

## Dollar driven to five-week high by Fed rate hike forecasts

REUTERS

The US dollar index hit a five-week high and was on track for its biggest weekly gain since April 2020 on Friday as investors adjusted for the likelihood that the Federal Reserve will keep hiking rates to battle inflation.

The US central bank needs to keep raising borrowing costs to tame decades-high inflation, a string of US central bank officials said on Thursday, even as they debated how fast and how high to lift them.

"They still have their work cut out for them and I don't think the market was really positioned that way after the July FOMC," said Bipan Rai, North American head of FX strategy at CIBC Capital Markets in Toronto.

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The dollar gained 0.81 per cent to 137 against the yen, the strongest since July 27.

Sterling tumbled 0.89 per cent to \$1.1830 and was set for its biggest weekly drop against the dollar since September 2020. The Fed is seen as having more room to hike rates than central banks of other large economies which are more fragile.

Fed funds futures traders are pricing in a 54 per cent expectation that the Fed will hike rates by 50 basis points in September and a 46 per cent probability of a 75 basis points increase.

Fed Chair Jerome Powell will update the market on his views at the annual Jackson Hole symposium on August 25-27. The dollar has also benefited from safe haven demand as weakening Chinese data and an energy crisis in Europe raise fears of further economic slowdown, said Jane Foley, head of FX strategy at Rabobank in London.

China's yuan slipped to its lowest since September 2020 at 6.8199 per dollar in onshore trading after the central bank set a much-weakened midpoint guidance, with traders expecting further downside.

## Garment's clout only grows

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on raising labour productivity rather than reaping the benefit of cheap labour.

The result is -- during the past decade or so, labour productivity has become a more important source of output growth compared to employment growth, whereas the opposite was the case from 2005-06 to 2010, said Rizvanul.

"Job growth has stagnated and I doubt if any additional employment has been generated in the industry in the last 10 years or so."

Md Saiful Islam, president of the Metropolitan Chamber of Commerce and Industry, called for a risk fund or export protection scheme from the government to give export diversification a leg up.

His argument is exporters in the country want to invest in the traditional products to avoid risks. So, there is hardly any scope for innovation, which is essential for export diversification.

"In the absence of funds under guarantee schemes, a potential sector could sink, like the shipbuilding industry," said Islam, who is also engaged in the shipbuilding industry.

According to Saiful, the government has enough policies for product diversification but the effectiveness of the policies is rare.

There is a lack of initiative for policy implementation, he said, adding that a small export basket poses huge risks.

"The private sector would not embrace the risk of export diversification until they get funds along with policy support," said the MCCCI chief.

Ferdaus Ara Begum, chief executive officer of the Business Initiative Leading Development (BUILD), a think-tank, says some sectors have increased their export volume.

"However, they have not been able to compete with the garment sector when it comes to capturing the share in the export market."

Ferdaus names three sectors

plastics, leather and light engineering.

Despite the pandemic, she says, the export volume of light engineering increased around 40 per cent.

She, however, admits that entrepreneurs have never thought of or looked into many other potential sectors.

The BUILD, a public-private dialogue platform, has found 25 to 30 types of policy differences between the garment and other sectors that stand in the way of exploring the potential in the global market.

One of the policy inconsistencies is that other sectors are not getting the facilities of the bonded warehouse like that of the garment industry.

After much persuasion from the business community, the government has extended the bonded warehouse facilities to the leather industry. Under the facility, export-oriented industries can import raw materials duty-free.

Similarly, unlike the garment industry, other export-oriented industries can't subcontract their work.

On many occasions, the authorities have imposed burdens on diversified product manufacturers instead of extending support, Ferdaus said.

M Masrur Reaz, chairman of the Policy Exchange of Bangladesh, another private sector think-tank, says Bangladesh has spent 40 years to make a single product competitive globally.

Bangladesh has begun working with 25 to 30 non-garment products simultaneously but the efforts did not bring any good, according to the former economist of the World Bank Group.

This prompted Reaz to suggest prioritising two or three products in order to help them make a mark in the global market.

He also pointed out the country's failure to attract a significant level of foreign direct investment since it is depriving Bangladesh of utilising technological advancement.

Poor logistics is another area of concern.

