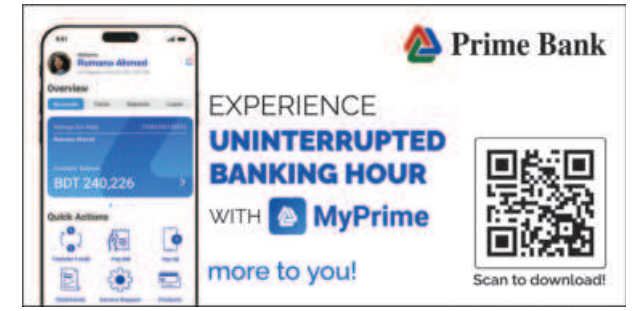


# Star BUSINESS



## Number of Tk 1cr deposit holders surges

STAR BUSINESS REPORT

Deposits in 3,362 more bank accounts went past Tk 1 crore in the April-June period of 2023.

This means there were 113,554 bank accounts in total with more than Tk 1 crore in deposits at the end of June, according to Bangladesh Bank.

Three months earlier, there were 110,192 such accounts.

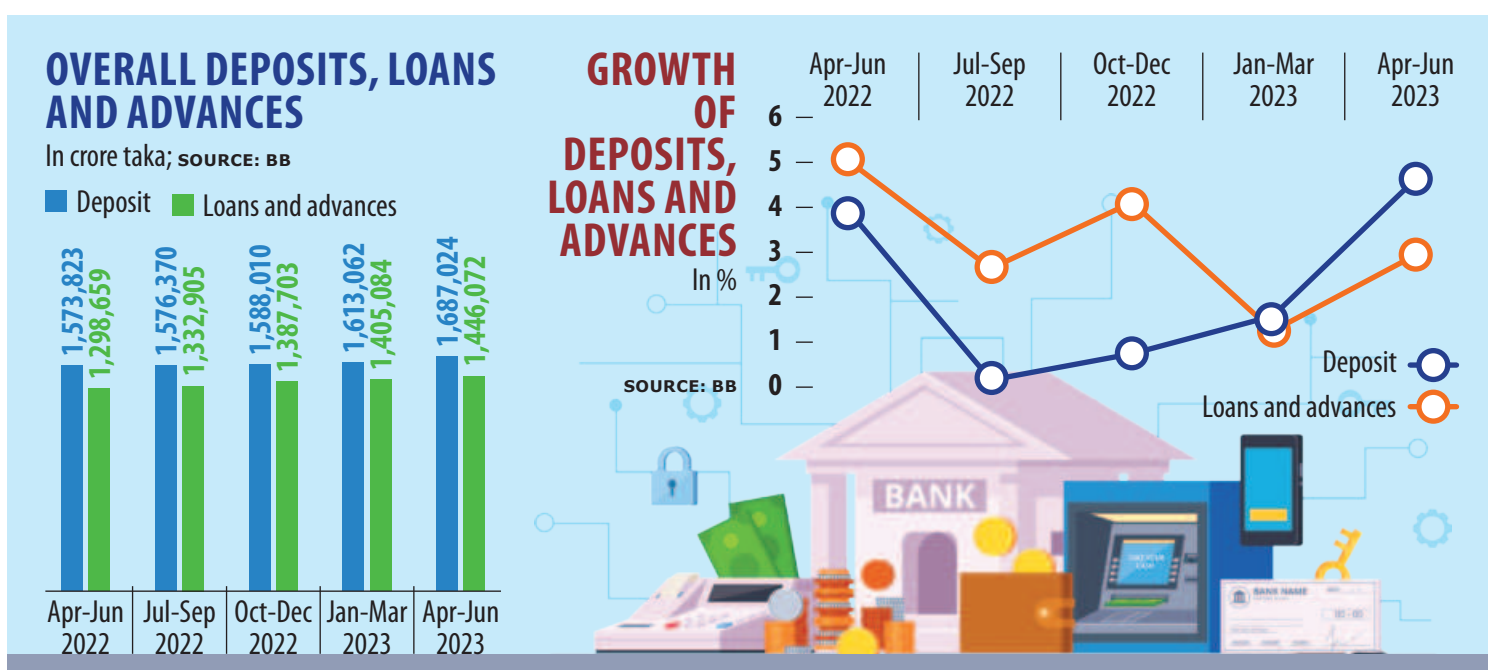
These accounts do not all belong to individuals. There are many institutions besides individuals that keep more than Tk 1 crore in the bank.

Moreover, one organisation or individual can own more than one of such accounts. Among them are accounts of various government institutions and organisations worth crores of taka.

There was Tk 731,332 crore in the 113,554 accounts at the end of June. This accounted for 43 percent of all the deposits in the banking sector.

In contrast, the 110,192 accounts at the end of March had Tk 690,877 crore, accounting for 32.28 percent of the sector's overall deposits.

The rise in money in such accounts in such a short span of time, all the while low-income people are struggling to bear their daily expenses for inflationary pressure, gives an indication that economic inequality is rising, according to analysts.



## Banks' lending slows for liquidity crunch

AHSAN HABIB

The banking sector's lending growth squeezed in the April to June quarter owing to a shortage of liquidity at most banks and their unwillingness to extend credits to borrowers already struggling to pay back, official figures showed.

The lending of scheduled banks grew 2.92 percent to Tk 14,46,072 crore in the second quarter compared to the first quarter, according to the data of the central bank.

In April-June of 2022, the lending rose 5 percent to Tk 12,98,659 crore.

"The business in the banking sector squeezed due mainly to

a higher inflation rate and a pressure on the macro-economic indicators stemming from the Russia-Ukraine war," said Syed Mahbubur Rahman, a former chairman of the Association of Bankers, Bangladesh. "So, the loan growth declined."

He said since many entrepreneurs could not make letter of credit payments, banks have been forced to turn them into forced loans, pushing up the volume of credits in the second quarter.

The lending growth, however,

almost doubled compared to the January to March quarter, when it stood at 1.25 percent.

"This is mainly because of the forced loans," Rahman said.

