Sugarcane being unloaded in Mahilara area of Barishal's Gournadi upazila. Cultivated in nearby villages, the produce will be sold to retailers and wholesalers at Tk 2,000 to Tk 2,500 per 100 pieces. Some 3,332,546 tonnes were produced on 192,310 acres of land around the country in fiscal year 2020-21, according to the Bangladesh Bureau of Statistics. The photo was taken last Saturday.

PHOTO: TITU DAS

Financial reforms going in right direction: IFC

STAR BUSINESS REPORT

Initiatives to bring about reforms in the financial sector of Bangladesh have been moving in the right direction, according to Martin Holtmann, country manager of International Finance Corporation (IFC) for Bangladesh, Nepal and Bhutan.

And while the reforms may take time, they are at least on the move, Holtmann said at a regular luncheon meeting of the American Chamber of Commerce (AmCham) in Bangladesh yesterday.

Bearing the topic "Role of IFC as a development partner in Bangladesh", the meeting at Sheraton Dhaka was participated by businesspeople from both Bangladesh and the US.

Citing the need to urgently bring about the reforms, Holtmann said they were a fundamental need as it was customers who ultimately suffered.

For example, customers are the ones that pay for bank inefficiencies as they lead to much higher interest rates than what is necessary, he said.

Holtmann then pointed out that Bangladesh's tax collection ratio, which stands at just 7 per cent of the country's GDP, is one of the lowest worldwide.

However, he lauded the private sector's involvement in developing domestic infrastructure, stating that it was praiseworthy for entrepreneurs to have invested in power generation as well.

The IFC country manager also said government initiatives to bring normalcy to the country's forex rate amid volatility stemming from the Russia-Ukraine war were also heading in the right direction.

Another advantage for Bangladesh is that workers in the country seemingly work harder and longer, he said.

Some countries do not have much national resource, but still they are performing well, and Bangladesh is such a country, he added.

Holtmann also said Bangladesh had a lot of entrepreneurs and that hospital and medical services was a sector awaiting massive investments from the private sector. Besides, Bangladesh has the opportunity to participate in the global food processing value chain as the country is trying for export diversification, he added.

AmCham President Syed Ershad Ahmed said while the local economy was eyeing double-digit growth and joining the journey of developing nations, the whole world was hit hard by Covid-19.

Global economic sanctions and war-induced disruptions to the supply chain quickly followed, leading to financial instability, inflationary pressure and lower forex reserves worldwide, he said.

"You may all agree that the significance of Bangladesh's private sector lies in its ability to drive economic growth, create employment opportunities, attract investment and foster innovation," Ahmed added.

This competitive advantage leads to increased foreign direct investment (FDI) by offering profitable business opportunities; and, in creating a favourable investment climate, putting the economy on a path to cross the $1 trillion mark by 2040, according to the World Bank and BCG Analysis.

In today's globalised world, the IFC as a member of the World Bank Group, focuses on promoting sustainable economic growth and poverty reduction through investments in the private sector, which plays a crucial role in supporting the development of countries on the path to progress.

Bangladesh is making its way to becoming a developing nation with an impressive steady annual GDP growth rate, unique geopolitical location, and solid and skilled workforce that is attracting global attention, labelling itself as an FDI-friendly country.

The "poster boy" of Bangladesh's economy, namely garments, and foreign remittance earnings shielded the country despite all these unforeseen challenges in the pre-coronavirus era, Ahmed said.

First project approved through planning ministry software

STAR BUSINESS REPORT

The planning ministry yesterday approved a project through the Project Processing, Appraisal and Management System (PPS), which aims to ensure transparency and accountability in the formulation and approval of various initiatives.

Proposed by the fisheries ministry, the "Community-based Fishing Wealth Management in Nimgachhi" project aims to improve aquaculture in Pabna and Sirajganj by providing farmers with the required support, such as training.

This is the first time that a project has been approved through the PPS, which is a software that was introduced in April last year to digitalise the overall project formation and monitoring process.

Planning Minister MA Mannan yesterday announced the project's approval through an event held at the National Economic Council auditorium, where State Minister for Planning Shamsul Alam was present.

Through the use of software services, the time, costs and visits required to prepare a project will reduce, and this will ensure transparency and accountability, said Nurun Nahar, project director of the automation system.

"A central database for projects will be created so that the planning ministry and other related agencies can be integrated with the database," she added. Currently, a total of 33 projects have been included in the PPS software.

