

# Star BUSINESS

US ambassador stressed stabilising the local macro-economic situation and going for policy reforms for attracting more US investment



Story on B4

## BB's major policy shift: What does it mean for you?

Bangladesh on Wednesday started an economic reboot by announcing three painful but necessary decisions. One of them was the reintroduction of market-driven pricing for loans. The authorities also introduced a more flexible exchange rate regime, loosening their grip on the taka. They also raised the policy rate by 50 basis points, the second straight hike this year. All these measures are meant to put the once high-flying economy back on track.

**DEPOSITORS**  
Higher income from deposits in banks

**BUSINESSES FOCUSED ON DOMESTIC MARKET**

- Increased costs of loans
- Higher import costs
- Higher production costs
- Declining demand in the market
- Difficulty in raising prices
- Impact on profits

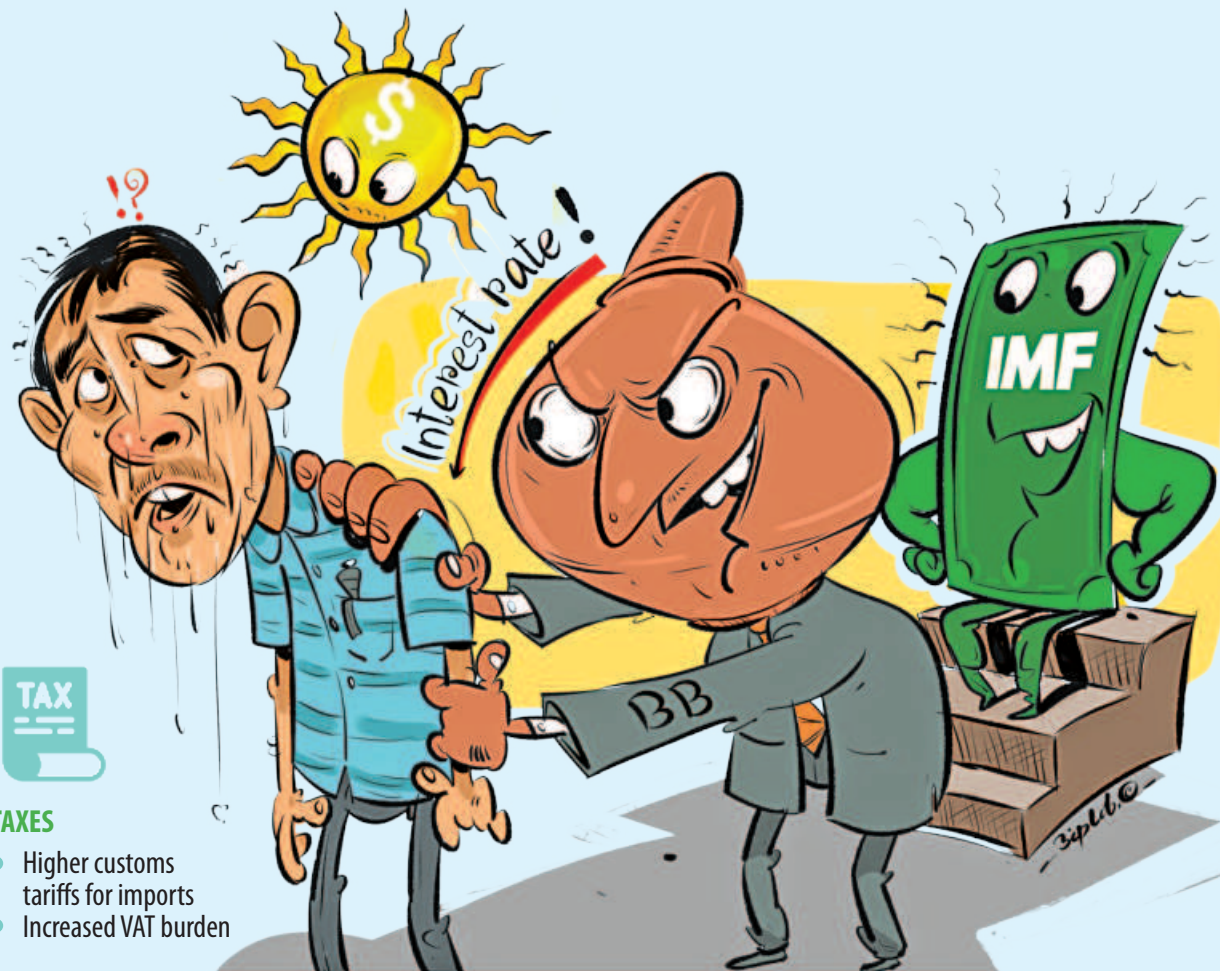


**AIR TRAVEL**  
Airfare to rise

**STUDYING ABROAD**  
Rise in payments of tuition fees for studying abroad

**TAX**

- TAXES**
- Higher customs tariffs for imports
  - Increased VAT burden



**CREDIT CARD USERS**

- Higher cost of purchases from abroad
- Increased interest rates for payment default

**HOME AND CONSUMER LOANS**

- Higher rate of mortgage
- Higher repayment cost

**EXPORTS**

- Exports will become competitive
- Increased earnings for exporters

**MIGRANTS**

Higher exchange rate to encourage remitters to transfer more funds through official channels

**IMPORTED ITEMS**

Prices may rise due to a further spiral in dollar rate:

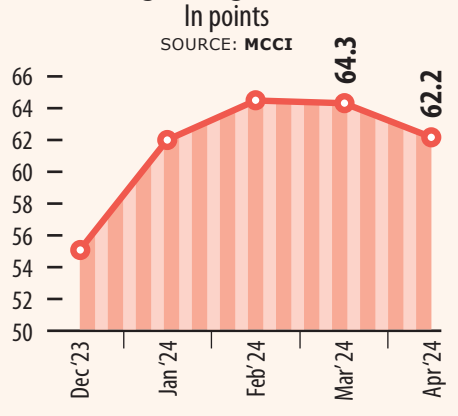
- Essential commodities
- Fruits, milk and allied products
- Petroleum, gas and LPG

## Maiden PMI points to slower business expansion in April

**STAR BUSINESS REPORT**

Bangladesh's inaugural Purchasing Managers' Index (PMI) pointed to a slower expansion in business activity in April from a month earlier owing to a decline in growth in the services and construction sectors. The PMI, which is seen as a good gauge of overall economic growth, came in at 62.2 last month, down by 2.1 points from March's 64.3. The PMI is a number from 0 to 100, with a reading above 50 indicating expansion and a reading below 50 representing contraction. The Metropolitan Chamber of Commerce and Industry, Dhaka (MCCI) and private research organisation Policy Exchange Bangladesh have jointly launched the index, with the support of the UK