The noted banker said banks are not willing to lend under the current circumstances and this is evidenced from their lower-than-usual lending to SMEs and the agricultural sector.

Sector-wise, the bulk of the loans and advances went to the trading segment at the end of the second quarter, which accounted for 33.84 percent of the total credits. Working capital financing made up 19.68 percent of loans and term loans represented 20.32 percent.



READ MORE ON B3

## Provident funds to pay 27.5% tax

### Come under compulsory return filing for first time

SOHEL PARVEZ

Companies and organisations will be required to file tax returns on the income generated by employee welfare funds from the current fiscal year and pay a 27.5 percent tax on the earnings.

The Income Tax Act 2023 incorporates the provision, lifting the tax exemption and amnesty on the compulsion to file returns for funds such as provident funds, gratuity funds and workers' profit participation funds maintained by the private sector.

The law, however, has exempted government-managed provident funds from taxation, raising questions.

TIM Nurul Kabir, executive director of the Foreign Investors' Chamber of Commerce & Industry, said there were many other avenues to collect tax.

"Employees benefit from provident funds after their retirement. So, the authority should not slap taxes on retirement benefit."

READ MORE ON B2

STOCKS	
DSEX	CASPI ▲
Flat 6,311.07	0.08% 18,663.39

COMMODITIES	
Gold ▲	Oil ▲
\$1,935.47 (per ounce)	\$92.47 (per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.36% 67,596.84	▼ 0.87% 33,242.59	▼ 0.69% 3,240.75	▼ 0.03% 3,124.96

## Foreign loan utilisation slightly down

MD ASADUZ ZAMAN

Utilisation of foreign assistance under the government's Annual Development Programme (ADP) by ministries and divisions has slightly declined year-on-year in the first two months of fiscal year 2023-24.

Around Tk 3,367 crore was spent, which was a decrease of 5.87 percent, according to data from the

Implementation Monitoring and Evaluation Division (IMED).

Local government division (LGD) spent the most among the 15 ministries and divisions that receive the highest allocations.

This government unit, responsible for developing and supporting local government bodies, spent Tk 2,504 crore, which is around one third of that allotted to the 15.

"The government could not launch that many new projects in the current fiscal year including some foreign funded projects as they do not have much money," said economist Ahsan H Mansur.

"Due to delays in land acquisition, some projects could not run smoothly," he told The Daily Star yesterday.

READ MORE ON B3

**শুভেচ্ছা ও অভিনন্দন**

**SCCI** প্রেসিডেন্ট সার্ব চেয়ার অব কমার্স অ্যান্ড ইন্ডাস্ট্রি (এসসিসিআই)

**FBCCI** প্রেসিডেন্ট ফেডারেশন অব বাংলাদেশ চেম্বার অব কমার্স অ্যান্ড ইন্ডাস্ট্রি (এফবিসিসিআই)

**জনাব মো: জসিম উদ্দিন**  
চেয়ারম্যান, বেঙ্গল কমার্শিয়াল ব্যাংক লিমিটেড  
সাবেক প্রেসিডেন্ট, এফবিসিসিআই

**জনাব মাহবুবুল আলম**  
ভাইস চেয়ারম্যান, বেঙ্গল কমার্শিয়াল ব্যাংক লিমিটেড  
সাবেক প্রেসিডেন্ট, ডিইমস চেয়ার অব কমার্স অ্যান্ড ইন্ডাস্ট্রি

বেঙ্গল কমার্শিয়াল ব্যাংকের সম্মানিত চেয়ারম্যান জনাব মো: জসিম উদ্দিন সার্বভূমিক দেশসমূহের ব্যবসায়ীদের স্বপ্নের সার্ব চেয়ার অব কমার্স অ্যান্ড ইন্ডাস্ট্রির প্রেসিডেন্ট নির্বাচিত হওয়ায় বেঙ্গল কমার্শিয়াল ব্যাংকের পক্ষ থেকে প্রাণঢালা কৃতজ্ঞতা ও অভিনন্দন।

বেঙ্গল কমার্শিয়াল ব্যাংকের সম্মানিত ভাইস চেয়ারম্যান জনাব মাহবুবুল আলম দেশের ব্যবসায়ীদের শীর্ষ সংগঠন এফবিসিসিআই এর প্রেসিডেন্ট নির্বাচিত হওয়ায় বেঙ্গল কমার্শিয়াল ব্যাংকের পক্ষ থেকে প্রাণঢালা কৃতজ্ঞতা ও অভিনন্দন।

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## Payment service providers can bring remittance

STAR BUSINESS REPORT

Bangladesh Bank yesterday allowed licensed payment service providers (PSPs) to bring inward wage remittances with the aim to increase remittance inflow.

The central bank took the decision at a time when the country's foreign exchange reserves continue to go down due to slow forex earning against high demand for imports.

Bangladesh Bank issued a notice saying that licensed PSPs will be allowed to repatriate wage earners' remittance in association with internationally recognised online payment gateway service providers, banks, digital wallets, card schemes and foreign PSPs.

The banking regulator took the decision to enable more flexibility in earning remittance, said the notice.

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## Walton launches trade in rupee with India

STAR BUSINESS DESK

Walton, an electrical, electronics and technology product manufacturer in Bangladesh, has started export trade operations with India in rupees. Standard Chartered Bangladesh executed the first Bangladesh-India export transaction for the manufacturer.

Walton Hi-Tech Industries PLC signed the first Bangladesh-India foreign exchange deal with this multinational bank at a hotel in the capital on Monday.

Golam Murshed, managing director and CEO of the hi-tech company, and Naser Ezaz Bijoy, chief executive officer of the bank, inked the deal in this regard, said a press release.

"Since the beginning of the Russia-Ukraine war, we have been facing a dollar crisis. The value of the dollar against the taka has been appreciated sharply, which has had a significant impact on the country's foreign exchange reserves. In such a situation, India and Bangladesh bilateral trade settlement in rupees has been introduced," said Murshed.

"Walton has started export trade with India in rupee to make this initiative of the two countries successful," he added.

