BUSINESS

China has regained its position as India's largest trading partner, overtaking the US after two years

Story on B4



Pressure mounts as currency outflow intensifies

MD MEHEDI HASAN

The pressure on the external sector of Bangladesh has intensified as the financial account deficit widened owing to higher outflows of international currencies compared to inflows.

The deficit in the financial account stood at \$9.25 billion in July-March of the current fiscal year, Bangladesh Bank data showed. It was \$2.92 billion in the first nine months of the previous fiscal year and \$8.46 billion in July-February of 2023-24.

The financial account is a key

component of a country's balance of payments (BoP) and records transactions that involve financial assets and liabilities and that take place between residents and non-residents. It covers claims related to foreign direct

investments, medium and long-term loans, trade credits, net aid flows, portfolio investments, and reserve assets. Industry people have identified a lower

short-term foreign borrowing by the private sector as the main factor for the deficit.

The short-term foreign debt stood at \$11.04 billion in March against \$11.07 billion in February and \$11.25 billion in

The borrowing has fallen as foreign lenders have lost their confidence in Bangladeshi companies as the country's foreign currency reserves keep falling, deepening economic uncertainty, the industry people said.

The reserves slipped below the \$19-billion mark on Sunday after the BB settled \$1.63 billion worth of import bills for two months through the Asian Clearing Union, an arrangement for settling cross-border transactions among the central banks of Bangladesh, Bhutan, India, Iran, the Maldives, Myanmar, Nepal, Pakistan, and Sri Lanka.

On the day, the gross forex reserves were \$18.26 billion. However, the net forex reserves stood at \$13.76 billion, said a BB official. Bangladesh will have to maintain an NIR of \$14.77 billion in June in line with the condition of the International Monetary Fund (IMF).

The reserves have declined owing to elevated global commodity prices, supply disruptions, a slowdown in external demand, and a shift in remittance back to informal channels. It was \$40.7 billion in August 2021.

"The pressure on the forex reserves will ease if the central bank strictly implements

its latest decisions on the interest and exchange rates," said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

The economist expects inflation to decrease on the back of the market-based interest rate and the flexible exchange rate. However, remittance will not pick up because of hundi.

The financial account deficit persisted in July-March also because of a \$10.39 billion shortage in the "other investment (net)" segment of the BoP.

The trade deficit, which takes place when imports surpass exports, narrowed to \$4.74 billion against \$14.63 billion during the same period of FY23.

Exports were up 3.99 percent. Imports dropped 15.42 percent, driven by the austerity measures put in place by the government to stop the depletion of the reserve and the go-slow strategy adopted by industries and businesses when it comes to investment and

expansion. The current account balance returned to the positive territory at \$5.79 billion in July-March from a negative \$3.29 billion. The overall balance was \$4.75 billion

Mansur said the positive current account balance will have to continue to make an improvement from the current economic uncertainty.

Contacted, BB Deputy Governor Md Habibur Rahman said curbing forex reserve depletion is the major focus of the central bank now.

"We have introduced a new exchange

Balance of payments (July-March)

- Financial account deficit widens to \$**9.25**b
- Trade gap comes down to
- \$**4.74**b
- Export grows by 3.99%
- Import falls by 15.42%
- Current account balance stands at \$**5.79**b
- Overall balance deficit stands at \$4.75b

dbl

rate system named crawling peg to this end," he said, adding that the hike in the exchange rate will help raise export and remittance receipts in the upcoming

"Subsequently, the deficit in the financial account will narrow and this will give a boost to the

April food prices cross 10%, highest in five months

FACTORS BEHIND HIGHER INFLATION

- A weaker taka
- Continuous depletion of forex
- Higher commodity prices globally
- Elevated energy prices
- Imperfections in the local market
- Late, inadequate responses on the part of govt, BB

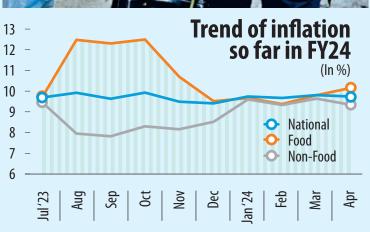
KEY POINTS

Govt aims to limit average inflation to 7.5% in FY24

IMF projects inflation to remain elevated at 9.4% in

The CPI surged to a 12-year high of 9.02% in FY23





REJAUL KARIM BYRON

Food inflation in Bangladesh rose to a five-month high in April as the measures of the government and the central bank aimed at reining in elevated consumer prices are yet to take hold, official figures showed yesterday.