**Purchasing Managers' Index (PMI)**



(SIPMM) has developed it. The PMI is a forward-looking indicator that helps understand the direction in which the economy is headed. It was first developed in the United States in 1948 and is currently being used by more than 50 countries for its reliability in capturing the pulse of the key sectors and the economy. The latest PMI readings indicated the resilience of the economy in the face of domestic inflationary pressures and uncertainty stemming from ongoing geopolitical conflicts, according to the MCCI and the Policy Exchange. The results suggested the overall economy has been growing after election-linked uncertainty passed. It showed the agriculture and manufacturing sectors returned to an accelerated growth path in April after a slight deceleration in March, while services and construction sectors grew at a slower pace. The agriculture PMI jumped to 60.9 in April from 55.7 a month ago while the manufacturing PMI surged to 74.5 from 68.4. The construction PMI registered at 63.8 last month against 67.7 in March and the service sector PMI witnessed a drop from 63.6 to 56.2.

Foreign, Commonwealth, and Development Office (FCDO). The index report was published at an event at the chamber's Gulshan office in Dhaka. The PMI was based on data compiled from monthly surveys of more than 500 private enterprises covering key economic sectors, Singapore Institute of Purchasing and Materials Management



## Dollar price rises up to Tk 125 in kerb market

**STAR BUSINESS REPORT**

Exchange rates reached as high as Tk 125 per US dollar in the informal kerb market yesterday from around Tk 117 the day before, owing to demand exceeding supply. The development came about a day after the Bangladesh Bank (BB) introduced the crawling peg, a flexible exchange rate system, ending its grip on the exchange rate. Banks, however, mostly charged importers Tk 117.5, reflecting stability following the sharpest single day depreciation of 6.36 percent from Tk 110. Bankers said the exchange rate was already hovering at around Tk 117 unofficially, meaning the impact of easing the restrictions was yet to come about in the forex market. "We have not seen volatility in the market today," said a top official of a private bank. Three more bankers echoed that sentiment.