The bilateral trade between Bangladesh and India was about \$16 billion dollars in the financial year 2021-22 whereas Bangladesh's export was \$2 billion.

Under the new system, Bangladeshi traders will be able to settle bills of up to \$2 billion for imports from India in rupees. Walton's initiative to start export trade activities with India in rupees will play a vital role.



Golam Murshed, managing director of Walton Hi-Tech Industries, and Naser Ezaz Bijoy, chief executive officer of Standard Chartered Bangladesh, pose for photographs after signing a Bangladesh-India foreign exchange deal at a hotel in Dhaka on Monday. PHOTO: WALTON GROUP

## Padma Bank introduces Islamic banking

STAR BUSINESS DESK

Padma Bank Ltd recently launched a Shariah-based banking service styled "Padma Bank Islamic", opening the doors to interest-free banking services for customers.

The journey of the new service officially started on May 25 with the promise of providing modern and digital banking services, the bank said in a press release.

Transactions are being managed by a completely separate Islamic software-based accounting system in 60 branches and 14 sub-branches across the country.

Any customer can avail Islamic banking services from anywhere in the country at any time. Anyone can open a "Padma Bank Islamic" account instantly through Padma Wallet and Padma Internet Banking.

Clients with Padma Bank Islamic debit cards can withdraw money from any ATM booth of any bank in the country completely free of cost.



Mohammad Habibur Rahman Chowdhury, deputy managing director of Prime Bank, and Hashim Ahmed, secretary of the Bangladesh Association of Software and Information Services, pose for photographs after striking a memorandum of understanding on the export retention quota account at the latter's office in Dhaka recently. PHOTO: PRIME BANK

## Prime Bank inks MoU with BASIS

STAR BUSINESS DESK

Prime Bank recently signed a memorandum of understanding (MoU) with the Bangladesh Association of Software and Information Services (BASIS) on export retention quota account.

Mohammad Habibur Rahman Chowdhury, deputy managing director and chief financial officer of the bank, and Hashim Ahmed, secretary of BASIS, inked the MoU at the latter's office in Dhaka, said a press release.

Under the agreement, members can park payments, received through inward remittance, in USD account and BDT account simultaneously.

Additionally, subject to regulatory requirements and bank policy, a member may move USD funds from their USD ERQ accounts to foreign accounts for legitimate business purposes.

## NRBC Bank takes PLC suffix

STAR BUSINESS DESK

NRB Commercial Bank Ltd has been renamed NRB Commercial Bank PLC with effect from September 17.

The Banking Regulation and Policy Department (BRPD) of the Bangladesh Bank issued a circular in this regard, said a press release.

As per the provisions of Section 11A (A) of the Company Act 1994, the name was changed in the list of scheduled banks.

SM Parvez Tamal, chairman of the bank, received a letter with the amended licence from the central bank and handed over the letter to Golam Awlia, managing director and CEO, at the bank's head office yesterday.

AM Saidur Rahman and Loquit Ullah, directors of the bank, and Mohammed Ahsan Habib, company secretary, were present.

## Mim becomes Berger Paints' brand ambassador

STAR BUSINESS DESK

Berger Paints Bangladesh Ltd made actress Bidya Sinha Mim one of its brand ambassadors.

The actress recently signed an agreement with the paint solutions provider in this regard, said a press release.

Mim will be integral to Berger's dynamic campaigns, engagement sessions and promotional activities, adding her charm and charisma to the brand's initiatives, Berger Paints said in a press release.



Actress Bidya Sinha Mim signed an agreement with Berger Paints Bangladesh recently to become a brand ambassador of the paint solutions provider. PHOTO: BERGER PAINTS BANGLADESH

PRICES OF KEY ESSENTIALS IN DHAKA CITY			
	PRICE (SEP 19, 2023)	% CHANGES FROM A MONTH AGO	% CHANGE FROM A YEAR AGO
Fine rice (kg)	Tk 60-Tk 72	-1.49 ↓	-3.65 ↓
Coarse rice (kg)	Tk 48-Tk 50	0	-1.01 ↓
Loose flour (kg)	Tk 42-Tk 45	-14.71 ↓	-15.53 ↓
Lentil (kg)	Tk 105-Tk 110	13.16 ↑	5.91 ↑
Soybean (litre)	Tk 155-Tk 160	0	-9.22 ↓
Potato (kg)	Tk 45-Tk 50	25 ↑	79.25 ↑
Onion (kg)	Tk 70-Tk 80	-9.09 ↓	76.47 ↑
Egg (4 pcs)	Tk 48-Tk 52	-2.91 ↓	5.26 ↑

SOURCE: TCB



Md Afzal Karim, managing director of Sonali Bank, Raju Daryani, Md Rezwan Al Bakhtiar and SV Ramanan, members of the board of directors of Sonali Intellect Ltd, SM Jahangir Akhter, chief executive officer of the company, and Subhash Chandra Das, deputy managing director of the bank, attend the 34th board meeting of Sonali Intellect at a hotel in Chennai, India on Monday. PHOTO: SONALI BANK

## US jobs market solid

AFP, Washington

The US labor market is remarkably solid despite aggressive interest rate hikes to fight inflation and a recent rise in unemployment, but analysts warn that the central bank risks pushing too far.

The Federal Reserve has lifted the benchmark lending rate 11 times since March last year, with consumer inflation cooling from a peak of 9.1 percent in mid 2022 to below four percent.

And Fed officials are gathering Tuesday for a two-day meeting that could see them raise rates again to lower inflation sustainably back to a two percent target — potentially adding pressure on employment — or hold them at current levels.

The Fed has a dual mandate that involves promoting stable prices and maximum employment, and walks a tightrope between lifting rates to cool the economy while averting a damaging labour market downturn.

While a rise in interest rates

typically comes with an uptick in joblessness as borrowing becomes more expensive, unemployment has held at historically low levels below four percent since early 2022.

And job creation is relatively high, said Moody's Investors Service senior vice president Madhavi Bokil. "Usually when (the) unemployment rate is so low, we don't get repeatedly 200,000-plus jobs," she said, referring to the hiring pace until May this year.

