivation costs coupled with sparse rainfall has led to poor production.

Faruk Mollah, a jute grower of Boutipara village under Nagarkanda upazila, said they are being forced to use rickshaws and other light vehicles to transport their jute to other areas as they lack enough water to soak the stalks in their own locality.

He got 31 maunds of jute by investing Tk 95,000.

"I have sold raw jute worth Tk 55,000 so far and hope to earn Tk 60,000 more," he said, adding that his profits would be nearly half of the Tk 30,000 he got last year.

Many farmers could not even harvest all their plants due to the lack of water.

"I did not get high quality fibre for a crisis of water," said 40-year old farmer Abdul Gaffar Khan.

Prabir Saha, a raw jute trader at Faridpur, said the cost of production has increased for scanty rainfall. Besides, farmers are getting higher amounts of low-quality jute, which reduces profit.

"The raw fibre gets good colour if retted under enough water. So, low water levels

mean deterioration of quality," he added.

In Pabna, another major jute producing district in the country's northwest, farmers are facing the same difficulties.

Take the case of Md Shohidul Islam Pramanik, a grower in Pabna sadar upazila, who is struggling to process his jute due to a lack of sufficient water, which in turn increases production costs.

"There is no water near the jute field for poor rain. After harvesting, I had to move the jute to Jhobijhobia beel, which is two kilometres away, requiring extra transportation cost," Pramanik said.

Md Torab Uddin Bishwas, another grower in Atghoria upazila of the district, said the number of jute farmers increased this year.

"But now, the bumper harvest has become a headache for them," he said.

"Due to the lack of sufficient water, I am unable to extract good quality fibre. There is a small canal with a little water that was earlier used by other farmers and now I am also bound to do the same," Bishwas added.

In addition, increased labour costs have pushed up production costs too, said Johirul Haque, a farmer in Mymensingh sadar upazila.

Arzu Rahman Bhuiyan, senior vice president of the Bangladesh Jute Association, said the amount of quality raw jute is likely to decline this season for the lack of adequate waterbodies in growing zones.

Abdul Barik Khan, secretary general of the Bangladesh Jute Mills Association, said yields of the natural fibre were good.

"But we are not getting quality raw jute at mills as the lack of rain affects retting," he said.

Raw jute is mainly supplied for export and makers of export-oriented jute goods.

## Inflation widening rich-poor gap

MAHTAB UDDIN AHMED

In recent months, inflation has taken the world by storm, impacting not only Bangladesh but also countries in the first world. I have learned a few things from my wife through it all.

She has a knack for finding the silver lining in challenging situations. When you see fuel price going up by 50 per cent, she looks at walking or cutting down on social activities reminding us of the health benefits; let's cut down on meat which is good for health; coffee price has gone up, so what, let's take tea instead; bread price has gone up by 40 per cent due to higher price of the imported wheat resulting from the Ukraine war, let's switch to locally grown rice.

It triggers a thought in my mind as to why world leaders are trying to suppress the inflation figure instead of educating their people on how to fight inflation.

You talk to a rickshaw-puller or day-labourer or for that matter any middle-class person about the price increase of essentials, they would tell you the numbers from the top of their heads with accuracy. They will also tell you how they are maneuvering their food habits to make ends meet within the limited budget and at what cost. Our government may learn from their insights and share the knowledge with the rest.

Let's look at the corporate scenario. During my last-moving consumer goods (FMCG) days in Unilever, the finance team would get happy when the commodity prices went up, as it is a blessing in terms of meeting the immediate profit target. Professional companies very smartly pass on the cost increase to the consumer when commodity prices in the international market go up.

**Inflation-driven crises are as old as time and it has always hit the poor most while creating opportunities for certain segments of the rich, especially the cash-rich corporates**

But the actual impact on the cost structure is more likely to come after three to six months depending on multiple factors. This is one situation that marketing experts agree upon with their financial counterparts, albeit reluctantly.

Therefore, "smart" actions of the corporates may unnecessarily cause immediate hardship to the general public. Similarly, stockers make their fortune when such crises come at the cost of the poor. This fundamental process along with other economic factors, as a result, makes the rich richer and the poor poorer.

High inflation, in short, tends to worsen economic inequality or poverty because it hits harder the earnings and savings of lower or middle-income households than the well-off. Sadly, households that have recently escaped poverty may get pushed back into it by rising inflation.

While the current inflation in Bangladesh is primarily driven by global factors, namely the post-Covid surge in demand, the Ukraine war, shutdown in China etc. domestic policies can still play a pivotal role in driving or controlling its repercussions to minimise the adversities.

The same situation prevails in the corporate world to some extent too. We all know high inflation has a direct relationship with high-interest rates. Because of higher interest rates, many struggling companies that were just managing at a break-even level, in terms of cash or profitability, would no longer be able to service their debts.

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## Opec, unlike IEA, sees lower 2022 oil demand growth

REUTERS, London

Opec on Thursday cut its 2022 forecast for growth in world oil demand for a third time since April, citing the economic impact of Russia's invasion of Ukraine, high inflation and efforts to contain the coronavirus pandemic.

The view from the Organisation of the Petroleum Exporting Countries contrasts with that of the International Energy Agency, which earlier on Thursday raised its demand outlook.

Opec in a monthly report said it expects 2022 oil demand to rise by 3.1 million barrels per day (bpd), or 3.2 per cent, down 260,000 bpd from the previous forecast.

Opec left its 2023 growth projection unchanged at 2.7 million bpd.

Oil use has rebounded from the worst of the pandemic and is set to exceed 2019 levels this year even after prices hit record highs. However, high crude prices and Chinese coronavirus outbreaks have eaten into 2022 growth projections.

"Global oil market fundamentals continued their strong recovery to pre-Covid-19 levels for most of the first half of 2022, albeit signs of slowing growth in the world economy and oil demand have emerged," OPEC said in the report.

Opec cut its 2022 global economic growth forecast to 3.1 per cent from 3.5 per cent and trimmed next year to 3.1 per cent, saying that the prospect of further weakness remained.

"This is, however, still solid growth, when compared with pre-pandemic growth levels, which were only slightly

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A vegetables vendor waits for customers at a local city market in Kolkata. In India, food prices, which account for nearly half of the consumer price index basket, softened last month.

PHOTO: REUTERS/FILE

## India's retail inflation likely eased in July

REUTERS, Bengaluru

India's retail inflation likely eased in July due to a fall in food and fuel prices yet stayed well above the Reserve Bank of India's upper tolerance limit for a seventh consecutive month, a Reuters poll found.

Food prices, which account for nearly half of the consumer price index basket, softened last month. But the bulk of the slowdown came from an easing in international prices and the lagged effect of government interventions to reduce import duties and restrictions on wheat exports.

The near-term inflation outlook remains highly uncertain as the uneven nature of this year's monsoon and a weak rupee currency may dull the effectiveness of those government efforts to tame consumer price rises.

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