



Tanker trucks carrying liquefied natural gas (LNG) cross the Xihoumen bridge of Zhoushan, Zhejiang province, in China. The LNG prices in the global market were driven up by the Russia-Ukraine war last year and it reached a record of \$70 per MMBtu in August. The higher prices had forced Bangladesh to pause the purchase of LNG from the international spot market to save its foreign currency reserves.

PHOTO: REUTERS/FILE

Deal signed on potato export to Russia

STAR BUSINESS REPORT

State-run Bangladesh Agricultural Development Corporation (BADC) yesterday signed a memorandum of understanding (MoU) with National Group, a private entity in Russia, for the export of potato to Russia, according to the agriculture ministry.

Under the deal, the BADC will supply potato grown by its contract growers to National Group for marketing in Russia, one of the biggest consumers of potato.

"The company has started process of buying potato from us," said BADC Member Director (Seed and Horticulture) Md Mostafizur Rahman after the MoU signing at InterContinental Dhaka.

BADC Chairman Abdulla Sazzad and National Group Chairman Abdus Sattar Mia signed the MoU, said a statement ministry.

Agriculture Minister Muhammad Abdur Razzaque and Agriculture Secretary Wahida Akter were present at the event among others.

Rahman said the BADC has grown potato in 30 zones, each comprised of 50 acres of land, through its contract growers.

And the BADC Alu-1 (Sunshine) and Diamant potato varieties are preferred by the Russian buyer, he said.

The development comes a year after Russia removed a ban on the tubers grown here in response to measures taken by the government to make potato free from harmful bacteria and safe for consumption.

Russia slapped the ban on Bangladesh's potato in 2014 detecting brown-rot disease.

Rahman expected that a good amount of potato would be exported next year as the harvests were over now.

At the event, Agriculture Minister Razzaque hoped that nearly 150,000 to 200,000 tonnes of potato would be exported next year.

Bangladesh yet to utilise

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Authority, the Japan International Cooperation Agency, and Sumitomo Corporation, opened last year.

According to businesses, officials and economists, the Japanese sunset industries are not relocating from China to Bangladesh mainly because of the investment climate not being up to the mark yet for poor reforms and the delays in business processes for red tape.

Ando said infrastructure, port facilities, logistic support and efficiency of service providers were not of the standard required by Japanese investors.

He hopes all bottlenecks standing in the way of attracting foreign investments will be removed within the next five to 10 years.

According to him, Japanese investors want to ensure quality investments, so they first and foremost take into consideration policies, incentives, investment environment and cooperation from service providers, all of which are important in running a business.

Lauding the government's initiatives, Ando said the time has come for Bangladesh to be serious in creating a welcoming atmosphere for FDI right from its main international airport.

On addressing red tape, the Jetro official said the government could think about ways to empower institutions to promote transparency and accountability in governance and business.

"No investor has relocated from China to Bangladesh since the outbreak of the coronavirus pandemic," confirmed Tareq Rafi Bhuiyan Jun, a former secretary general of the Japan-Bangladesh Chamber of Commerce and Industry.

"There are Japanese companies interested in investing in the infrastructure sector of Bangladesh and the government is taking very positive steps to attract foreign investment and improve necessary

infrastructure," he said.

"But it will take time to reach the standards of countries like Vietnam, Indonesia and Thailand."

Red-tape still prevails among various service providers which impedes efforts to attract FDI, said Kazi Aminul Islam, a former executive chairman of the Bangladesh Investment Development Authority (BIDA).

He identified skills gaps in all fields and weaknesses in the logistics sector for the lack of adequate interest in making investments in Bangladesh.

"These should be addressed and policies updated as per need to improve on the ease of doing business."

Abul Kasem Khan, a former chairperson of the Business Initiative Leading Development, a think-tank, suggested improving the ease of doing business continuously to reduce hassles and the cost of doing business to attract FDI.

Though Bangladesh has made improvements in the ease of doing business over the past decade, it is still lagging behind other countries which are improving continuously, he said.

Khan stressed the need for adopting effective strategies with timeframes to remove all hassles to fulfil the expectations over FDI.

"Now the macroeconomic situation is unstable, which investors take into consideration while making investments. Investors are following a wait-and-see strategy," said M Masrur Reaz, chairman of the Policy Exchange of Bangladesh.

"We are yet to reach a stage where infrastructure and necessary policy support resemble those of competing countries."

"We have just started to improve the business climate whereas competing countries had started off much earlier and have already prepared themselves as investment destinations."

Lokman Hossain Miah, executive

chairman of the BIDA, said they were working with different organisations to bring improvements alongside necessary reforms to attract FDI.

He acknowledged that state-run service entities need a lot of orientation on proper processes and should change as per the demand of investors in order to create a business-friendly environment so that investors see Bangladesh as the top choice for investments.

However, investors always think of ways to protect their capital and for this reason, they are yet to flock to Bangladesh, he said.

"I think the situation will improve day by day and this will help attract FDI, not only from Japan but also from around the world."

Although no Japanese factory has yet shifted to Bangladesh from China under the policy, Miah believes investors would come once the global economic situation improves.

"For this reason, the investment environment should be improved further," he noted.

Taka slips further as BB sells dollars

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The central bank sold \$70 million to banks at the new rate, said a senior BB official, seeking anonymity, yesterday.

"We are adjusting the exchange rate gradually."

In the interbank market, the greenback traded at up to Tk 107.40 on Monday in contrast to Tk 86 a year ago.

The local currency has been under pressure against the dollar for the last one year owing to higher import payments than overall receipts from export and remittance. As a result, the country's foreign exchange reserves have fallen.

The reserves stood at \$31.06 billion on March 30, down 30 per cent year-on-year.