Mannan also said the government has successfully taken a new step in the digitalisation process, making project formation, evaluation and monitoring much easier.

"This [the PPS] will help us speed up project implementation, ensure proper monitoring and avoid overlaps," he added.

Mannan informed that it was forgivable if there are human errors in any official work.

"But if the intention is to sabotage, then the government will not let it go and the case will be handled firmly," he added.

STOCKS

DSEX ▼	CASPI ▼
0.07% 6,337.88	0.09% 18,722.28

COMMODITIES

Gold ▲	Oil ▲
$1,966.07 (per ounce)	$77.45 (per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.45% 66,384.78	▲ 1.23% 32,700.94	▼ 0.4% 3,265.14	▼ 0.11% 3,164.16

Euro zone business downturn reignites recession fears

REUTERS, *London*

Euro zone business activity shrank much more than expected in July as demand in the bloc's dominant services industry declined while factory output fell at the fastest pace since Covid-19 first took hold, a survey showed.

The decline was broad-based with the euro zone's two biggest economies - Germany and France - both in contractionary territory and will likely add to fears the bloc will slip back into recession.

The survey also indicated the European Central Bank's sustained campaign of interest rate rises is starting to take its toll on consumers and denting the services sector.

This will pose questions for the bank, which meets on Thursday, as it weighs its fight against record inflation against the economic damage it could cause.

HCOB's flash Composite Purchasing Managers' Index (PMI) for the euro area, compiled by S&P Global and seen as a good gauge of overall economic health, dropped to an eight-month low of 48.9 in July from June's 49.9.

That was below the 50 mark separating growth from contraction and lower than all expectations in a Reuters poll which had predicted a modest dip to 49.7.

"The weakness was widespread across all sectors, but it was the manufacturing sector that posted another bad reading," said Paolo Grignani at Oxford Economics.

"Today's print confirms the deterioration in macroeconomic conditions is well underway and spreading from manufacturing to other sectors. In our baseline case we expect subdued growth for the second half of the year, but today's data suggest the risk of a small contraction in euro zone GDP in Q3 is increasing."

Activity in Germany, Europe's largest economy, contracted in July, increasing the likelihood of a recession in the second half.

In France a downturn extended into July as both the services and manufacturing sectors did worse than expected.

The euro slid and the bloc's government bond yields fell after the softer than expected data.

The private sector in Britain, outside the euro zone, is growing at its weakest pace in six months in July as orders for businesses stagnate in the face of rising interest rates and still-high inflation.

The euro zone services PMI fell to 51.1 from 52.0, its lowest since January and shy of the Reuters poll forecast for 51.5.

Indebted consumers feeling the pinch from rising borrowing costs and prices cut back on spending, and the services new business index went below breakeven for the first time in seven months.

A PMI covering the bloc's manufacturing sector dropped to 42.7 from 43.4. The Reuters poll had forecast a slight rise to 43.5.

An index measuring output, which feeds into the composite PMI, fell to its lowest in over three years.

The decline came despite manufacturers running down backlogs of work and cutting their prices. Factories benefited from a sharp drop in input costs due to falling demand for materials and improved supply.

India rate cut bets pushed to mid-2024

REUTERS, *Mumbai*

The recent rise in inflation has prompted Indian investors to push back rate cut expectations by at least a quarter to the middle of 2024, with a sustained rise in prices likely to prompt a further repricing, traders and analysts said on Monday.

Surging food prices accelerated India's annual retail inflation rate in June to 4.81 per cent, above the polled estimate of 4.58 per cent, snapping four months of easing.

"Rate cut bets are getting re-priced as markets are now expecting inflation to overshoot above 6 per cent in July and upward pressure in the coming quarter," said Madhavi Arora, lead economist at financial services firm Emkay Global.

"The bet for the first cut has been shifted by at least one quarter to June 2024," she added.

Three senior traders at private and foreign banks agreed.

More talks with Japan

FROM PAGE B1

Bangladesh has been looking forward to signing free trade agreements (FTAs), preferential trade agreements (PTAs), comprehensive economic partnership agreements (CEPA) and economic partnership agreements (EPAs) with major trading partners.

This is aimed at retaining zero-duty benefits once Bangladesh makes the United Nations country status graduation from a least developed to a developing nation in November 2026.

Being a least developed country at present, Bangladesh enjoys preferential duty benefits, including duty free access, to 38 countries, including Japan.