This means the struggles for the low-income groups and the poor have continued because of the erosion of purchasing power in the past two years. According to the Bangladesh

Bureau of Statistics (BBS), food inflation jumped 35 basis points to 10.22 percent last month from 9.87 percent in March. This was the first time in five months that food inflation hit double digits. However, the Consumer Price

Index (CPI), a measure of the average change over time in the prices paid by consumers for a market basket of consumer goods and services, fell seven basis points to 9.74 percent in April. It was 9.81 percent in March. Non-food inflation went down by

30 basis points to 9.34 percent.

Inflation has remained sticky although expectations were high that the government would take appropriate initiatives to tackle

since then, but no improvement is in sight.

"We are seeing deficit when it comes to implementation," said Selim Raihan, a professor of economics at the University of Dhaka.

a concern for a while. "However, we are even more concerned about food security of people because higher prices have hit hard poor households since their incomes have not increased in line with price hikes."

"Tackling higher inflation should have been a top priority for the government. However, coordinated efforts are missing."

examples of a sharp spike in egg as it will now follow the crawling and meat prices.

In Bangladesh, the inflation surge was initially triggered by supply chain disruptions due to the Covid-19 pandemic and the Russia-Ukraine war.

In 2022, while global commodity prices started to decline, the significant deficits in Bangladesh's current account balance and overall balance of payments led to would take time for the initiatives a sizeable depreciation of the taka.

The pass-through of a sharp

it when it took office in January. depreciation of the local currency However, four months have passed accounted for half of the inflation surge in the last financial year of 2022-23, according to the International Monetary Fund (IMF).

Additionally, second-round effects from adjustments in energy prices and imperfections He said higher inflation has been in the commodity market further compounded high inflation, said the Bangladesh Bank in January.

In the past two years, the currency has lost its value by about 35 percent owing largely to a 30 percent decline in the foreign currency reserves. On Wednesday, the central bank

made three major decisions to beef up its fight against inflation. It The economist cited the loosened its age-old grip on the taka peg, a flexible exchange rate system.

It also made lending rates fully market-based and raised the overnight repurchase agreement rate. The taka has lost its value by 6 percent after the central bank introduced the crawling peg.

Prof Raihan, also the executive director of the South Asian Network on Economic Modeling, said it to take hold.

READ MORE ON B3

Interest, exchange rates to become stable: BAB

STAR BUSINESS REPORT

The interest rate and foreign currency exchange rate will stabilise at a certain point in time after fluctuating due to market dynamics, said Md Nazrul İslam Mazumder, chairman of Bangladesh Association of Banks (BAB), yesterday.

"No one has the power to control the interest rate and exchange rate as these depend on demand and supply in the market. And there is no instance of fixing these rates in the world," he said.

'So, it needs to function freely. I welcome the Bangladesh Bank's decision to let it go free," he said.

The economy will run at its own pace and the foreign exchange rate and interest rate will hover at a certain range following the kerb market, he said. "Finally, the rates will become stable at a certain point in time,' he said.

Mazumder, also the chairman of Exim Bank, was speaking to journalist after holding a meeting at the central bank, chaired Bangladesh Deputy Governor Nurun Nahar and attended by top

central bank officials. The price of the US dollar surged by nearly Tk 7 to Tk 125 in the kerb market on Thursday, just a day after the Bangladesh Bank announced the adoption of the crawling peg, a flexible

exchange rate system. The price of each US dollar has been hovering between Tk 120.30 to Tk 121 in the kerb market over the past couple of days, according market insiders.

Sharing the outcomes of the meeting with the central bank officials, Mazumder said they discussed the establishment of a hospital under the initiative of Bangladesh Bank.

