## US consumer inflation up unexpectedly in February

AFP, *Washington*

Consumer inflation posted a surprise acceleration in February, US government data showed Tuesday, a development likely to nudge policymakers towards a cautious approach as they mull when to start interest rate cuts.

While price increases have fallen from their peak in 2022, households are still feeling the pinch from costs of living -- adding pressure on President Joe Biden as he tries to win over voters on his economic policies while running for reelection this year.

The annual consumer price index (CPI) came in at 3.2 percent last month, the Labor Department said Tuesday, a sign these stresses may not ease quickly.

The "core" CPI measure stripping out volatile food and energy prices edged down slightly to 3.8 percent, but was still above the 3.7 percent analysts expected.

**While price increases have fallen from their peak in 2022, households are still feeling the pinch from costs of living**

Biden stressed that the latest report indicated further progress on lowering inflation, flagging that "annual core inflation is the lowest since May 2021."

"Wages are rising faster than prices over the last year and since the pandemic," he said in a statement, though conceding more has to be done to lower costs and help the middle class.

The Labor Department noted that the indexes for shelter and gasoline both rose in February.

Combined, they contributed more than 60 percent to the increase of last month's overall index, it said.

Month-over-month, inflation came in at 0.4 percent, up from January's 0.3 percent figure.

PHOTO: TITU DAS

**A worker secures one of many blue plastic barrels containing 200 litres of diesel and petrol each on a boat at a ghat near Port Road in Barishal city for transportation to Mehendiganj upazila, an island some 20 kilometres away from the city. The photo was taken recently.**

# Major stock index slips below 6,000 points after 33 months

STAR BUSINESS REPORT

The benchmark index of the Dhaka Stock Exchange (DSE) fell below the 6,000-point mark yesterday for the first time in 33 months.

The last time this happened with the DSEX was on May 25, 2021, when it stood at 5,884 points.

Yesterday the index dropped 32.76 points, or 0.54 percent, from that on the day before, to close at 5,974 points.

The DSES, which represents Shariah-compliant firms, shed 9.08 points, or 0.69 percent, to 1,300.

Similarly, the DS30, which comprises blue-chip stocks, lost 7.26 points, or 0.35 percent, to 2,056.

Turnover, which indicates the volume of shares traded during the session, slumped 14.23 percent to Tk 483 crore.

According to the daily market update by UCB Stock Brokerage, life insurance, non-bank financial institutions and engineering sectors closed in positive territory while paper and printing, real estate and IT sectors closed in the negative territory.

Among the sectors, engineering dominated the turnover chart, accounting for 15.92 percent of it.

Of the issues traded on the DSE, 112 gained, 222 lost, and 60 did not see any price fluctuation.

**The index dropped 32.76 points, or 0.54 percent, from that on the day before, to close at 5,974 points, while turnover slumped 14.23 percent to Tk 483 crore**

Asiatic Laboratories, which was listed recently, topped the gainers' list with a rise of 9.96 percent, and was closely followed by Rupali Life Insurance Company with 9.30 percent.

The two were followed by Golden Son, People's Leasing and Financial Services, and Monno Fabrics with 8.57 percent, 7.69 percent and 7.45 percent, respectively.

Taufika Foods and Lovello Ice-Cream, ICB AMCL Sonali Bank 1st Mutual Fund and Bangladesh Thai Aluminium were also on the list with 6.27 percent, 5.15 percent and 5.03 percent respectively.

Crystal Insurance Company shed the most, losing 11.75 percent.

Karnaphuli Insurance Company and International Leasing & Financial Services equally lost more than 5 percent while Doreen Power Generations and Systems, First Janata Bank Mutual Fund, Rupali Bank and Miracle Industries shed more than 4 percent.

Most of the sectors that account for large amounts in market capitalisation posted negative performance yesterday.

As per the daily market update by BRAC EPL Stock Brokerage, telecom experienced the highest loss of 1.03 percent followed by food and allied (0.74 percent), pharmaceuticals (0.53 percent), fuel and power (0.49 percent) and banks (0.37 percent).

Chattogram Stock Exchange saw a similar trend as the Caspi, the main index of the port city bourse, fell 157 points, or 0.91 percent, to close at 17,105 points.

## Toyota agrees to biggest wage hike in 25 years

REUTERS, *Tokyo*

Toyota Motor agreed to give factory workers their biggest pay increase in 25 years on Wednesday, heightening expectations that bumper pay raises will give the central bank leeway to make a key policy shift next week.Toyota, Panasonic, Nippon Steel and Nissan were among some of Japan Inc's biggest names that agreed to fully meet union demands for pay hikes at annual wage negotiations that wrap on Wednesday.

