Bangladesh, India meet on waterways use on Dec 19

STAR BUSINESS REPORT

A meeting between the shipping secretaries of Bangladesh and India is scheduled to begin in a Dhaka hotel on December 20.

On the day before, meetings of an intergovernmental committee and standing committee under a Protocol on Inland Water Transit and Trade will also be held.

Md Mustafa Kamal, senior secretary to Bangladesh's shipping ministry, and TK Ramachandran, secretary to the Indian ports, shipping and waterways ministry, will lead the respective sides.

This information was shared at an inter-ministerial meeting on the upcoming events at the shipping ministry yesterday.

Bangladesh has 31 agendas to place at the meetings, including incorporation of provision for using water routes in visa processes

Bangladesh has 31 agendas to place at the meetings, including incorporation of provision for using water routes in visa processes, while India 31, including enhancing river connectivity, said sources at the ministry.

There are currently 12 ports of call between the two countries.

A protocol was signed in 1972 over the mutually beneficial use of waterways for passage of goods under terms mutually agreed upon.

It was last renewed in 2015 for five years with a provision for automatic renewal for a further five years.

Another protocol exists specifying routes to be used.

PHOTO: HABIBUR RAHMAN

Workers in the Chuknagar village in Khulna's Dumuria upazila pack cauliflowers using bundles of paper for transport to different areas of the country. Each kilogramme of the vegetable costs around Tk 32-35 in the wholesale market. The photo was taken recently.

OUTLOOK NEGATIVE in Bangladesh, Maldives among Asia-Pacific nations: Fitch

STAR BUSINESS REPORT

Bangladesh and the Maldives are the two countries in the Asia-Pacific region where the rating outlook is negative, said Fitch Ratings in the Asia-Pacific Sovereigns Outlook 2024.

It said the rating outlook distribution is slightly tilted for the APAC sovereign portfolio, with two negatives for Bangladesh and the Maldives, but most outlooks are stable.

In September, the US ratings agency assigned Bangladesh's BB- rating but said the outlook was now negative rather than stable.

According to the report, the APAC region should remain resilient in 2024 to challenges from slowing global growth, high interest rates, and lingering property-sector issues in China.

"A gradual upturn in the global tech cycle and relatively robust domestic demand should support stronger GDP growth for APAC sovereigns compared with peers in other regions."

External financing pressures should continue for some frontier markets, while uncertainty remains regarding the nature and timeline for Sri Lanka's foreign-currency debt restructuring, it said.

In September, the US ratings agency assigned Bangladesh's BB- rating but said the outlook was now negative rather than stable

According to Fitch, fiscal outlooks will vary, but high borrowing costs and mostly modest fiscal deficit reductions will cause debt ratios to rise in 2024 in about half of the APAC sovereigns despite solid growth rates.

"Many sovereigns in the region have lost fiscal headroom in recent years, making them more vulnerable to new external shocks."

The ratings agency forecasts a rise in the government debt-to-GDP ratio during 2023-2025 for 40 percent of APAC sovereigns, and that government debt to GDP will be higher in 2025 than in 2019 for around 80 percent of the sovereigns.

Elections are scheduled in almost half of the rated APAC sovereigns portfolio, which may lead to slower reform momentum and some policy uncertainty, although Fitch generally does not anticipate major economic policy shifts.

"Geopolitics will likely continue to play an important role in APAC in 2024, such as for Korea and Taiwan. Sino-US tensions eased recently amid high-level meetings, but we expect relations to remain challenging."

"Shifts in global manufacturing supply chains are becoming more apparent and may benefit some APAC sovereign credit profiles, but we believe changes will be gradual."

ARTIFICIALLY RAISING PRICES

93 onion traders fined over Tk 4 lakh

STAR BUSINESS REPORT

A total of 93 traders across the country were fined a total of Tk 414,500 by the Directorate of National Consumers Right Protection (DNCRP) yesterday for "holding back stocks of onion to artificially raise prices".

The DNCRP conducted market monitoring simultaneously in 40 districts, including Dhaka where three teams were active, according to a DNCRP press release.

This led to a drop in prices and normalcy was returning to supplies, said the directorate.

Per kilogramme prices had increased by as much as Tk 100 overnight on December 9 as traders began stockpiling a day after news broke that India has banned the vegetable's export till March next year to increasing availability in their domestic markets and keep prices in check.

India had already been restricting its export by setting a minimum price of $800 per tonne on October 28. After the ban, each kg started selling for around Tk 240.

However, yesterday the local variety sold at Tk 90 to Tk 160 per kg whereas imported onion at Tk 110 to Tk 140 in Dhaka's markets, showed the Trading Corporation of Bangladesh data.

