Vehicles carrying both goods and passengers are forced to move at a much lower speed than usual on the narrow streets of Old Dhaka owing to the seemingly never-ending traffic congestion. Businessmen now fear that the historic part of the capital will soon lose its reputation as a key trading hub if the situation continues to remain unaddressed. The photo was taken yesterday.

PHOTO: PRABIR DAS

Traffic congestion costs Old Dhaka its repute as key trading hub

Businesses say they lose hundreds of crores of taka every day for gridlocks

STAR BUSINESS REPORT

Old Dhaka is increasingly losing its reputation as a key trading hub of Bangladesh as businessmen are moving to favourable locations due to lingering severe traffic congestion, speakers said.

"Due to travel delays caused by congestion, the older part of the capital is failing to retain its status," said Ashraf Ahmed, president of the Dhaka Chamber of Commerce and Industry (DCCI).

"The transportation cost of businesses has increased and life has become difficult for local residents."

He made the comments while presenting a keynote at a discussion titled "The Effect of Traffic Congestion on Trade and Commerce in Old Dhaka and Identifying Means of Passage," organised by the chamber at its office in the capital.

Referring to a study of the Bangladesh Institute of Development Studies, Ahmed said traffic congestion inflicted by unplanned urbanisation and expansion reduces the country's overall GDP by 2.9 percent.

There are 10 lakh registered vehicles in Dhaka and the average speed of vehicles has dropped seven kilometres from 21 kms per hour. It is projected to decline to 4km by 2035, he said, citing figures from the World Bank and the Bangladesh Road Transport Authority.

He blamed the illegal shops on the footpaths, narrow roads, absence of a proper traffic system, illegal rickshaws and vans and hawkers for the almost unbearable traffic situation in Old Dhaka.

The DCCI chief suggested a one-way traffic system to ease the pressure.

He recommended using Artificial Intelligence-based traffic signaling, administrative decentralisation, and a long-term urban development strategy.

Old Dhaka is one of the largest trading hubs in Bangladesh and transactions worth thousands of crores of taka take place there every day.

"However, due to severe traffic jams, many businesses are now trying to shift to other places. If the trend continues, the city will lose its reputation one day," Ahmed said.

The traffic snarl-ups impose working hour losses worth about Tk 140 crore daily, he said.

Soon an eco-friendly and Internet of Things-based transportation system will be implemented in Dhaka, said Sheikh Fazle Noor Taposh, mayor of the Dhaka South City Corporation (DSCC).

He warned if chemical traders refuse to relocate from Old Dhaka to Shyampur immediately, the DSCC will initiate a combing operation after Eid-ul-Fitr.

"We will no longer allow flammable chemical businesses in Old Dhaka," he said, adding that the DSCC has already provided land to them in the city's Shyampur area.

Taposh said 1,924 chemical traders are running businesses in Old Dhaka, posing a threat to the lives of the residents.

"We have created this unplanned urbanisation. We are all responsible for this," he said, adding that urban planning should be carried out by the city corporation.

He said the DSCC has been able to nearly double its revenue, from Tk 512 crore to Tk 1,031 crore, just by improving governance and reducing corruption and without increasing taxes.

"The DSCC has successfully tackled the solid waste problem and is now focusing on waterlogging."

The mayor said a new central business hub would be built in Kamrangirchar. No bus counters will be allowed outside the designated bus terminals, he said.

Tapsoh requested shop owners not to allow vendors to set up makeshift shops in front of their establishments.

Mizanur Rahman, chief executive officer of the DSCC, said illegal street-based shops are one of the major reasons for the traffic jams in Old Dhaka.

He said the city corporation regularly conducts eviction drives against illegal hawkers.

Neelima Akhter, executive director of the Dhaka Transport Coordination Authority (DTCA), said the city needs to formulate an action plan or find out a strategic solution for the future.

She called for better coordination among government agencies.

Md Munibur Rahman, additional police commissioner (Traffic) of the Dhaka Metropolitan Police, said a city like Dhaka should dedicate at least 30 percent of its areas to roads against 8 percent now.

He made commitments to deploy traffic police in Old Dhaka as soon as possible.

Md Abdul Baquee Miah, director for planning and development at the Dhaka Mass Transit Company Limited, SM Salehuddin, a former executive director of the DTCA, and Abdus Salam, a former senior vice-president of the DCCI, also spoke.

Bring reforms in revenue generation, exchange rate

Economist suggests

STAR BUSINESS REPORT

Reforms need to be brought about over revenue generation, currency exchange rate, banking and public expenditure, the four areas vital to the country's economic performance, through the upcoming national budget, suggested an economist yesterday.

Government expenditure stands at around 14 percent to 15 percent of the gross domestic product (GDP) in Bangladesh, said Mohammad Abdur Razzaque, chairman of the Research and Policy Integration for Development (RAPID).

However, that in other countries vary between 24 percent and 25 percent, he said.

The government needs to increase the tax to GDP ratio to raise expenditure and investment, he said, adding that if government investment rises, so would that of the private sector too.