He said there was a huge crisis of beds for patients during the pandemic. This is why the initiative has been taken to establish a hospital in Dhaka, Mazumder said.

state-owned. All private and foreign banks operating in the country will cooperate with the initiative, he added.

Handset production sees a slight rise amid bleak outlook

MAHMUDUL HASAN

The local production of handsets increased slightly in the first quarter of 2024 while sales dropped as industry people are projecting a grim scenario amidst the recent record devaluation of the taka against the US dollar.

Handset production rose 5.30 percent year-on-year in the first quarter of this year to 60.74 lakh, according to Bangladesh Telecommunication Regulatory Commission (BTRC).

However, the increase is negligible when compared to the pre-crisis January-March period of 2022, when about 1 crore phones were manufactured locally.

"Although the manufacturing of phones increased slightly in the first quarter as the industry was eyeing good sales during the peak season of Eidul-Fitr, we have experienced degrowth (in sales)," said Rizwanul Haque, vicepresident of the Mobile Phone Industry Owners' Association of Bangladesh (MPIOAB).

He said the recent devaluation of the taka against the dollar "added insult to injury" for the industry.

Of the 60.74 lakh phones manufactured in the last quarter, 64.59 percent were prices. feature phones.

Over the past two years, the mobile manufacturing sector has been struggling for survival due to challenges in securing an adequate number of letters of credit amidst a dollar crisis and escalating dollar

CURRENT STATE

- Handset production rose slightly during Q1 of 2024
- Devaluation of taka against dollar will worsen situation
- Local production dropped by 27% in 2023
- Sales declined by over 35% in 2023 New VAT at sales stage raised price

SECTOR >> 17 handset plants set up since 2017 **AT A** >> Local value addition **15**% to **20**%

TAX RATES

For imported handsets: 58% **EMPLOYMENT** Total employment: 15,000

For locally-made handsets: 8-20% Over 98% employees are (VAT on sales stage local will be added)

GLANCE >> Locally made phones meet **99**% demand in formal market 0.4 2018

Handset

SOURCE: BTRC 2019 Although the manufacturing of phones increased slightly in the first quarter, we have experienced degrowth (in sales) **Rizwanul Haque** Vice-president of the sector's trade body

The industry has also witnessed a significant downturn in sales, coupled with the proliferation of the grey market, further exacerbating its predicament.

The local production of handsets

domestic manufacturing began in Bangladesh in 2017.

In the January-December period of 2023, domestic companies manufactured 2.33 crore mobile phones, marking a decrease of 26.35 percent from the dropped in 2023, the first decline since 3.16 crore units produced during the

corresponding period the year before. Consumer spending has also tightened significantly owing to inflation remaining persistently high for the past two years. The price of handsets has increased by

about 40 percent in some cases. READ MORE ON B3

Credit card use up 17% in March STAR BUSINESS REPORT

Transactions with credit cards rose 17 percent in March compared to the preceding month thanks to higher purchasing tendency among consumers.

Bangladesh Bank data showed that transactions through credit cards increased to Tk 3,490 crore in March. Of the amount, Tk 2,985 crore was spent within the country while the remaining was spent abroad. On the other hand, credit card transactions within

In terms of amount, Bangladeshi credit card holders spent more than twice as much abroad as foreign nationals

Bangladesh by foreign nationals declined 6 percent to Tk

spent in Bangladesh. Within Bangladesh, credit card transactions at departmental stores increased to Tk 1,381 crore in March. Similarly, retail service outlets, transactions related to utilities, cash withdrawals, drug and pharmacies, and transportation recorded a slight increase in March

compared to the month prior. In addition, the clothing category experienced a substantial increase from Tk 150 crore in February to Tk 344 crore in March due to the Eid-ul-Fitr festival, according to a monthly report regarding credit card transactions.

The credit card usage pattern reveals that a significant majority, approximately 71 percent of credit card transactions, were facilitated using VISA cards, around 18 percent utilised Mastercard, while about 11 percent were made using AMEX card.