The prices have shot up although there are adequate supplies, according to a Bangladesh Trade and Tariff Commission (BTTC) report of December 10 -- laying bare the extent of market manipulation by a section of dishonest traders.

For instance, in the first five months of the fiscal year, onion imports were up 77.8 percent year-on-year to about 5.3 lakh tonnes, showed the report.

Local production last fiscal year, that wrapped up on last June 30, was 25.5 lakh tonnes.

"Considering local production and imports, there is likely to be oversupply in the market," said the BTTC report.

As of November 30, the Bangladesh market received 30.8 lakh tonnes of onions from local and foreign sources this year, said the report.

The annual demand for onion in Bangladesh is 27 lakh tonnes to 28 lakh tonnes, some 65 percent to 70 percent of which is met through local production.

STOCKS

DSEX ▲	CASPI ▲
0.29%	0.29%
22,277.97	22,277.97

COMMODITIES

Gold ▲	Oil ▲
$2,038.86 (per ounce)	$70.82 (per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 1.34%	▼ 0.73%	▲ 0.6%	▼ 0.33%
70,514.20	32,686.25	3,122.95	2,958.99

Fed holds key rate steady, signals three cuts in 2024

AFP, *Washington*

The US Federal Reserve voted Wednesday to hold interest rates at a 22-year high for the third straight meeting but policymakers signaled they expect to make three rate cuts next year.

The Fed's decision to keep its key lending rate between 5.25 percent and 5.50 percent lets policymakers determine "the extent of any additional policy firming that may be appropriate," the US central bank said in a statement.

The inclusion of the word "any," which was absent in November's decision, was added as "an acknowledgement that we believe that we are likely at or near the peak rate for this cycle," Fed Chair Jerome Powell told reporters.

He added that policymakers had discussed when it would be "appropriate" for the Fed to begin cutting interest rates, while refusing to rule out another hike.

Stock indexes on Wall Street surged after the Fed's decision, with the Dow Jones Industrial Average closing at an all-time high.

The Fed's stance signals a continuation of its long-running battle to slow inflation towards its long-term target of two percent amid a recent flurry of positive economic news.

"The Fed thinks that it is done with rate hikes and is more worried about overdoing it than it was in the past," KPMG Chief Economist Diane Swonk wrote in a note after the rate decision.

"After a period of nearly two years of rapid monetary policy tightening, a pivot to cuts next year seems like the most probable outcome," economists at Wells Fargo told clients.

The Fed, which has a dual mandate to tackle inflation and unemployment, is the first major central bank to unveil its interest rate decision this week.

Pragati yet to get go-ahead

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with engine capacities of 1.2cc to 1.6cc to make the cars more affordable for local consumers, he said.

Md Abul Kalam Azad, managing director of Pragati, previously told The Daily Star that whether it be a Japanese or Korean brand, they would start assembling foreign sedans by December.

He had also informed that they were already engaged in discussions to this end.

The annual demand for sedans in Bangladesh currently stands at about 16,000 units, according to data of the Bangladesh Road Transport Authority.

Of the total demand, around 83 percent is met through reconditioned car imports from Japan.

This is because at present, only PHP Group, Fair Technology Group and Pragati Industries are engaged in local assembly, industry people said.

But at least three foreign brands, including Kia, are in the pipeline to start assembling their cars in Bangladesh as local customers are now preferring brand new units over reconditioned ones, they added.

Meanwhile, Bangladesh Auto Industries Limited, which has a manufacturing unit at the Bangabandhu Sheikh Mujib Shilpa Nagar in Chattogram, is all set to market its locally made electric vehicles.

The company aims to introduce "Made in Bangladesh" electric vehicles, including motorcycles, three-wheelers, sedans, hatchbacks, and sport utility vehicles, by July next year.

Sources at Pragati Industries said they prepared a detailed plan for assembling Mitsubishi sedans and sent it to the Prime Minister's Office for approval.

Besides, the plan was shared with Mitsubishi so they can take the necessary steps for technical cooperation, with local assembly expected to reduce the price of brand-new cars by at least Tk 5 lakh per unit, they added.

Pragati currently assembles sport utility vehicles, such as the Pajero Sport, active sport crossovers, and double-cabin pickups of the Japanese brand as well as buses designed by India's Tata.

In March, Prime Minister Sheikh Hasina urged for using cars manufactured by Pragati instead of imported vehicles for development projects considering the current economic situation.

Mitsubishi has been outsourcing its production activities in Bangladesh to Pragati, a concern of the Bangladesh Steel and Engineering Corporation, since 1966.