In another sign of resilience, the employment-population ratio among 25-54 year-olds is close to record levels, according to economist Elise Gould of think-tank the Economic Policy Institute.

At 80.9 percent, the figure is higher than it was pre-pandemic, above the level right before the Great Recession around 2008, and just slightly below the record level in 2000.

"I think that is showing a lot of strength," she said.

While in general falling inflation

is linked to rising unemployment, Bokil noted that a key factor in recent years was how households came out of the pandemic in a better economic position than before — between forced savings and government support.

The effects of monetary policy are linked to credit, and higher interest rates raise borrowing costs, Bokil added. Given that this in turn affects new borrowers or those trying to refinance their loans, "it's not surprising" to see a bigger lag between policy moves and effects on the economy.

"Because of the better balance sheets of firms, large ones especially, and households, we know there is going to be a larger lag in term of impact," she said.

While US Treasury Secretary Janet Yellen acknowledged in a CNBC interview on Monday that there are lags in the impact of monetary policy on the economy, "we still have a good healthy labor market," she said.

## Provident funds

FROM PAGE B1

He said while levying the tax, the government has not treated provident funds of the private and public sectors equally.

"It is discriminatory," he said, adding that they would appeal to the tax authority for the withdrawal of the tax on income from provident funds.

Private sector employees and an analyst said provident funds and gratuity were retirement benefits for those working in the private sector. They opined that because such funds offer a kind of social protection, any imposition of tax on them would reduce retirement benefits.

Debabrata Roy Chowdhury, director for legal, regulatory and corporate affairs at Nestlé Bangladesh PLC, said the introduction of income tax on trust funds would lower the overall income from such schemes.

"This will have an adverse long-term impact on retired employees of private organisations."

Chowdhury urged the authority to address the issue in line with the spirit of the government's initiatives

aimed at ensuring social security for private sector employees.

"The recent introduction of the universal pension scheme for private sector employees is a good example of that."

A senior official of the NBR, on condition of anonymity, said the income of government-managed provident funds was exempted in line with the Provident Fund Act 1925.

He said provident funds under the private sector had been historically exempted and there was no requirement to submit tax returns. As a result, it was unclear whether the funds were properly utilised.

"From now onwards, we will see proper disclosure."

The tax official said the contribution of payroll tax is about 3 percent of the total income tax although it should increase as the economy is growing.

Md Shahadat Hossain, a former president of the Institute of Chartered Accountants of Bangladesh, said income from investment in savings certificates, where people invest as a source of future earnings, is already

taxed. "From that perspective, the imposition of tax on provident and other employee welfare funds seems okay."

However, Towfiqul Islam Khan, senior research fellow at the Centre for Policy Dialogue, said social protection for private sector employees was low.

"Provident and other workers' welfare-related funds provide little social protection. The imposition of tax will increase inequality. But there can't be any discrimination in taxation between private and government provident funds."

Khan, citing the latest income tax law that replaced the Income Tax Ordinance 1984, said the NBR tried to find new avenues to increase tax collection and improve the nation's revenue gross domestic product ratio, which is one of the lowest in the world.

"We can see the desperation of the tax authority to boost collection. This ultimately reveals the inability of the NBR to catch the tax evaders and illicit money makers."

## Working in China harder

FROM PAGE B4

But, after three "turbulent" years, he said, "many have re-evaluated their basic assumptions about the Chinese market."

At a separate media event on Tuesday in Beijing, the European Commission's digital chief said opaque Chinese laws were fuelling concerns among foreign firms in the country after holding talks with Chinese officials about critical areas such as AI and data governance.

Among the concerns Vera Jourova said she had heard about from European businesses in China was the "unpredictability of the decisions and interpretation of the laws by the regulators".

Foreign entrepreneurs have long complained about vague and

arbitrary regulations in China — as well as preferential treatment afforded to local companies.

And one in two European companies reported "obstacles" to their activities in China and 62 percent said they missed opportunities.

"What kind of relationship does China want to have with foreign enterprises?" the Chamber asked.

Respondents' optimism about the next five years was the lowest ever recorded in the survey, AmCham Shanghai said, with just 52 percent saying they had an optimistic outlook, down three percentage points from the year before.

Asked to pick the top three challenges to their company, 60 percent of the 325 companies who responded to the survey chose US-

China relations, while the same amount pointed to the economic slowdown.

Four out of 10 were planning to or already in the process of redirecting their investment away from China to other countries, up six percentage points from last year, with Southeast Asia the top alternative destination.

AmCham said two-thirds of respondents under pressure to decouple from the Chinese market had pointed to US policy as the largest push factor, rather than Beijing's.

European businesses also pointed to a revision to China's anti-espionage law, introduced in July, as undermining confidence.

Experts and Western governments have warned the law gives authorities more leeway in implementing already opaque national security legislation.

## Chinese travel demand back

REUTERS, Berlin

Demand for foreign travel in China has reached its highest level in two years, the organisers of the ITB travel conference said on Tuesday citing a survey in which some 80 percent of respondents said they planned to travel abroad in the next 12 months.

A survey for the IPK travel consultancy, a partner of the conference, found that around half of those canvassed said they not only intended to travel abroad in the next 12 months but to do so more frequently than in the past, if possible.

**The rising willingness of the Chinese to travel abroad more in the coming months lays a solid foundation for a significant recovery**

"The rising willingness of the Chinese to travel abroad more in the coming 12 months lays a solid foundation for a significant recovery in 2024," the ITB organisers said in a statement.

Interest in travel to Europe was higher than seen in previous studies, when Chinese travellers favoured neighbouring countries, said the organisers of the ITB, one of the world's leading tourism fairs, which takes place annually in Berlin.

They attributed this to a catch-up effect after travel restrictions made Europe virtually inaccessible to Chinese tourists during the pandemic.

However, Chinese visitors are likely to come back thrifter than before, according to the survey, in which respondents expressed an interest in saving on travel costs by travelling off-season, shortening their stay or looking for cheaper accommodation.