The talks, long a defining feature of the usually collaborative relationship between Japanese management and labour, are being closely watched this year as the pay increases are expected to help clear the way for the central bank to end its years-long policy of negative interest rates as early as next week.

Toyota, the world's biggest carmaker and traditionally a bellwether of the annual talks, said it agreed to the demands of monthly pay increases of as much as 28,440 yen ($193) and record bonus payments. Keeping with past practice, the company did not provide a percentage figure for the salary rise.

"We're seeing strong momentum for wage hikes," Japan's top government spokesperson and chief cabinet secretary, Yoshimasa Hayashi, told reporters. "It's important that the strong wage hike momentum will spread to small and mid-sized firms."

Prime Minister Fumio Kishida has made putting an end to the years of meagre wage growth a top priority to jumpstart feeble consumer spending. Japan's wage increases have kept well behind the average for the OECD grouping of rich countries.

The Bank of Japan is also closely watching the results as a key data point in deciding when to end negative rates, in place since 2016.

The bank, which has stuck with massive stimulus and ultra-low rates for years longer than other developed countries in an attempt to revive a moribund economy, is set to hold its next policy setting meeting on March 18-19.

"The outcome of this year's annual wage negotiation is critical" in deciding the timing of an exit from massive stimulus, governor Kazuo Ueda told parliament on Wednesday.

**STOCKS**

| DSEX ▼ | CASPI ▼ |
|---|---|
| 0.54% | 0.91% |
| 5,974.10 | 17,105.45 |

**COMMODITIES**

| Gold ▲ | Oil ▲ |
|---|---|
| $2,158.89 | $78.32 |
| (per ounce) | (per barrel) |

**ASIAN MARKETS**

| MUMBAI | TOKYO | SINGAPORE | SHANGHAI |
|---|---|---|---|
| ▼ 1.24% | ▼ 0.26% | ▲ 0.61% | ▼ 0.40% |
| 72,751.34 | 38,695.97 | 3,160.72 | 3,043.83 |

PHOTO: TRUST BANK

**Md Abdul Mannan, executive director of the Bangladesh Bank's Barishal office, releases balloons to inaugurate a school banking conference organised by Trust Bank as the lead bank at Shilpakala Academy in Barishal recently.**

## Trust Bank organises school banking confce in Barishal

STAR BUSINESS DESK

Trust Bank has recently organised a school banking conference as the lead bank under the guidance of Bangladesh Bank.

Md Abdul Mannan, executive director of the BB Barishal office, attended the conference as chief guest at Shilpakala Academy in Barishal recently, the bank said in a press release.

Akhlasur Rahman Bhuiyan, deputy managing director and chief risk officer of the bank, presided over the event attended by 45 banks operating in Barishal City and around 500 students, teachers, and guardians from 45 district schools.

## BB now sets criteria

FROM PAGE B1

qualifications that NBFIs would have to comply with at the time of hiring independent directors.

The minimum age for an independent director must be 45 years and the maximum age has been set at 75 years. They have to have a graduation degree in economics, banking, finance, business administration, law or accounting, said the central bank.

Last month, the banking watchdog issued a guideline for hiring independent directors at banks.

Yesterday's guideline for the NBFI has been issued in line with the Finance Company Act 2023, which was passed last year.

If an individual has any association with a finance company, he or she can't be nominated as an independent director for the NBFI, the guideline said.

Non-banks can't appoint persons whose family members hold shares or hold remunerative posts in those NBFIs. Persons convicted in criminal cases or involved in forgery, financial crime or any other unlawful activities will not qualify as well.

The banking regulator also barred loan defaulters, tax defaulters and bankrupts from becoming independent directors. It has fixed the honorarium for them and travel and accommodation expenses to curb excess spending.

In the notification, the BB highlighted the roles, responsibilities and accountabilities of the directors.

The independent directors will have to inform the BB if their opinions are not given due importance and in the case of any violation of rules, according to the BB circular.

## Costlier loans

FROM PAGE B1

"The currency depreciation has caused the overall import cost to spiral. The increased bill for gas has added further pressure. However, we have not been able to fully absorb the rise in costs when it comes to adjusting prices."

The entrepreneur thinks the volatility relating to the interest rate also came as a surprise for the business community.

The central bank maintained an interest rate cap on loans for more than three years before it was scrapped in July last year in order to bolster its fight against record inflation.

In the same month, it introduced SMART to gradually allow market forces to determine the lending rates. Since then, the interest rate has been increasing.

He thinks the higher cost of loans will affect employment generation and the economy.

Anwar-Ul Alam Chowdhury, president of the Bangladesh Chamber of Industries, said electricity and gas bills have risen.

"Against the backdrop, the soaring bank interest will put an additional strain on industries."