### PHARMA INGREDIENTS PARK

# Project complete, still no gas connections

SUKANTA HALDER

The lack of gas connections is creating obstacles for companies at the API Industrial Park to conduct their operations even though the project was completed in June last year.

So far, 42 plots have been handed over to 24 pharmaceutical companies but only five or six factories have been fully established.

In 2008, the government took an initiative involving Tk 213 crore to build an industrial park beside the Dhaka-Chattogram Highway in Gazaria upazila of Munshiganj for the makers of active pharmaceutical ingredients (API) and other medical raw materials.

Titas Gas Transmission and Distribution Company Ltd was supposed to provide plots inside the park with gas connections by December this year, said Project Director Syed Shahidul Islam.

"Necessary action will be taken against the company if it fails to complete the task within the deadline," he added.

The cost of the project rose to Tk 381 crore due to various reasons, including

changes in design and delays in land filling, according to data from the Bangladesh Small and Cottage Industries Corporation (BSCIC).

"The Covid-19 pandemic also disturbed the establishing of gas connections for the API park," Islam said.

The local pharma sector will lose some of the benefits it is enjoying under the Intellectual Property and Patents Act when Bangladesh graduates to a developing country in 2026, said Industries Secretary Zakia Sultana.

So, the government is implementing the API Industrial Park project now, which will play an important role in addressing the challenges the pharma sector will face after the country's economic graduation, she added.

She was speaking during a visit to the industrial park on Saturday.

That day, the Bangladesh Association of Pharmaceutical Industries (BAPI), the apex body for pharmaceutical companies, raised various demands, including starting gas supply to industrial plots, filling the soil and reducing the surcharge.

The BSCIC is hoping to create 25,000 opportunities for direct employment at the API park when all the investors go into operation. The organisation hopes that at least Tk 2,000 crore will be invested in the park.

SM Shafiuzzaman, secretary general of BAPI and managing director of Hudson

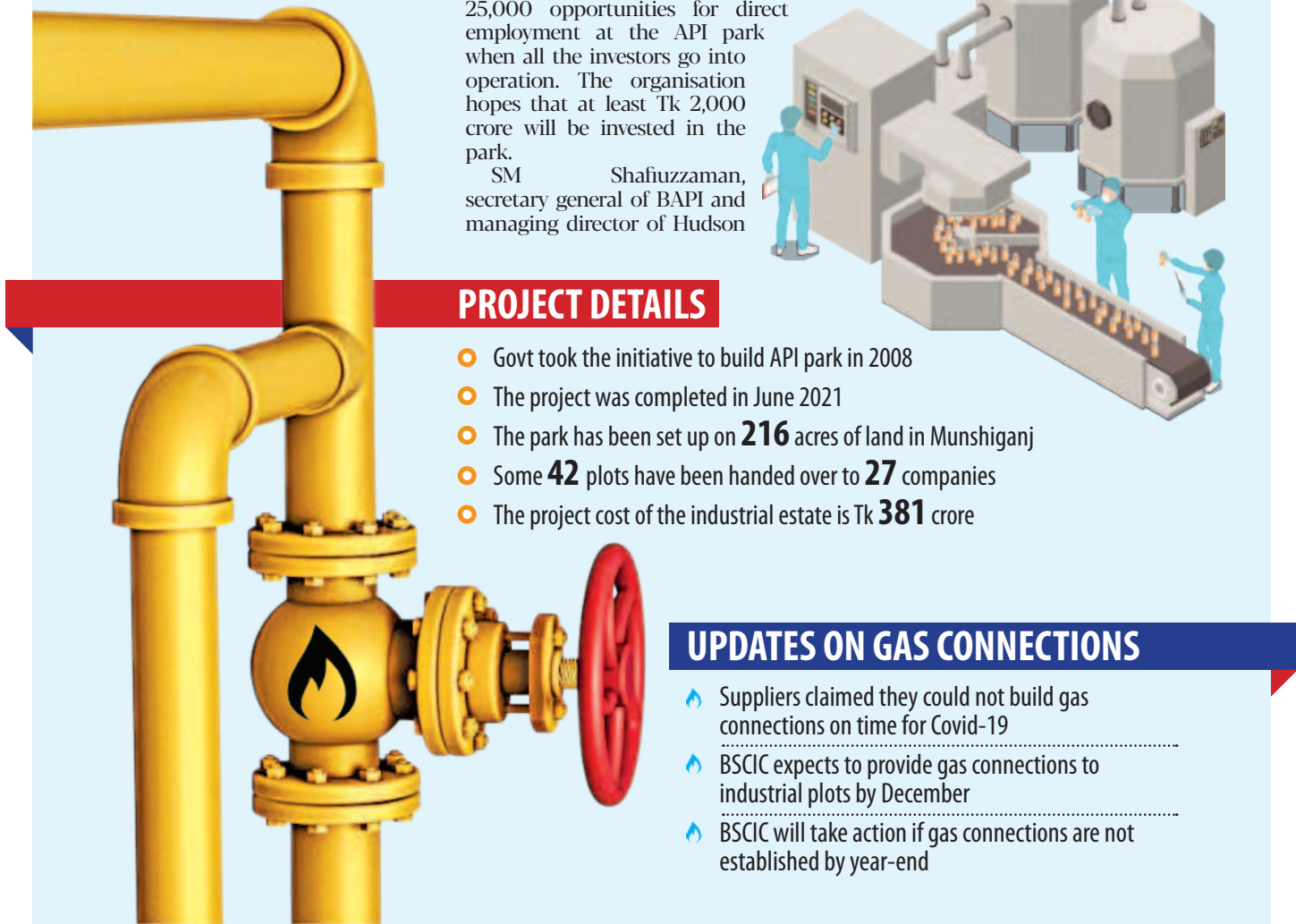
Pharmaceuticals Ltd, told The Daily Star that companies whose infrastructure development work has been completed will start production only after getting a gas connection.