Currently there are seven container scanners at the Chattogram port, all being used to look into imports.

PHOTO: STAR/FILE

## 2 more scanners to reach Ctg port soon

Will enable checking of export containers

DWAIPAYAN BARUA, Ctg

Two more container scanners are going to arrive at the Chattogram port within a couple of days, enabling checking exports of contraband and the prevention of money laundering.

Chittagong Port Authority (CPA) paid Tk 89 crore to purchase the two from Chinese firm Nuctech Company Limited.

The scanners are enroute on a vessel that left China on September 4 and are expected to arrive at Chattogram on September 22, said the CPA sources.

Currently there are seven container scanners at the port, all being used to look into imports.

All export containers have so far been shipped through the port without being scanned.

The CPA started improving the port's security systems since 2004 in compliance with an international ship and port security code ratified by International Maritime Organization.

Moreover, United States Coast Guard in 2017 had recommended scanning the export containers, said CPA Secretary Md Omar Faruk.

The two scanners will enable scanning over 50 per cent of export containers, said CPA Director (Security) Lt. Col. Mostafa Arif-ur Rahman Khan.

He hoped for the two to be fully operational within November. The National Board of Revenue is purchasing four more scanners which are expected to arrive by December, he said, adding that those would enable scanning all export containers.

## Faulty bidding leads to time, cost overruns: expert

STAR BUSINESS REPORT

A lack of monitoring and faulty bidding process in government procurement can contribute to time and cost overruns in project implementation in many countries, including least developed economies, said an analyst yesterday.

"Bidding in the procurement process needs to be well designed. Conventional processes allowing aggressive competition can result in poor project outcomes," said Fahad Khalil, a professor at Washington University in the USA.

"Monitoring in the post-bidding phase is important as even a good bidder can become a failure without adequate monitoring."

Khalil made the comments while speaking at a seminar on "Competitive Procurement and Ex Post Moral Hazard", organised by the Bangladesh Institute of Development Studies (BIDS) at its conference room.

He said that insisting on giving work to the lowest bidder or simply relying on competition does not always lead to good outcomes.

"Because in many cases, if competition is high, bidding can be too aggressive, leading to poor quality of work."

There is scope to rethink the tender process for large government procurement. In particular, there are lessons to be learnt from the methods used in developed countries such as South Korea.

Echoing those sentiments, Binayak Sen, director general of BIDS, said there are numerous instances of increases in the deadlines and costs of infrastructure development projects in Bangladesh.

In some cases, the same contractor was getting various contracts. Low-cost considerations should not be a big deal when it comes to procurement, he said.

"There is scope to reform the procurement rule here. The government can think about it."

Abdus Sattar Mandal, former vice chancellor of Bangladesh Agricultural University, said the e-Government Procurement is doing a good job in curbing corruption. "But we need to expand our thinking beyond conventional notions," he added.

## Fed to hold rates steady

REUTERS, Washington

The US Federal Reserve kicked off a two-day policy meeting on Tuesday with officials widely expected to keep interest rates on hold for now, but also flagging in new economic projections whether they feel rates still need to rise further before the end of the year.

A new policy statement and interest rate decision will be released at 2 pm EDT (1800 GMT) on Wednesday, with Fed Chair Jerome Powell scheduled to hold a press conference at 2:30 pm to elaborate.

Investors in contracts tied to the federal funds rate consider it a near certainty the US central bank will leave the benchmark federal funds rate at the current range of between 5.25 percent and 5.5 percent, a step consistent with the Fed's shift to a slower and more considered pace of rate increases.

From March 2022 through May 2023 the Fed raised rates at 10 successive meetings - by anywhere from a quarter to three quarters of a point - as it fought the worst rise of inflation since the early 1980s.

In June the Fed paused, but the quarterly economic projections accompanying that decision showed 12 of 18 policymakers still anticipated two more quarter-point rate increases by the end of the year.

**A new policy statement and interest rate decision will be released on Wednesday, with Fed Chair Jerome Powell scheduled to hold a press conference**

One of those came at the July meeting. While the Fed's slower, "data dependent" pacing may lead officials to skip over September, analysts say there has been little in recent economic news that would prompt policymakers to take that last rate increase off the table. The logic "is partly inertia, as Committee participants might not want to mess with what's working," said JP Morgan economist Michael Feroli.

Additionally, data since the Fed's last meeting, while generally supporting the view of slowing inflation alongside continued economic growth, has been somewhat mixed as the pace of headline price increases recently jumped.

As of the July meeting "it was still the case...that most participants continued to see significant upside risks to inflation," Feroli said, quoting from the minutes of that meeting. While inflation has slowed from its peak last year, underlying measures show prices still rising at about double the Fed's 2 percent target.

Policymakers, and notably Powell, have also been reluctant to show any give in their inflation fight, even if it means higher interest rates than expected and greater risk to an economy that has produced more jobs and growth than anticipated given the rapid tightening of monetary policy.

A higher Fed rate leads banks and financial firms to raise their own rates as well for things like home mortgages, business loans, credit cards and a variety of other types of financing - discouraging investment and household spending and, through that drop in demand, lowering inflation.

## EU risks depending on China for batteries

REUTERS, Madrid

The European Union could become as dependent on China for lithium-ion batteries and fuel cells by 2030 as it was on Russia for energy before the war in Ukraine unless it takes strong measures, a paper prepared for EU leaders said.

The document, obtained by Reuters, will be the basis of discussions on Europe's economic security during a meeting of EU leaders in Granada in Spain on October 5.

Worried by China's growing global assertiveness and economic weight, the leaders will discuss the European Commission's proposals to reduce the risk of Europe being too dependent on China and the need to diversify towards Africa and Latin America.

The paper said that because of the intermittent nature of renewable energy sources like solar or wind, Europe will need ways to store energy to reach its goal of net-zero carbon dioxide emissions by 2050.

"This will skyrocket our demand for lithium-ion batteries, fuel cells and electrolyzers, which is expected to multiply between 10 and 30 times in the coming years," the paper, prepared by the Spanish presidency of the EU, said.