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## Forex reserves slip to \$19.83b

**STAR BUSINESS REPORT**

Bangladesh's foreign currency reserves declined by \$133 million to \$19.83 billion in the span of a week, central bank data showed. The reserves stood at \$19.96 billion on April 30. The forex figure is based on the balance of payments and investment position manual (BPM6) of the International Monetary Fund (IMF). Wednesday's figure means the reserves have stayed at less than \$20 billion for nearly a month as inflows have not improved in line with outflows. Since the reserves are not picking up, the IMF has drastically slashed the Net International Reserves (NIR) requirement for Bangladesh for the fourth tranche of the \$4.7 billion loans. The Washington based multilateral lender had given the country a target to maintain \$20.1 billion

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## PM asks state-run firms to go public

**STAR BUSINESS REPORT**

Prime Minister Sheikh Hasina yesterday directed the Finance Division under the finance ministry to take steps in order to get state-run companies listed on the stock market. She also directed the secretary to the finance ministry to analyse and identify which of the companies were eligible to get listed. The directive came at a meeting of the Executive Committee of the National Economic Council (Ecneec) at its premises, Satyajit Karmaker, senior secretary to the Planning Division under the planning ministry, told journalists afterwards.

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## Govt decision on power, gas connections to hurt investment Say garment makers

**STAR BUSINESS REPORT**

Garment and textile manufacturers and exporters have expressed concerns over the decision not to grant electricity and gas connections to new industrial units located outside government-specified economic zones. "Such a decision will definitely affect the investment flow to the country," said SM Mannan Kochi, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

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## Rural food inflation hit 15% in Dec: study

**STAR BUSINESS REPORT**

Food inflation remained at around 15 percent in rural areas in December last year, which was much higher than the overall inflation rate in Bangladesh, according to a new study conducted by the Bangladesh Institute of Development Studies (BIDS). The national food inflation rate in the same month stood at 9.58 percent, according to the Bangladesh Bureau of Statistics (BBS). "The key driver contributing to higher inflation was the price of fish. It increased by 20 percent while poultry prices were second in the list," Binayak Sen, director general of BIDS, said yesterday.

**The national food inflation rate in the same month stood at 9.58 percent, according to the Bangladesh Bureau of Statistics**

The institute independently conducted the study recently across all 64 districts. The study compared a food basket, targeting poor people, with data from previous years. The BBS also releases a monthly consumer price index, which covers 383 items, with 749 varieties of goods and services. Sen said a large portion of poultry

and fish feed is dependent on imports and prices of imported feed increased several fold over the past two years, which contributed to the rise in the rate of inflation. "The duty on poultry feed needs to be reduced or removed," he suggested. Sen also urged the government to withdraw export incentives immediately as US dollars have become much pricier and instead use the money for low-income groups. As the real wages to the agricultural and garment workers have declined significantly, the government should increase the coverage of the social safety net during this disastrous time through rationing," he said.

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বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন (বিএসইসি) অনুমোদিত

**১৬%**

মুনাফায় **সর্বোচ্চ হারে, সবার উপরে** প্রতি মাসে ১২৫০ টাকা প্রতি লাখে

- ১ লাখ টাকা বিনিয়োগ করলে প্রতি মাসে পাবেন নিট ১,২৫০ টাকা এবং ৫ বছর শেষে ১ লাখ টাকা। এভাবে মেয়াদপূর্তিতে মূল টাকা-সহ ফেরত পাবেন সর্বমোট ১,৭৫,০০০ টাকা
- মাস শেষে টাকা সরাসরি একাউন্টে জমা হবে
- সর্বনিম্ন বিনিয়োগসীমা ৫০,০০০ টাকা এবং বিনিয়োগের কোনো ঊর্ধ্বসীমা নেই

▶ **শ্রবাসী বাংলাদেশীদের জন্য বিনিয়োগের অন্যতম শ্রেষ্ঠ উপায়**

১৫০০ কোটি টাকার সম্পূর্ণ নির্ভরযোগ্য জিরো কুপন বন্ড

**আগে এলে আগে পাবেন ভবিষ্যতে কেনার সীমিত সুযোগ**

বিস্তারিত জানতে কল করুন **১৬৯০০** অথবা কিউআর কোডটি স্ক্যান করুন