The company sold only 177 vehicles in the last fiscal year whereas 711 units were sold the year prior.

During a visit to Bangladesh in May 2019, Ryujiro Kobashi, vice-president of Mitsubishi, disclosed they would invest in the country to produce their branded vehicles.

Kobashi sought policy support from the government to this end.

Villagers grow food for all

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The BBS uses two sets of commodities (goods and services) to compute the Consumer Price Index for rural and urban areas. A rural basket covers 318 items while the urban basket consists of 422 commodities.

The shortage of supply might be a reason for the price hike as farmers sell products to middlemen at higher rates that are supplied to towns and cities, Prof Ahmad said.

Rizwanul Islam, an economist and a former special adviser for the employment sector at the International Labour Office in Geneva, said food inflation in rural areas outstripping the urban areas is counterintuitive.

"This is because most food items consumed there are presumed to be locally produced, and it is difficult to understand why their prices increased at faster rates than items that have greater weight in the urban food basket."

However, two things might have happened, he said.

First, the consumption pattern may have changed over time, so the conventional assumption may no longer be valid. Second, rural areas may be facing supply bottlenecks to a greater extent than urban centres, resulting in higher paces of price increases.

"These bottlenecks may range from transport costs to extortion on the highways," Islam added.

Binayak Sen, director-general of the Bangladesh Institute of Development Studies, however, thinks there are benefits from the higher inflation from the producer's perspective since they get better rates and can adopt developed technologies.

"When inflation rises, we usually discuss the consumer's side as they are hit financially."

Mohammad Abdul Malek, a research fellow at The University of Tokyo, said: "If you look at the US economy, you will find similar discrepancies and this happened mainly due to an increase in the prices of transport fuel."

In the case of Bangladesh, he said, this may be due to a spike in rice prices as it carries a major weight in the food basket.

The rate of coarse grain has crossed Tk 50 a kilogramme for nearly after a year, according to state-run Trading Corporation of Bangladesh.

A top official of the BBS said the state-run statistical agency collects price data and calculates inflation and it doesn't have any research wing to find out the reasons behind the figures.

Prof Shamsul Alam, a former state minister for planning, said not only food inflation but also general inflation has increased in rural areas.

"The rural inflation is mainly driven by demand pull inflation."

He explained that rural incomes have gone up by an increase in the flow of remittances and diversified incomes of rural people and it is evidenced by the mushrooming of retail shops, restaurants, and large markets.

"There is not a single village or locality in Bangladesh that doesn't receive remittances."

Mustard acreage

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"There is a lot of demand for cultivation," he added.

Khairul Alom, another farmer in Sirajganj, said mustard acreage once dropped as farmers lost interest in face of low yields.

"But the improved varieties are really good and brought growers back to the oilseed," he added.

Badal Chandra Biswas, director general of the DAE, said the government has taken a special target to increase the cultivation of mustard in order to cut import dependence for edible oils.

Bangladesh requires 20 lakh tonnes of edible oil annually and most of it is met through imports.

The country spent around Tk 28,430 crore to import edible oils in fiscal 2022-23, which was 30 percent higher year-on-year, data of Bangladesh Bank shows.

As a part of the initiative, the DAE provided 1 kg of seed of the Bari Sarisha-14, Bari Sarisha-17, Bari Sarisha-18 and BINA Sarisha-9 varieties to 12 lakh farmers this year.

"We have seen farmers keeping seeds of their own too and many of them were sown in mango gardens and the banks of canals. So, they do not have to sacrifice any crop," Biswas said.

M Shalim Uddin, principal scientific officer of the Oilseed Research Centre under the Bangladesh Agricultural Research Institute, said the government's incentive lured many farmers to mustard as they are getting improved varieties that become ready to harvest in 85 days.

"Farmers are being able to produce mustard before cultivating Boro rice," he said, adding that the high price of soybean oil is another factor encouraging people to consume mustard oil instead.

Farmers grow Boro rice on 20 lakh hectares collectively after harvesting the Aman crop, which is grown in the rainy season, according to Uddin.

Credit card transactions

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found they mostly use credit cards in departmental stores.

In October, about 50.73 percent of all credit card transactions took place in departmental stores.

Meanwhile, credit card spending in retail outlets was 12.04 percent while utility bill payments accounted for 9.02 percent, cash withdrawals 8.01 percent, pharmaceuticals 5.48 percent and clothing 5.12 percent.

As per Bangladesh Bank data, 73.07 percent of the total credit card transactions took place using VISA cards while about 16.89 percent were made using Mastercard payment services.

Spending through AMEX cards stood at 9.79 percent in October while the remaining transactions took place using the payment service platform of other brands, the central bank data showed.