While the EU has a strong position in the intermediate and assembly phases of making electrolyzers, with a more than 50 percent global market share, it relies heavily on China for fuel cells and lithium-ion batteries crucial for electric vehicles.

"Without implementing strong measures, the European energy ecosystem could have a dependency on China by 2030 of a different nature, but with a similar severity, from the one it had on Russia before the invasion of Ukraine," it said.

According to the European Commission, in 2021, the year before the Russian invasion of Ukraine, the EU took more than 40 percent of its total gas consumption, 27 percent of oil imports and 46 percent of coal imports from Russia.

Ending most energy purchases from Russia caused an energy price shock in the EU and a surge in consumer inflation, forcing the European Central Bank to sharply raise interest rates in a move that has curbed economic growth.

Lithium-ion batteries and fuel cells were not the only area of EU vulnerability, the Spanish presidency paper said.

"A similar scenario could unfold in the digital-tech space," the document said. "Forecasts suggest that the demand for digital devices such as sensors, drones, data servers, storage equipment and data transmission networks will rise sharply in this decade."

"The EU has a relatively strong position in the latter, but it shows significant weaknesses in the other areas," it said.

By 2030, this foreign dependency could seriously hinder the productivity gains that the European industry and service sector urgently require and could impede the modernisation of agriculture systems essential to addressing climate change, it said.

## Erdogan asks Musk to build Tesla factory in Turkey

REUTERS, Istanbul

Turkish President Tayyip Erdogan asked Tesla CEO Elon Musk to build a Tesla factory in Turkey, the country's communications directorate said on Monday.

It cited Musk as saying that many Turkish suppliers are already working with Tesla and that Turkey was among the most important candidates for its next factory.

Tesla did not immediately respond to requests for comment.

Erdogan and Musk were speaking during a meeting at Turkish House, a skyscraper near the United Nations in New York, Turkey's state-owned Anadolu news agency reported. Erdogan is in the US to attend the 78th session of the UN General Assembly.

Erdogan also said during the meeting that Turkey was open to cooperation on artificial intelligence and Starlink, the satellite internet venture of Musk's SpaceX, the communications directorate said.

It cited Musk as saying SpaceX wished to work with Turkish authorities to obtain the necessary licence to offer Starlink satellite services in Turkey.

It also said Erdogan invited Musk to attend Turkish aerospace and technology festival Teknofest in Izmir at the end of September and cited Musk as saying he would gladly attend.

Musk is also set to meet Israeli Prime Minister Benjamin Netanyahu in California on Monday. Musk posted on social media platform X that their talks would focus on artificial intelligence technology.

## Banks' lending Foreign loan utilisation

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The lending to the agriculture sector rose 3.37 percent, way lower than 7.41 percent in April-June of 2022, BB data showed.

A top official of a bank said banks are facing a liquidity shortage, so they are careful when it comes to lending.

"Moreover, the interest rate spread fell, so banks prefer to invest in other securities."

Deposits at scheduled banks increased 4.59 percent to Tk 16,87,024 crore in April-June riding on higher savings by urban people.

The weighted average interest rate on deposits rose to 5.03 percent in the second quarter from 4.37 percent three months earlier. The lending rate ticked up to 7.34 percent from 7.29 percent.

This means the overall spread - the gap between the interest rate charged by banks on loans and the interest rate paid by lenders for deposits - dropped to 2.31 percent from 2.92 percent, according to central bank figures.

In June, the surplus liquidity in the banking sector stood at Tk 1,66,200 crore, down from Tk 2,03,435 crore a year ago.

Of the surplus liquidity, Tk 63,600 crore were with state-run banks, Tk 68,300 crore were held by private commercial banks, and the rest of Tk 34,300 crore belonged to foreign banks.

The senior banker said political tension is mounting centring the upcoming election, so banks are cautious in disbursing loans.

A banker in Chattogram says in the past, banks even gave out loans by taking risks. "That tendency is no longer there as borrowers are now more prone to defaulting on repayments."

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The government should be more aware when implementing project with foreign funds, he said.

Besides, some projects that made use of foreign funds, such as that of the Padma bridge, have already been completed, which might have led to the decrease, said Mansur, also executive director of the Policy Research Institute of Bangladesh.

Mansur was also asked about the performance of the LGD, which deals with construction, maintenance and management of upazila, union and village roads, bridges and culverts, and development of water supply, sanitation, drainage and sewage disposal in rural and urban areas.

It could have been carried out to appease the public keeping the upcoming national elections in mind,

## Payment service providers

FROM PAGE B1

The PSPs will have to have arrangements with foreign PSPs to receive foreign currency in their account and taka of equivalent value will be credited to the wage earners' PSPs accounts, reads the central bank notice.

The BB said the foreign PSPs shall subsequently provide credit to the designated authorised dealers banks' nostro account.

A nostro account is a bank account held in another country by a domestic bank, denominated in the currency of the overseas country.

## Bangladesh to attain

FROM PAGE B4

lakh hectares the previous season. Md Shahjahan Kabir, director general of Bangladesh Rice Research Institute, said increased production of every crop is vital in view of the lower crop prospects in India, Thailand and China.

"We are in a favourable position so far because of good production," he said, adding that agricultural agencies were encouraging all to

he said.

"The government appears to have been motivated by the polls due in January next year," he added.

The government has had to cut down its overall cost and move it to the LGD, he added.

Meanwhile, the government managed to spend Tk 6,854 from its own funds, which was Tk 5,658 in the same period of last fiscal year.

The overall ADP implementation declined slightly to 3.84 percent. It was 3.85 percent last fiscal year.

Six out of 56 ministries and divisions could not spend a single penny in the last two months.

These are the Ministry of Water Resources, Ministry of Foreign Affairs, Medical Education and Family Welfare Division, Ministry of Chittagong Hill Tracts Affairs, Internal Resources Division and Bangladesh Public Service Commission.

On receiving the amount in taka, wage earners can use the PSPs' accounts abroad to do all transactions in taka, it said.