Secondly, the economy has also been suffering from the volatile exchange rate of the local currency against the US dollar as the rate is not market oriented, for which different sectors enjoy different rates. So, reform is needed here, Razzaque said.

Third, a massive reform is needed in the banking sector to offset the presence of a huge amount of default loans and for enhanced transparency in the sector, he said.

Fourth, qualitative reforms are needed in public expenditure management to ensure justified selection of projects and accountability in the spending of public funds, the RAPID chief also said.

The government needs to increase the tax to GDP ratio to raise expenditure and investment, says an economist

This is the best time for reforms in those areas, Razzaque said.

The economic success of Bangladesh is diminishing for rising income inequality and discrimination, he added.

Razzaque was addressing a discussion on "Budget for 2024-25: Key challenges and way forward" organised by the RAPID at National Press Club in Dhaka.

Bangladesh still has room for accruing external debt as international practices permit availing up to 40 percent of the GDP, said M Abu Eusuf, executive director of RAPID.

The annual development programmes (ADPs) need to be implemented year-round instead of in a hurry in April, May and June, meaning the months at the end of the fiscal year, he said.

He also suggested expediting the implementation of special economic zones so that industries could start running operations there as soon as possible. The economist also suggested that the government reduce borrowing from commercial banks.

It was predicted at the end of last year that the economy would be able to cushion itself from blows in 2024, said Shawkat Hossain Masum, head of online of Bangla daily Prothom Alo.

Now the time has come for a soft take-off as global pressure on the economy has been easing gradually, he said, adding that everyone wants a fresh start from the next budget.

He suggested increasing the tax to GDP ratio, bringing about reforms in the banking sector and undertaking measures for reducing inflation which has been hovering at more than 9 percent since March last year.

Businesses have suffered the fallouts of the pandemic and Russia-Ukraine war and for this the tax rate should not be raised this year, said Ashraf Ahmed, president of the Dhaka Chamber of Commerce and Industry.

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Xiaomi shares jump 16% on EV prospects

REUTERS, *Beijing*

Shares of China's Xiaomi surged as much as 16 percent on Tuesday as the electronics maker's sporty electric vehicle launched last week drew strong interest, though a brokerage forecast the firm would lose nearly \$10,000 per car this year.

The stock touched its highest since January 2022 on the first day of trading since the Thursday launch of Xiaomi's debut car, which draws styling cues from Porsche. It later pared gains to close 9 percent higher, adding \$4 billion to its market value.

At the day's highest, the Chinese company had a valuation of \$55 billion at a share price of HK\$17.34 - higher than that of traditional US automakers General Motors and Ford , at \$52 billion and \$53 billion, respectively.Xiaomi's SU7 - short for Speed Ultra 7 - enters a crowded China EV market with an attention-grabbing price tag - under \$30,000 for the base model, cheaper than Tesla's Model 3 in China.

While the world's largest auto market is challenging for newcomers due to a cut-throat EV price war and slowing demand, analysts have said Xiaomi has deeper pockets than most EV startups and its smartphone expertise gives it an edge in smart dashboards - a feature prized by Chinese consumers.

Xiaomi has advised potential buyers of its sedan that they could face wait times of four to seven months, a sign of robust demand. On Friday, the company said it had received 88,898 pre-orders for the car in the first 24 hours of sales.

US manufacturing expands for first time since September 2022

AFP, *Washington*

US manufacturing expanded last month for the first time since September 2022, according to industry data published Monday, with positive demand and strong output helping to snap 16 straight months of contraction.

The data underscores the enduring strength of the US economy despite elevated interest rates, which is good news for Joe Biden as he seeks to talk up his record ahead of the November presidential election.

But it also highlights the challenges the US Federal Reserve faces as it debates when to start cutting interest rates in a way that doesn't cause a fresh surge in inflation.

The Institute for Supply Management (ISM) said its manufacturing index hit 50.3 percent last month, pushing it above the 50-point mark that separates expansion from contraction.

This was sharply above February's figure of 47.8 percent, and was also higher than market expectations of continued contraction, according to Briefing.com.

"Demand was positive, output strengthened and inputs remained accommodative," ISM survey chief Timothy Fiore said in a statement explaining why the manufacturing sector returned to growth.

"Demand remains at the early stages of recovery, with clear signs of improving conditions," he continued, adding that production execution had surged in comparison to January and February.

An employee is working at a plant of Ford Motor in Michigan.

PHOTO: AFP/FILE

"Suppliers continue to have capacity but are showing signs of struggling, due in large part to their raw material supply chains," he said.

Four of the six largest manufacturing industries, including food, beverage and tobacco products, registered growth in March, according to Fiore, helping to push the overall economy into its 47th straight month of expansion.

Meanwhile, the ISM's services index decelerated slightly last month, while continuing its expansion for a 14th consecutive month.

"There was plenty to like in the March ISM manufacturing report," Oxford Economics US economist Matthew Martin wrote in a note to clients.

"Comments from panelists in March paint a rosy picture, with strong demand and expectations for improvement," he said.

"Increased demand should not lead to a sustained surge in prices, as seen during the pandemic," he added, pointing to the low backlog of orders and supply constraints that remain "seemingly undisturbed".