Analysing cross-border transactions, it was seen that the majority of credit card transactions occurred in India, which accounted for approximately 21 percent of foreign

The rest of the cross-border transactions were distributed across various countries, including the US (13 percent), the United Arab Emirates (10 percent), Saudi Arabia (7 percent), Thailand (7 percent), and Singapore (6 percent).

BUSINES:

Natura Care starts journey

STAR BUSINESS DESK

Natura Care, a newly formed personal care brand with focus on haircare and skincare products, has entered the

The ingredients of each product of the 'Natura Care' brand are 100 percent

The brand was recently unveiled at a grand function held at the CCULB Resort and Convention Hall in Kaliganj.

Asif Wahab Khan, the personal care brand's managing director, Mohammed Nazim Uddin, CEO, Aditya Shome, head of business strategy, Shams Arifeen Auvi, head of marketing, Md Imtiaz Osman Talukder, head of sales, Md Khaled Hossain, head of operations, and Golam Kibria Khan, GM of operations of the mother company Padma Group of Converters, were present alongside other senior officials and field employees.

Asif Wahab Khan said: "More or less everyone suffers from skin problems due to environmental pollution. If you are into skin care, you will find various

cosmetics in the market. We guarantee the highest quality naturally pure cosmetic products."

At the event, the company's future plans were laid out while detailed information of each product and materials were provided.

Mohammed Nazim Uddin said: "There

is a demand for products of genuine brands in this subcontinent. The skin cosmetics and hair oil market is very strong with the presence of various brands. We hope Natura Care will secure its position among the leading brands. The quality of the product, and the trust of the users will be able to sustain this brand significantly.'

Aditya Shome added: "A recent study shows that 15 percent of the demand for cosmetics is being met by the domestic production. Another 15 percent are imported foreign products. The remaining 70 percent of cosmetics are made with fake and harmful ingredients. In this situation, customers can trust Natura Care as a trusted cosmetic brand."



Participants of the Freshco Distribution's "Stakeholders Meet", including Clinton Pobke, deputy high commissioner of the Australian High Commission in Bangladesh, and Azharul Islam, CEO of Ace Group and Freshco Distribution, pose for photographs during the event. PHOTO: FRESHCO DISTRIBUTION

GP, bKash launch seamless account opening services

STAR BUSINESS DESK

Grameenphone has partnered with account through MyGP will receive an bKash to enable the former's customers enticing bonus of up to Tk 125. to seamlessly open bKash accounts directly within the MyGP app.

This collaboration enables customers to register for bKash within the MyGP app by simply clicking on the dedicated section.

verification, customers are After transitioned to the bKash registration platform, where users can proceed to fulfill the process and follow the required steps.

This seamless procedure enables customers to get access to a diverse range promoting financial inclusion and of financial services via bKash. Initially, android users can enjoy this seamless bKash Bangladesh."

account opening service in MyGP app.

New customers who open a bKash

Expressing enthusiasm for partnership, Yasir Azman, CEO of Grameenphone, said: "At Grameenphone, our customers are at the heart of everything we do. We continuously strive to provide them with the best solutions and deliver innovative solutions that enhance customer experience, convenience, and accessibility. Our collaboration with bKash reflects our customer-centric approach signifying our concerted effort towards



Asif Wahab Khan, managing director of Natura Care, and Mohammed Nazim Uddin, CEO, pose for photographs during the launching ceremony of the personal care brand's range of haircare and skincare products.

Freshco Distribution hosts 'Stakeholders Meet'

STAR BUSINESS DESK

Freshco Distribution recently staged a "Stakeholders Meet", titled "Taste The Best of Australia" with representatives from top-tier establishments, including renowned 5-star hotels alongside prominent restaurants and superstores from across the nation.

Freshco Distribution is a company that markets Australian-origin products in Bangladesh.

Clinton Pobke, Deputy High Commissioner of the Australian High Commission in Bangladesh, was present as chief guest.

Syed Moazzam Hossain, president of the Australia Bangladesh Chamber of

Commerce and Industry, was present as guest of honour while Minhaz Chowdhury, senior director of trade and investment at Austrade South Asia was present as special guest.