Now, there are eight PSPs operating in the market - iPay Systems Ltd, D Money Bangladesh Ltd, Recursion FinTech Ltd, Green & Red Technologies Ltd, Progati Systems Ltd, ABG Technologies Limited, Digital Payments Limited and Sheba Fintech Limited.

Last year the BB had allowed mobile financial service providers to bring in wage earners' remittance to Bangladesh.

take care of crops by providing supplementary irrigation in case of scant rainfall to ensure good yield.

Last month, the US Department of Agriculture (USDA) forecasted a decline in Bangladesh's overall rice cultivation area and Aman production.

Earlier this month, the USDA said global rice production forecasts were lower, with smaller crops in India, Bangladesh, Burma, and Thailand.

## Bangladesh to attain Aman rice acreage target: officials

STAR BUSINESS REPORT

Bangladesh is likely to achieve the cultivation target for Aman, the second biggest rice crop, to bag an increased amount of the grain and ensure domestic self-sufficiency amid volatility in the global market, said agricultural officials.

Farmers have transplanted and broadcasted the paddy on 58 lakh hectares until September 18 against the 59.3 lakh hectares fixed by the government, said Md Tajul Islam Patwary, director general of the Department of Agricultural Extension (DAE).

The agency had set a goal to ensure transplantation of paddy on 56.5 lakh hectares this season and it could achieve 99.46 percent of the target. However, the rate of attainment of broadcasted Aman rice is much lower than transplanted crops.

**“We hope overall Aman cultivation area will exceed our target.”**

Patwary said the rest of the target would be achieved as farmers in some parts of the haor areas in the northeast and southeast were transplanting the staple crop in couple of more days.

“We hope overall Aman cultivation area will exceed our target,” he said over phone.

If achieved, the area of Aman crop will be higher than the acreage during the last Aman season.

Bangladesh bagged close to four crore tonnes (1 crore equals 10 million) of rice in the fiscal year 2022-23 and Aman rice, transplanted in August and September months, accounted for over 38 percent of total production, according to estimates by the Bangladesh Bureau of Statistics and the DAE.

The agriculture ministry aims to bag 1.71 crore tonnes of rice from the Aman crop, which will begin to be harvested in November.

“The field condition looks good so far,” said the official.

The DAE's data projection comes after farmers could grow rice in fewer areas during the Aus season due to the late arrival of monsoon rains and a heatwave. Farmers grew Aus, another rice variety, on 10.54 lakh hectares, down from 10.60

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Farmers in Sylhet's Gowainghat upazila tend to their crops. The agriculture ministry aims to bag 1.71 crore tonnes of Aman rice this season. The photo was taken yesterday.

PHOTO: SHEIKH NASIR

# Innovation key to avoiding middle-income trap

Says World Bank economist while sharing South Korea's success story

STAR BUSINESS REPORT

Bangladesh needs to invest in innovation, technology and productivity in order to avoid the middle-income trap, said economists yesterday.

They said many countries managed to attain the middle-income status but they could not advance further and become developed nations as they did not take proper policies on time.

On the other hand, some middle-income nations emerged as developed countries within a short time on the back of prudent policies and measures. South Korea is one of them.

In 1995, Korea crossed the World Bank's gross national income per capita threshold for high-income economies. Its per capita income surged to \$34,998 and became the 10th largest economy in the world in 2021.

“Korea's growth benefited from contributions from both investment and productivity improvement,” said Hoon Sahib Soh, practice manager for macroeconomics, trade and investment and public sector at the WB.

He spoke at a seminar on “avoiding a middle-income trap in Bangladesh: lessons from Korea” at the Renaissance Hotel in Dhaka.

After the Asian Financial Crisis, Korea transitioned to a more productivity-led growth from input-led growth, he said in a keynote paper.

By 2000, Korea's manufacturing sector's labour productivity reached 75 percent and the country accelerated global value chain integration in the mid-1990s through the expansion of outward direct investments and became a major exporter of key intermediate

goods and high technology products.

Also, the Korean government launched a major tariff rate reduction programme in the 1980s and the simple average tariff rate of all products was reduced from 23.7 percent in 1983 to 8 percent in 1994.

Since the mid-1990s, important liberalisation was pursued through more than 50 free trade agreements, the economist said.

**Some middle-income nations emerged as developed countries within a short time on the back of prudent policies and measures. South Korea is one of them.**

Korea topped the 2021 Global Survey of Digital and Sustainable Trade Facilitation and came 17th out of 139 nations in the 2023 Logistics Performance Index.

Producing skilled workforce, investment in technologies and digital adoption, financial sector reforms, capital market liberalisation, and policy shift from promoting large to small firms were behind the success of Korea, according to Soh.

“Sustainable investment in human capital, investments in infrastructure, effective bureaucracy, macroeconomic stability, manufacturing export through industrial policies, and private sector-led growth laid the foundations for Korea's growth.”

He said the transition to a more market-led economy, sustainable promotion of private enterprises, adoption of technologies, investment in human capital development and building support for reforms through

social consensus are lessons from Korea for developing countries.

Soh listed a number of challenges facing the developing nations, including low productivity growth, the persistent productivity gap between large and small firms, aging, declining population, a low fertility rate, and a higher gender gap.

Fahmida Khatun, executive director of the Centre for Policy Dialogue, a private think tank, identifies higher tariffs and the poor quality of education as major challenges for Bangladesh.

“For a healthy financial sector, the country needs to invest in innovation, technologies and productivity.”

Md Fazlul Hoque, managing director of Nayaranganj-based Plummy Fashions, said the investment is not fully utilised.

He said many students are not interested in studying at vocational training institutes because of poor standards.

“On the other hand, export diversification is not happening and productivity is one of the lowest in Bangladesh.”

The business leader called for improving productivity by 25 percent from the current level.

Zaidi Sattar, chairman and chief executive of the Policy Research Institute of Bangladesh, said incentives should be equal for all sectors and the higher tariff regime should be liberalised.

Park Young Sik, ambassador of Korea to Bangladesh, talked about the pension scheme for older people that was introduced in his country in 1988.

