

Star BUSINESS

Import of various consumer-oriented products such as dairy products, fruits, tree nuts, spices, and soup is growing for rising demand



Story on B4

Policy rate hike looms again as previous attempts yield little success

MD MEHEDI HASAN

Taming inflation is the priority of the new government, so the central bank is likely to increase the policy rate further to beef up its fight against the stubbornly high consumer prices.

The Bangladesh Bank is set to unveil its Monetary Policy Statement (MPS) for the second half of the current financial year today.

It comes at a time when the economy faces growing pressure owing to escalated inflation and persisting foreign exchange crisis, with the Red Sea crisis adding fresh headache.

A number of central bankers who are involved with the formulation of the MPS told The Daily Star that the BB has framed the policy for the January to June period in a cautious manner because the economy has been witnessing severe pressure and the low-income groups have been bearing the brunt of higher inflation for nearly two years.

"The central bank will raise the policy rate slightly because it has already been set at the highest level," said one central banker.

The policy rate, also known as the repo rate, is a powerful tool of monetary policy and central banks all over the world regulate the money supply, inflation levels and liquidity using it.

Commercial banks borrow money from the BB at the repo rate, which stands at 7.75 percent currently. India's policy rate is 6.50 percent.

READ MORE ON B3

Banks barred from transferring forex to offshore branches

STAR BUSINESS REPORT

Bangladesh Bank (BB) yesterday barred banks from transferring foreign currency to their offshore units, saying it was to tackle shortages at home and reduce dependency of the units abroad on those back home.

The central bank issued a notice asking banks to make adjustments regarding funds transferred within this year.

From 2020, banks were allowed to transfer a maximum 30 percent of their regulatory capital in foreign currency from domestic units to their offshore units.

Earlier, there was no limit on transferring or mobilising funds in the offshore banking units from those within the country.

A senior official of the central bank said the BB had observed that many banks were transferring foreign currency to their offshore banking units excessively.

As a result, an imbalance in the demand and supply was created along with a shortage of foreign currency in the local market, he added.

Lingering Red Sea crisis pushes up trade costs for Bangladesh



REFAYET ULLAH MIRDHA

The protracted Red Sea crisis has started to hit Bangladesh as the country's international trade costs have risen, a development that may hurt exports, stoke inflationary pressures, and delay the recovery of the economy.

The blow comes at a time when the newly formed government said its main target is to contain the runaway inflation and rein in the prices of essential commodities. The Consumer Price Index has posted an increase of more than 9 percent since March this year.

The added uncertainty means Bangladesh's renewed fight against the inflationary pressure would become harder to win after fresh disruptions to the global supply chain because of the Red Sea Crisis.



The Red Sea connects Asia to Europe and the Mediterranean, via the Suez Canal. About 12 percent of global trade passes through the Red Sea, including 30 percent of global container traffic.

The route emerged as the heart of global tension after Houthi rebels began attacking Israel-linked ships in response to the latter's devastating war in the Gaza Strip in the third week of October.

The crisis deepened after the intensification of counter-attacks on the rebel groups by the UK and the US.

Six of the 10 biggest container shipping companies — namely Maersk, MSC, Hapag-Lloyd, CMA CGM, ZIM and ONE — are largely or completely avoiding the Red Sea because of the threat from the Houthi militants, according to a CNN article.

The danger to crew, cargo and vessels has forced carriers to reroute ships around the Cape of Good Hope in South Africa, resulting in delays of up to three weeks since they would have to travel an additional 3,500 kilometres.

The mounting tension has huge ramifications for countries such as Bangladesh, which uses the route to send

READ MORE ON B3

Runner to build charging network to boost EV sales

STAR BUSINESS REPORT

Runner Group, one of the biggest distributors and assemblers of automobiles in Bangladesh, will develop a nationwide charging network as part of its plan to locally launch electric vehicle (EV) of the world's biggest EV maker, China-based BYD Auto Co Ltd.

Yesterday, CG Runner Bangladesh Limited, a sister concern of Runner Group, signed a memorandum of understanding (MoU) to build the network with local infrastructure developer Genex Infrastructure Limited at Runner's headquarters in the capital's Tejgaon.

CG Runner is scheduled to launch BYD SEAL within March this year, which will be the first model of the Chinese carmaker's electric vehicle line-up to hit the roads in Bangladesh.

Genex Infrastructure plans to develop and



install 10 charging stations around Dhaka and several national highways by March 2024 and build a sustainable charging network nationwide by installing more charging stations throughout the year. At present, there are four charging stations across the country.

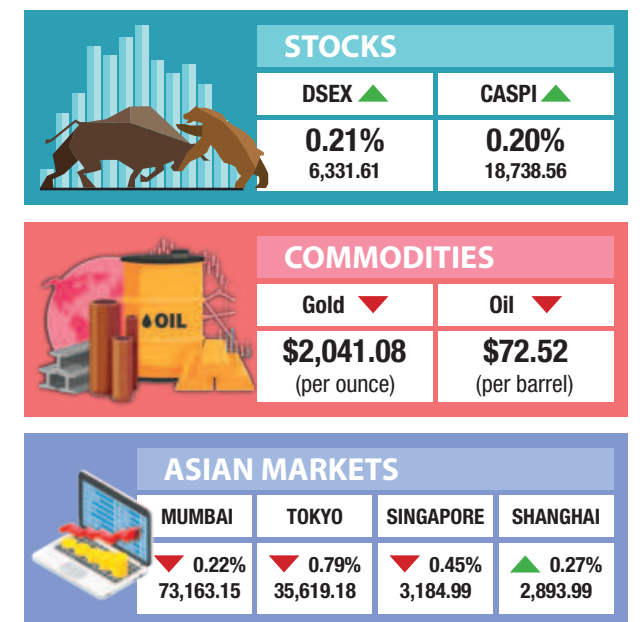
As per the MoU, the customers of CG Runner will get priority in the charging process for uninterrupted and convenient charging experiences for their electric vehicles.