TD Packir, chief executive officer of Lavender Convenience Store, Brig Gen Lutful Kabir Bhuiyan, chief executive officer of Sena Hotel Developments Limited, Saleh M Khaled, chief operating officer of Ace Group, and Azharul Islam, chief executive officer of Ace Group and Freshco Distribution, were also in attendance.

Freshco Distribution utilised platform to show samples of their upcoming Aussie food products, including 'Alba Cheese' and 'Black Bag Roasters Coffee'.



Yasir Azman, CEO of Grameenphone, and Kamal Quadir, founder and CEO of bKash, pose for photograp services recently.

Tk 70-Tk 80 25.00 🛧 Onion (kg)

Emirates Group books record \$5.1b annual profit

AFP, Dubai

Dubai's Emirates Group announced annual profits of \$5.1 billion on Monday, a rise of 71 percent, as the airline company set a new record for the second year in a row.

Citing strong customer demand, it said group profits for the past two years hit \$8.1 billion, surpassing the losses seen during pandemic-hit

"The Emirates Group has once again raised the bar to deliver a new record performance,' chairman and chief executive Sheikh Ahmed bin Saeed Al Maktoum said in a statement.

State-owned Emirates Group, operator of the world's largest long-haul carrier, announced a record \$3.0 billion in profits last year as it returned to the black after the Covid pandemic.

Emirates has now erased the \$1.1 billion loss in 2021-2022 and the heavy \$5.5 billion deficit a year earlier, when it was forced to ground its fleet and lay off staff.

The Group's excellent financial standing today places us in a strong position for future growth and success. It enables us to invest to deliver even better products, services, and more value to our customers and stakeholders," Sheikh Ahmed said.

The airline business alone returned record profits of \$4.7 billion, up 63 percent. Emirates Group also encompasses airport services company Dnata, whose profits more than quadrupled to \$400 million.

The Emirates Group workforce grew 10 percent to a record 112,406 employees. The airline will receive 10 new Airbus A350s from August but remains plagued by delays to Boeing's 777X, with 205 on order.

The positive financial results come despite a period of turmoil in the region since the Israel-Hamas war started in October, setting off a wave of political tensions.

"The business outlook is positive, and we expect customer demand for air transport and travel to remain strong in the coming months," said Sheikh Ahmed, adding that possible hazards included "volatile environments caused by socio-political changes".

The air travel upswing has prompted Dubai to expand the Al Maktoum International Airport, which has received a relatively small share of the Gulf financial hub's air traffic since 2010.

PRICES OF KEY ESSENTIALS IN DHAKA CITY % CHANGES PRICE % CHANGE (MAY 12) FROM A FROM A 2024) MONTH AGO Fine rice (kg) Tk 64-Tk 76 -.71 👃 3.70 Coarse rice (kg) Tk 50-Tk 54 1.96 8.33 Loose flour (kg) Tk 35-Tk 45 -8.05 🕹 -30.43 🕹 Lentil (kg) Tk 105-Tk 110 0 13.16 Soybean (litre) Tk 145-Tk 155 1.69 -16.67 🖶 Potato (kg) Tk 50-Tk 55 10.53 🕇 40.00 ↑ 20.20 🛧 15.85 Tk 45-Tk 50

XIM এক্সপোর্ট ইমপোর্ট ব্যাংক

Mohammad Feroz Hossain, managing director and CEO of Exim Bank, inaugurates a service booth at the Ashkona Hajj Camp recently.

Union Bank and MedRabbits Healthcare sign agreement

STAR BUSINESS REPORT

A corporate agreement was recently signed between Union Bank PLC and head office in the capital's Gulshan recently.

Under the agreement, employees and cardholders of Union Bank will enjoy up to 50 percent discount healthcare services from

MedRabbits.

Shahriar corporate affairs and branding of the bank, and Amol R Deshmukh, MedRabbits Healthcare at the bank's managing director of MedRabbits Healthcare, signed the agreement on behalf of their respective organisations.

Senior officials from both organisations were also present at



Shahriar Rauf, head of corporate affairs and branding of Union Bank, and Amol R Deshmukh, managing director of MedRabbits Healthcare, signed a corporate agreement at the bank's head office in the capital's Gulshan recently.