He said money and all kinds of documents were submitted five years ago for a gas supply but so far, none of the plots have been given connections.

Work is underway to provide internal gasline connectivity but this situation had to be faced due to a lack of coordination in this regard among government agencies, Shafiuzzaman added.

According to the BAPI, local companies can produce only 3 per cent of the total demand for medical raw materials at present while the remaining 97 per cent is imported from various countries.

The pharmaceutical industry has developed considerably in Bangladesh. In the post-independence period, Bangladesh was almost 100 per cent dependent on foreign medicines. But now, local medicines are even being exported across the world.



## StanChart 'Market Leader' for CSR

STAR BUSINESS REPORT

Standard Chartered Bangladesh was recently named "Market Leader" in Bangladesh for corporate social responsibility (CSR) in a survey key banking categories and markets by financial publication Euromoney. CEO Naser Ezaz Bijoy said the true impact of CSR and community activities cannot be quantified. "It is about the lives that we can change for the better and the positive imprint that we leave behind," he said.

In a press release, the bank said it was recognised for championing socially responsible and environmentally sustainable practices, working with stakeholders to address societal challenges, supporting Covid-19 relief efforts, and driving economic inclusion and empowerment.

## RFL holds dealer conference in UAE

STAR BUSINESS REPORT

RFL Group recently organised a dealer conference in Dubai of the United Arab Emirates.

The top 70 dealers of three subsidiaries of the group -- Rangpur Metal Industries Limited, Regal Furniture and Bizli Cables -- took part in the conference at a hotel on August 18, according to a press release.

They visited different attractive places including the Burj Khalifa, Dubai Frame and Desert Safari.

Md Moniruzzaman, director of Rangpur Metal Industries Limited and Bizli Cables; Shafiul Alam Khan, chief operating officer of Regal Furniture; Shariful Islam, head of marketing of Rangpur Metal; Rakib Ahmed, head of marketing of Bizli Cables, and other senior officials were present at the conference.

## Japan's core consumer prices rise 2.4pc in July

AFP, Tokyo

Japan's core consumer prices for items excluding fresh products rose 2.4 per cent on-year in July, the highest in more than seven years and marking four straight monthly gains of more than two per cent, government data showed Friday.

While energy prices continued to mount, the speed of the increase has slowed, according to data released by the internal affairs ministry, which matched market expectations.

The figure is the highest since December 2014.

Prices have increased for nearly 80 per cent of non-fresh food products, NLI Research Institute said, predicting that core CPI may touch 2.9 per cent by October.

"Until now, sharp rises in energy prices, triggered by rising crude oil costs, drove up the core CPI. But the main cause is shifting to food," NLI said.

Central banks worldwide are hiking interest rates to fight soaring inflation, but the Bank of Japan sees recent price rises as temporary, so has kept its ultra loose monetary policy in place.