Of the country's annual export earnings, 71 per cent is concerned with Generalised System of Preferences.

Different studies suggest that once Bangladesh becomes a developing nation, it will lose business worth $7 billion a year because of the erosion of the preferential duty benefits.

Bangladesh will face between 8 per cent and 10 per cent duty on shipment of goods to Japan after the graduation if an EPA cannot be signed to retain existing zero-duty benefits to Japanese markets.

Japan is the first country in Asian where Bangladesh's export earnings crossed $1 billion in fiscal year 2014-15, according to data from the Export Promotion Bureau (EPB).

Last fiscal year, Bangladesh exported goods worth $2 billion to Japan, securing a year-on-year growth of more than 40 per cent.

Here the garment sector staged a strong performance, as it accounted for more than 95 percent of the overall exports.

Garment export to Japan grew by over 45 per cent year-on-year to reach $1.59 billion in fiscal year 2022-23, said the EPB data.

Bangladesh's exports to Japan started climbing since 2008, when the Japanese government adopted a China Plus One Strategy to reduce overreliance on China.

A lot of Japanese companies, especially clothing retailers and brands, have started coming to Bangladesh with a lot of work orders.

In April 2011 the Japanese government also relaxed a Rules of Origin for the knitwear sector which eventually helped raise garment shipments to Japan.

Earlier, the Japan government had imposed a 17 per cent duty on import of knitwear items, mainly to protect the age-old domestic Japanese knitwear industry.

Public food stock surges

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the Public Food Distribution Programmes (PFDS) equivalent to three months.

"This will free up some space in the government warehouses," Hossain said.

The reduction in the distribution of grains is another reason for the pile-up of stocks. The food ministry distributed 30.08 lakh tonnes of cereal in the fiscal year of 2022-23, almost unchanged from the previous year.

As of July 13 of the current fiscal year, the total distribution of grain was 33,105 tonnes, which was more than three and a half times the 1.12 lakh tonnes distributed during the same period a year ago.

Md Jamal Hossain, director of the movement, storage and silo division at the food directorate, said apart from other food distribution programmes, the Food-Friendly Programme under the fair price card will start in September for three months.

A total of 4.5 lakh tonnes of the grain will be distributed at nominal prices during the three-month period, he said.

"The current stock of foodgrain will give some comfort."

The current level of food stocks at public warehouses is higher than the government-fixed security stock of 13 lakh tonnes, said Hossain, adding that his office plans to maintain a stock that is higher than that level.

Quazi Shahabuddin, a former director-general of the Bangladesh Institute of Development Studies, said the current foodgrain stock is good for distribution under various social safety schemes.

However, following the ban slapped by India on the export of non-basmati white rice, the government should explore alternative external sources so that it can purchase if the Aman rice production faces any disruption from any natural calamities or unfavourable weather.

Mohammad Jahangir Alam, a professor of agribusiness and marketing at the Bangladesh Agricultural University, said Bangladesh's import dependence on rice is low compared to its overall production.

"So, the latest ban on export by India is unlikely to create any effect on the domestic rice market."

He, however, added that measures should be taken to attain self-reliance in staple food production.

"We are on the safe side in terms of public food stocks. We will also get another crop in the next three months. However, the government should monitor the market intensively to prevent any attempt to manipulate prices by market actors."

Prof Ismat Ara Begum, director of the Institute of Agribusiness and Development Studies at the BAU, said the existing foodgrain stock is enough and the government is distributing the grains under PFDS.

"I don't see any reason to be worried," she said.

Banks' forex

FROM PAGE B1

Outstanding forex reserves in the banking sector were $4.58 billion in 2019-20, $5.52 billion in 2020-21, and $5.2 billion in 2021-22, according to the Bangladesh Bank.

Owing to persistently high import payments, gross foreign exchange reserves in Bangladesh declined to $31.20 billion at the end of FY23 from $41.82 billion in FY22.

Meanwhile, the country's forex reserves have slipped as per the definition of the International Monetary Fund's balance of payments and investment position manual.

The central bank began publishing the gross international reserves (GIR) in line with the manual on July 12 to ensure that the country's dollar stockpile is reported accurately. On the day, it stood at $23.58 billion. On July 19, the GIR fell to $23.45 billion.

The GIR includes gold, cash US dollar, bonds and treasury bills, reserve position at the IMF and special drawing rights holdings, a form of international money created by the global lender.