Exim Bank opens booth at Ashkona Hajj Camp

STAR BUSINESS DESK

Exim Bank recently inaugurated a service booth at the Ashkona Hajj Camp to provide services to pilgrims during the Hajj season.

Those making the pilgrimage will get various information related to Hajj and can avail foreign exchange services from this booth round-the-clock.

At the inauguration ceremony, Mohammad Feroz Hossain, managing director and CEO of Exim

Bank, was present as chief guest while Muhammad Kamruzzaman, deputy secretary of the Ministry of Religion and director of Hajj Office, was present as special guest.

Md Humayun Kabir and Shah Md Abdul Bari, additional managing directors of the bank, Md Zoshim Uddin Bhuiyan, Maksuda Khanam and Md Moidul Islam, deputy managing directors, and heads of different divisions were also present at the programme.



Mohammad Masoom, managing director and CEO of Citizens Bank, and Ahsan Zaman Chowdhury, managing director (in-charge) of Trust Bank, exchange documents of a deal at the former's head office recently.

Citizens Bank partners with Trust Bank for Western Union transfer services

STAR BUSINESS DESK

PLC recently Citizens Bank partnered with Trust Bank to offer homebound Western Union branded money transfer services through branches of Citizens Bank recently.

Mohammad Masoom, managing director and CEO of Citizens Bank, and Ahsan Zaman Chowdhury, managing director (in-charge) of Trust Bank, signed the agreement on behalf of the respective organisations at the former's head office recently.

The world can survive

be starker. In 1996, nearly a third of Thailand's stock of long-term debt was in dollars, research, opens new tab by the Reserve Bank of Australia found. Today it's less than 1 percent, according to a Breakingviews analysis of data by the Institute of International Finance. Brazil's dollar debt has shrunk from 69 percent of outstanding borrowings to 4 percent over the same period. Overall, government debt denominated in dollars is equivalent to just 2 percent of GDP in Asia's emerging economies and 10.5 percent of GDP for emerging markets in Latin America, excluding Argentina, IIF data show.

But that won't insulate other countries from a strong dollar forever. If the greenback keeps rising - because the Fed keeps rates high or even raises them further, or because another unexpected event jolts the world - cracks could appear in the global economy. The most worrying consequence would be a debt crisis in emerging markets. Even though many countries now borrow in their own currencies, much of the debt is still in foreign hands. A Bank for International Settlements study, opens new tab of 25 emerging markets found that in 2021 foreigners held more than 12 percent of outstanding domestic government debt. That percentage rises above 25 percent once foreign currency debt is included. These investors could flee at a moment's notice.

That's what happened at the start of the pandemic in March 2020, when fund managers fled for the safety of US government bonds. As the dollar surged, US investors with large holdings of domestic sovereign bonds reduced them by 10 percent for longer-dated bonds and nearly 6 percent for shorter-dated debt, according to another BIS study, opens

new tab of 16 emerging markets. Yields on 10-year Brazilian government bonds spiked from 6.6 percent to 9.8 percent in less than to be on high alert.

a month. "We were able to switch The differences with the past couldn't our external debt for local debt, and everybody said: 'Okay now you don't have any fragility on the dollar anymore', but that's not entirely true," the governor of Brazil's central bank Roberto Campos Neto said at the IMF meetings in Washington last month. "Guess who buys the internal debt? The foreign investor."

For countries that rely on imported goods, especially commodities, the negative effects of the strong dollar could be even worse. It is unusual for the two to rise in tandem – during the two Gulf Wars in 1990 and 2002, for example, oil prices rose but the dollar fell. But in the past three years, an index of commodity prices compiled by S&P Global has gained nearly 3.5 percent. If that pattern continues, economies like the euro zone and Japan will suffer a double whammy of depreciating currencies and higher costs for dollar denominated commodities.