"We are pleased to collaborate with Genex Infrastructure Limited to build nationwide charging stations," Runner Group Chairman Hafizur Rahman Khan said at yesterday's event.

Genex Infrastructure Managing Director Mohammed Tanzidul Alam also spoke.

Till now, around 70 EVs of global automotive brands such as Tesla and Porsche have been registered with the Bangladesh Road Transport Authority since September 2022, when EV registration was first introduced.

Bangladesh has recently formed new EV policies, including the Charging Station Installation Policy, to promote adoption of such vehicles in the country.



USD shortage, high inflation slowing automobile sales

AHSAN HABIB

Bangladesh's economy has been facing tough times of late as sustained high inflation, hike in interest rates and massive devaluation of the local currency continue to plague the country. In this series, we take a look back at how various industries fared amid the crisis in fiscal year 2022-23. Here is the second part:

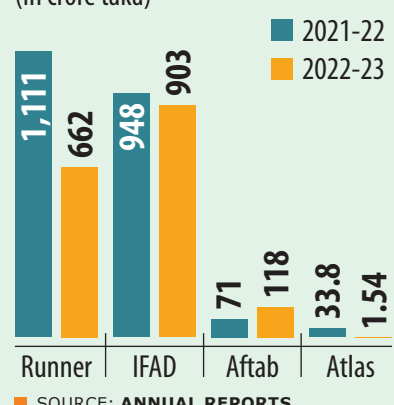
Automobile sales in Bangladesh plummeted in fiscal 2022-23, with the industry recording the steepest fall in profits among all sectors due to reduced production and demand, according to industry people.

Local automakers had to decrease production during the previous fiscal year (FY) as the US dollar crisis caused complications in opening letters of credit (LCs) for importing components and spare parts.

Besides, inflationary pressure in the country limited people's purchasing power, forcing them to focus their funds on buying necessities rather than luxuries like private transport, they said.

There are four listed automakers in

Sales of listed automobile companies



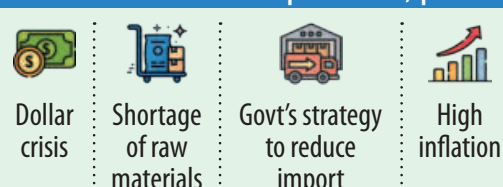
the country — Runner Automobiles, IFAD Autos, Aftab Automobiles and Atlas Bangladesh — that collectively contribute to a majority of the industry's annual sales.

And as per their financial statements, the combined sales of these companies dropped

Profit/loss (In crore taka)

	In 2021-22	In 2022-23
IFAD Autos	41	-15
Aftab Automobiles	0.1	0.41
Atlas Bangladesh	-4.8	-9.7
Runner	46	-96

Reasons behind drop in sales, profits



22 percent year on year to Tk 1,684 crore in FY23, with only Aftab Automobiles staging a growth in sales.

As such, their combined losses stood at Tk 120 crore that year following an overall profit of Tk 82 crore in fiscal 2021-22.

"Similar to elsewhere in the world, the

automobile industry in Bangladesh was disrupted in fiscal 2022-23," said Shanat Datta, chief financial officer of Runner Automobiles.

This was mainly due to a shortage of materials required to manufacture vehicles as the foreign currency crisis forced the government to restrict imports, and a subdued economic environment, he added.

Bangladesh Bank data showed that local automakers opened LCs to import automobile machinery and components worth \$119 million in the July-April period of fiscal 2022-23, down 21 percent year-on-year.

Likewise, the opening of LCs for importing finished motor vehicles dropped 59 percent year on year to \$281 million at the same time.

Data also said consumers started prioritising essential purchases in face of sustained inflation and this trend was witnessed more acutely in rural areas, where people contend with greater financial burdens.

Inflationary pressure in the country eased slightly in December 2023 to 9.41

READ MORE ON B2

Foodpanda fined Tk 10 lakh

STAR BUSINESS REPORT

The Bangladesh Competition Commission (BCC) has fined online food delivery platform Foodpanda Bangladesh Tk 10 lakh for abusing its dominant position in the market.

The decision came as the commission gave its final verdict over a complaint filed three years ago by MGH Restaurants Pvt Ltd against the food delivery platform.

Pradip Ranjan Chakraborty, chairperson of the BCC, told The Daily Star that the verdict was declared on Monday.

During the commission's long-time investigation, it found that Foodpanda Bangladesh had abused its dominant position in the market, he said.

The crux of the complaint against Foodpanda centred on allegations that the company, capitalising on its market dominance, threatened to increase commission rates and reduce the delivery radius for its partners, including MGH Restaurants.

These actions, the complaint alleges, were contrary to the terms of the agreement signed between MGH Restaurants and Foodpanda Bangladesh back in 2018.

The complaint specifically cited sections 16(1) and 16(2) of the Competition Act 2012.

READ MORE ON B3