Persistently higher inflation since the middle of 2022 has caused a decline in domestic consumption, meaning lower sales for producers.

"Because of the higher expenses and lower sales, domestic industries are facing major challenges and many of them will find it difficult to survive if the current situation lingers," he said.

Chowdhury's Evince Group, which exports garments and has a presence in Bangladesh's retail sector, has seen its monthly gas bills rise to Tk 9 crore from Tk 5 crore.

Wages for workers have gone up by 35 percent.

"In return, what are my sales? What is my markup? Will industries survive if you pass on all the loads to us?"

He feared the amount of default loans would go up because of the spike in costs and the sluggish business environment.

Mohammed Amirul Haque, managing director of Premier Cement Mill PLC, says although industries have borrowed at a 9 percent interest rate, all term-loan borrowers would have to repay loans at the present interest rate.

This means, most of the businessmen who took loans at 9 percent would face a rate of 14 percent to 16 percent since the funds were secured at floating rates.

"The higher interest rate will elevate the cost of doing business and businesses will ultimately be forced to pass on the costs to consumers."

In the end, consumers, whose purchasing power has already eroded significantly, will suffer further and investors will not roll out new projects due to the high interest rate.

"You will see the impacts next year," said Md Arifur Rahman, chief executive officer at Assurance Developments Ltd.

Rising interest rates, the high cost of dollars and the higher registration cost have affected realtors, with the overall cost of property builders soaring by 30 percent to 40 percent.

"But we have not been able to raise the prices of flats to that extent," Rahman said.

Banks revise interest rates every three months, so realtors will see an increased repayment cost of loans, Rahman said.

"Since the interest cost is increasing, realtors that have taken up a high number of projects are seeing a buildup of liabilities. They will be in trouble."

However, Ahsan Khan Chowdhury, chairman and CEO of PRAN-RFL Group, one of the leading processed foods and plastic goods makers, said it is true that the current situation is painful.

"But we will have to accept the play of demand and supply. The sustainable way is to let the demand and supply play its role."

## Govt may offer tax exemption

FROM PAGE B1

She also said the government should not impose any taxes on non-profit organisations.

"I fully agree with the government's move to waive taxes on foreign funds that researchers obtain," said Mohammad Tarikul Islam, a professor of the government and politics department at Jahangirnagar University.

Since research grants and fellowships are considered educational aid, it should be free from taxes when coming from foreign institutions or financing organisations, added Islam, also a visiting scholar of Harvard University who recently got some foreign grants.

Citing how having to pay taxes on grants is disappointing for researchers, he said removing such barriers would encourage academic excellence and institutional growth.

"This is because scholars and researchers will strive tirelessly for improving their reputation, creativity, publications, discoveries and global engagement," added Islam, also a former visiting scholar of the University of Oxford, the University of Cambridge, and SOAS University of London.

TAX BENEFITS FOR LEATHER INDUSTRY

The government is also planning to halve the source tax on leather goods exports from 1 percent to boost competitiveness of the country's leather industry.

Currently, all export products, including leather, are subject to a 1 percent source tax in Bangladesh.

A statutory regulatory order will be issued in this regard soon, according to sources at the NBR.

## Boost smartphone use

FROM PAGE B4

He was the first Bangladeshi national to assume the role at Grameenphone, where Norwegian Telenor holds 55.8 percent ownership.

Grameenphone, which is listed on the Dhaka and Chittagong stock exchanges, is the largest mobile telecommunications operator in Bangladesh in terms of revenue, coverage and subscriber base with 8.23 core, or 43.16 percent, of the market share.

He said the government has digitalised many services, such as driving licences, but the utilisation of these services via smartphones has not increased significantly due to a lack of publicity.

He suggested expediting smartphone penetration and discouraging basic phone usage through tax reforms or incentivising local smartphone manufacturers.

According to him, only 50 percent of the mobile subscribers in Bangladesh use smartphones.

He proposed a global practice where operators procure devices and offer them to customers with instalment plans.

The removal of regulatory barriers to sharing specific customer insights among operators, customers, banks, and mobile financial service providers is important as it will enable the customers to get devices at affordable prices, Azman added.

## The life insurance

FROM PAGE B4

Kazim said monthly savings schemes are also becoming popular.

If the insured survives the term, the entire amount along with the bonus earned is paid as a lump sum. If the policyholder dies, the amount is handed to the nominee.

At present, there are 35 life insurance and 46 non-life insurance companies in Bangladesh, with around 18.97 million people currently under insurance coverage.

The insurance penetration rate, which is measured as a percentage of total premiums collected to a country's gross domestic product, is 0.50 percent in Bangladesh whereas it stands at 4.2 percent in India and 0.91 percent in Pakistan.