State Minister for Planning Shamsul Alam said the best way to break syndicates in the market is to allow imports. So, the government has allowed the import of eggs.

## Unique Hotel's profit nearly doubles

STAR BUSINESS REPORT

Unique Hotel & Resorts PLC posted a 92 percent year-on-year increase in profit to Tk 189 crore in the year that ended on June 30 on the back of higher revenue and capital gains.

The profit stood at Tk 98.33 crore in 2021-22. Thus, the hotel and hospitality management company reported earnings per share of Tk 6.42 for 2022-23 against Tk 3.34 in 2021-22.

The net asset value per share improved to Tk 88.51 from Tk 84.91 while the net operating cash flow per share jumped to Tk 5.13 from Tk 0.60, according to a filing on the Dhaka Stock Exchange yesterday.

Unique Hotel said the revenue surged 55 percent in FY23. Moreover, there was an unrealised gain of Tk 15.46 crore on investment in quoted shares at Chartered Life Insurance Co Ltd.

Furthermore, the company recorded a capital gain of Tk 112.88 crore on the sale of 2.45 percent ordinary shares of Unique Meghnaghat Power Limited.

The board recommended a 20 percent cash dividend for FY23, the highest in four years.

Shares of Unique Hotel & Resorts, however, dropped 3.37 percent to Tk 68.80 on the DSE yesterday.

## Nepal can be a source of clean energy: FBCCI

STAR BUSINESS REPORT

Nepal can be a good source of clean energy for Bangladesh, said Mahbul Alam, president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI).

Bangladesh is facing a growing demand for power and energy to meet its Vision 2041 to build Smart Bangladesh and the energy sector is one of the most attractive areas of cooperation between Nepal and Bangladesh, he said.

Importing power especially clean energy from Nepal will help Bangladesh meet the world trade compliances and increase the use of renewable energy, he added.

The FBCCI president made the comments during a meeting with the members of a delegation from Nepal at the FBCCI building in the capital yesterday.

Baburam Gautam, director general of the Department of Industry of the government of Nepal, led the Nepalese delegation, the FBCCI said in a press release.

The FBCCI president recalled the signing of a memorandum of understanding between Bangladesh and Nepal to import 500 MW of electricity from the landlocked country.

Different Bangladeshi export items, including readymade garments, have high demand in the Nepalese market, Gautam said.

## Eurozone inflation eases

AFP, Brussels

Eurozone inflation slowed slightly in August, the EU statistics agency said on Tuesday, revising its previous figure.

Consumer prices in the 20-country single currency area fell to 5.2 percent in August from 5.3 percent in July, according to Eurostat.

The agency had previously put August inflation at 5.3 percent.

Eurostat also said food and drink prices rose by 9.7 percent in August, revising its 9.8 percent figure published on August 31.

## Working in China harder than ever

Foreign business lobbies warn

AFP, Shanghai

Foreign business confidence in China has reached its lowest in years, US and European enterprise lobbies warned Tuesday, as slowing growth and geopolitical tensions hit investment prospects.

There was a burst of consumer exuberance after China lifted its strict zero-Covid policies late last year.

But weak consumption, a crisis in the massive property sector and soft demand for China's exports has complicated the recovery.

US firms in China now report “record-low” optimism and are increasingly looking to move investment away from the country, the American Chamber of Commerce (AmCham) Shanghai said.

“2023 was supposed to be the year investor confidence and optimism bounced back after years of Covid disruptions and restrictions,” AmCham said in a report released Tuesday.

“According to our 2023 survey of US businesses in China, however, the rebound has not materialised and business sentiment has continued to deteriorate,” it added. A report released the same day by the Chamber of Commerce of the European Union expressed similar concerns.

“European companies' perception of the Chinese market as predictable, reliable and efficient has been steadily eroded,” the Chamber – which represents some 1,700 EU companies based in China – said.

“For decades, European companies thrived in China,” the Chamber's president Jens Eskelund said.

READ MORE ON B2

# OECD sees ‘sub-par’ global growth as high rates bite

AFP, Paris

The OECD raised its global economic outlook for 2023 on Tuesday but cut the growth forecast for next year as “painful” interest-rate hikes aimed at curbing inflation take their toll.

The world economy is now expected to grow 3.0 percent this year, up from the 2.7 percent forecast in the June outlook of the Organisation for Economic Co-operation and Development.

But it said global growth was projected to remain “sub-par”, slowing to 2.7 percent next year – down from 2.9 percent in the previous forecast.

“After a stronger than-expected start to 2023, helped by lower energy prices and the reopening of China, global growth is expected to moderate,” the OECD said in its report.

“The impact of tighter monetary policy is becoming increasingly visible, business and consumer confidence have turned down, and the rebound in China has faded,” it added.

Central banks worldwide have sharply increased borrowing costs in an effort to tame consumer prices which

soared in the wake of Russia's invasion of Ukraine last year.

“We are all seeing the tightening of monetary policy working its way through our economies. This is necessary to reduce inflation, but it is

painful,” OECD chief economist Clare Lombardelli said at a press conference.

The European Central Bank raised a key interest rate to a record high last week but hinted this might be its last hike, while the US Federal Reserve is

expected to pause its own campaign on Wednesday.

“Inflation is projected to moderate gradually over 2023 and 2024 but to remain above central bank objectives in most economies,” the OECD said.

Inflation remains well above the two-percent targets of the Fed and ECB, and oil prices have rebounded in recent weeks. EU data on Tuesday showed eurozone inflation slowed slightly to 5.2 percent in August from 5.3 percent the previous month.

The Bank of England and its peers in Norway, Sweden and Switzerland are also making interest rate decisions on Thursday.

“Even if policy rates are not raised further, the effects of past rises will continue to work their way through economies for some time,” the OECD said.

Borrowing costs for companies and households have risen, while credit conditions have tightened, it said.

“Some countries are already seeing rising loan and credit card delinquency rates and increases in corporate insolvencies,” the OECD said.



An employee produces components for a new vehicle at a factory in Ruichang, in southeastern China's Jiangxi province.

PHOTO: AFP