## Spare businesses

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Association, said garment export orders were declining and buyers were abruptly suspending orders apprehending global recessions.

"Many factories were compelled to close production lines due to low demand. On the other hand, repeated hikes in energy prices are leading to a rise in production cost and raw material costs have increased substantially," he said.

"The profit of the profitable company is declining while many are facing losses," he added.

Nihad Kabir, chairperson of Business Initiative Leading Development, said there were some weaknesses in the management of the economy and financial sector.

If these weaknesses are not overcome, the future will not be good, she said, adding that maintaining competitiveness was now the prime challenge. Various obstacles are being created to business through policies, leading to a rise in the cost of doing business, she said.

She said although the economy was not facing any big challenge, common people were having to pay more for an increase in the price of rice, fish and chicken.

She said the prices of fuels were decreasing in the world market and it had to be adjusted in the local market.

Shamsul Alam, state minister for planning, said although there was a stockpile of high-quality coal in the country, the government had to import coal.

This was to pacify general people as sometimes the government needs to prioritise political actions rather than giving in to economic consideration, he said.

He said there were apprehensions that farmlands would be damaged if coal was extracted from underground.

Alam alleged that the country's economists mostly tend to express concerns while failing to see attainments and possibilities.

He said the fuel price hike instigated inflation while there was no denying the fact that people were now suffering.

There was no alternative to raising

the price of fuel. But the government has taken various steps and hopefully the inflationary pressure will come down by October. Despite that, some pressure will be there, he said.

Chief Economist at Bangladesh Bank Md Habibur Rahman said the inflationary pressure would persist as it has wholly been caused by imports.

Ahsan H. Mansur, executive director of the Policy Research Institute, said the monetary policy was not working well to contain the inflationary pressure while hard times were looming large.

He said the deficit in balance of payments would not go away very soon if export earnings and inward remittance do not increase, imports do not decline, and there was a desirable balance in foreign trade.

He said the government was doing very little to rein in inflation.

Sharmeen Rinvy, president of the ERF, also spoke while and SM Rashidul Islam, general secretary, moderated the event.

### Export diversification

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Rhondaker Golam Moazzem, research director of the Centre for Policy Dialogue, criticised the ministry for the slow progress.

"It's unexpected that the state-run agency could not start its 11 packages yet. It's a total failure as the extension period is over," he said.

The economist raised questions about whether the WTO cell was the right choice to implement such a multi-dimensional project.

"The government should choose an international standard private agency with enough experience of handling such kinds of tasks to operate the project," Moazzem added.

He went on to say that before extending this project, the authorities would have to reschedule the project implementation structure to end the repeated change to project directors.

"As the authorities will have to extend its tenure after taking consent from the EIF, it should prepare a roadmap through discussion with stakeholders to complete the project on time."

## Traders make

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The prices of sweetening agent grew 11.25 per cent over the last one month, said the commission.

The spike was 25 per cent year-on-year, it said, adding that the increase was much higher in view of the movement in prices of sugar in the international market.

The prices of sugar dropped in the global market over the last one month.

"Considering the sugar price trend in the global market, the hike is much higher in the domestic market," said the BTTC report, signed by BTTC Deputy Chief Md Mahmodul Hasan.

Bangladesh meets 98 per cent of its annual requirement for sugar of 20 lakh tonnes from imports.

In the case of pulses, the prices declined marginally from a month ago but rose up to 40 per cent on August 14 from a year ago. There was no increase in its prices in the global market compared to a year ago, said the report.

The country imports more than three-fifths of its yearly lentil requirement of 500,000 tonnes.

The commission said consumers are not getting the benefit of the decline in prices of various essential commodities in the global market because of the increased cost of the US dollar stemming from the depreciation of the Bangladeshi taka.

Besides, international prices also influence the price hike of domestically produced commodities, it said.

In a letter to the commerce ministry, the commission recommended the government monitor the market at the upazila and district levels through market monitoring committees.

Dishonest traders are taking advantage of the higher cost of the dollar and international prices as well as the spike in prices for the commodities for which Bangladesh is not dependent on foreign suppliers, it said.

Considering all these factors, the BTTC thinks that upazila and district level committees should take necessary steps as per the essential commodities rule, it said.