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economists have raised questions about the inflation numbers released by the Bangladesh Bureau of Statistics, saying the real rate would be much higher than the official figures.

When pointed to it, the planning minister said: "We reported an inflation figure that is higher than that of the ADB. Had we manipulated the data, we would not have reported higher figures."

"In fact, I said earlier that inflation would go up in March and it accelerated to 9.33 per cent. Fortunately, it did not touch 10 per cent."

The WB said enhancing monetary policy would enable inflation targeting and support financial stability in Bangladesh.

"Monetary policy needs to be fully dedicated to reining in inflation through the interest rate channels."

The BB has raised policy rates by multiple times in recent months to combat higher consumer prices. But the World Bank said the continued use of a lending interest rate cap introduced in April 2020 has impaired

the effectiveness of policy rates.

The WB thinks the introduction of a benchmark lending rate or reference rate for commercial banks could provide a transition path from rate caps toward market-determined rates.

"This policy could see a shift from reserve money-based monetary policy transmission towards a policy rate-based transmission mechanism. The reference rate could be anchored on the treasury rates of government securities or interbank rates."

The BB is working to put in place a benchmark lending rate but that is not expected to come into effect before July.

Prof Raihan said Bangladesh has failed to use the interest rate, a decisive tool to combat inflation.

The interest rates were increased in many countries as part of their efforts to tame inflation. But the Bangladeshi Bank said a market-determined lending rate will be introduced in July.

"Then it will be a late response," he said.

Gulam Rahman, president of the Consumer Association of Bangladesh, said essentials are costlier now than in

the past.
He said there are some global reasons for the price increase but there are local factors as well.

"Some illogical decisions and the reluctance to take actions are contributing to the rising inflation."

Prof Shamsul Alam, state minister for planning, feared that inflation might increase further due to the recent price hike of oil in the international market.

Prof Raihan said only 28 per cent of people benefit from the social protection programmes such as the sales of subsidised food items by the Trading Corporation of Bangladesh and the Open Market Sales operation of the food ministry.

"But the amount is very small. It is insufficient for poor people. So, ensuring food security should be the government's highest priority."

Average inflation stood at 6.15 per cent in the last financial year of 2021-22, well above the central bank's target of 5.30 per cent.

The BB has targeted to keep the average inflation within 7.50 per cent in FY23.

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"The government is constructing infrastructures spending thousands of crores of taka. So, there is a need to make arrangements for realising tolls from the regional highways at least at a minimum rate," she said.

Through this, the culture of paying tolls will be developed among people, she added. The prime minister also directed the authorities to ensure the maintenance of the rural roads, said Mannan.

The planning minister said the day's Ecne meeting approved a total of 11 projects involving an overall estimated cost of Tk 4,252.66 crore.

"Of the total project cost, Tk 3,645.21 crore will come from the government exchequer while the remaining Tk 607.45 crore as project assistance (foreign loans)," he added.

Of the approved 11 projects, six are new while five are revised projects.

Govt to make another LNG purchase from spot market

STAR BUSINESS REPORT

The government is going to buy another shipment of liquefied natural gas (LNG) from the international spot market, the sixth since February.

The cabinet committee on purchase in a meeting yesterday approved the procurement of 33.60 lakh MMBtu of LNG from TotalEnergies Gas and Power Limited of the Switzerland at Tk 624.40 crore.

This time the price of the super chilled fuel was \$18.84 per MMBtu, which was \$13.69 per MMBtu for the last shipment purchased in March 23.

It was \$14.66 on March 10 when Bangladesh bought the same amount of fuel from the same company, TotalEnergies. In the first week of March the country bought the fuel from Singapore-based Vitol Asia at \$16.10.

The LNG prices in the global market were driven up by the Russia-Ukraine war last year and it reached a record of \$70 per MMBtu in August. The higher prices had forced Bangladesh to pause the purchase of LNG from the international spot market to save its foreign currency reserves.

Since the beginning of 2023, the LNG prices plunged by more than 70 per cent from August's record on slower demand and high inventory levels in Europe and North Asia.

During Ramadan, the government is working to supply around 2,900mmcf/d (million cubic feet a day) of gas, where the LNG portion is around 25 per cent (around 750 mmcf/d).

With the summer and irrigation season coming up, Bangladesh ramped up its participation in the international spot market for LNG, issuing tenders regularly from the first week of February after a seven-month pause.

Recently Petrobangla Chairman Zanendra Nath Sarker also hinted that they would increase purchase of the LNG.

When Bangladesh halted spot LNG purchases in June, it had paid \$24.25 per MMBtu.

If the price stays at less than \$20 per MMBtu, Bangladesh is likely to end up purchasing 10 to 12 shipments between February and June.

Meanwhile, the committee has also approved the import of di-ammonium phosphate (DAP) fertiliser under a government-to-government agreement with Saudi Arabia's state-owned mining company MA'ADEN.

Bangladesh Agriculture Development Corporation will import 40,000 tonnes of the DAP fertiliser at a cost of Tk 257.94 crore.

Oil posts gains

REUTERS, Beijing

Oil prices rose on Tuesday after Opec+ plans to cut more production jolted markets the previous day, with investors' attention shifting to demand trends and the impact of higher prices on the global economy.

Brent crude futures were up 42 cents, or 0.5 per cent, to \$85.35 a barrel by 0632 GMT. US West Texas Intermediate (WTI) crude futures were trading at \$80.85 a barrel, up 43 cents, or 0.5 per cent.

Both benchmarks jumped more than 6 per cent on Monday after the Organization of the Petroleum Exporting Countries (Opec) and allies including Russia, collectively known as Opec+, rocked markets with Sunday's announcement of plans to lower output targets by a further 1.16 million barrels per day (bpd).

Inflation jumps to 7-month high

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