Poorer countries, such as those in sub-Saharan Africa, have also a lot to lose from a stronger-for-longer greenback. That's because they do not have much access to international capital markets and depend on loans that are often denominated in dollars. Some, like Ghana, which defaulted on most of its external debt in 2022, are already struggling. "If major central banks' monetary policies remain restrictive for some time, it would naturally have an impact on relative currency strength," Carmine Di Noia, Director for Financial and Enterprise Affairs at the OECD, says. "The risk of foreign currency debt distress should be carefully monitored."

Of course, if the Fed starts cutting rates in response to weaker inflation or slower economic growth, the dollar could decline. But emerging markets have already lowered their borrowing costs, and the euro zone may start in June, so the greenback is likely to offer more attractive returns than other currencies for a while. Until the dollar comes back down to earth, the rest of the planet will have

FBCCI chief discusses trade prospects with Turkish businesses

STAR BUSINESS REPORT

Bangladesh and Turkey can serve as the gateway of trade and business between Europe and South and Southeast Asia, said Mahbubul Alam, president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI).

"Bangladesh and Turkey offer huge untapped potential of trade and business," he said while addressing a visiting delegation from the Foreign Economic Relations Board of Turkiye and the Turkiye-Bangladesh Business Council yesterday at the FBCCI headquarters in Dhaka.

He said Turkey has a unique geographic position, lying partly in Asia and partly in Europe, a bridge between the two continents, according to a press release.

Bangladesh is also the gateway of regions like the Association of Southeast Asian Nations (Asean) and the South Asian Association for Regional Cooperation (Saarc).

"Thus, both Bangladesh and Turkey could serve as the gateway of trade and business between Europe and South & Southeast Asia," he said. He said the relations between

Turkey and Bangladesh are based on strong historical and cultural roots. Both nations have expanded beyond traditional ties into a

prosperous trade and investment partnership, he added. In 2022-23 fiscal year, Bangladesh's exports to Turkey stood at \$495.81 million and imports from Turkey

stood at \$380.3 million. At present nearly 20 large Turkish companies are directly operating in Bangladesh in the areas of garments and textiles, accessories, chemicals, engineering, construction, and

Also, over 100 Turkish companies have representatives in Bangladesh, according to the FBCCI.

Alam expressed optimism about future cooperation between the two countries in different areas such as pharmaceuticals, tourism, jute, and technology.

He called for the activation of trade promotional activities and proposed cooperation in developing high-tech products and tourism infrastructure.

Hidayet Onur Ozden, chairperson of the Turkiye-Bangladesh Business Council and leader of the delegation, said there are many opportunities to strengthen the bilateral trade between the two countries.

The trade and business ties between Bangladesh and Turkev are improving day by day and it is time to bolster the growth of economic



This floating vessel on the Buriganga river offers people a space to sleep for 24 hours for anywhere from Tk 40 to Tk 100, depending on the convenience attained, which can be as simple as a palm leaf mat to cotton mattresses and pillows. Its customers are usually workers who take on the night shifts at adjoining manufacturing hubs. The small floating vessel on the left contains a generator to supply electricity to the facility. The photo was taken behind Sir Salimullah Medical College Mitford Hospital in Old Dhaka recently.

Beacon Pharma's profit declines 7% in July-March

STAR BUSINESS REPORT

Beacon Pharmaceuticals, which makes more than 200 generic drugs and 65 oncology products, saw a 7.38 percent decline in profits during the July-March period of 2023-24, owing mainly to a rise in interest rates.

According to the company's unaudited financial statements, it paid Tk 71.80 crore as interest to banks in the first nine months of this fiscal year compared to Tk 16.81 crore in the same period of the preceding year.

Beacon's profit reduced to Tk 54.93 crore in the first nine months of the ongoing financial year.

It was Tk 59.31 crore in the same period of last fiscal year. However, the revenue stood at Tk 773.73 crore whereas previously it was Tk 635.45 crore.

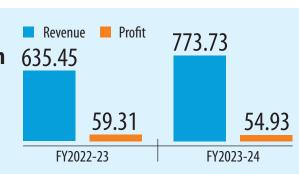
Still, earnings per share amounted to Tk 2.38 whereas previously it was Tk

"Our financial expense has increased," said Monjurul Alam, chief executive officer at Beacon Medicare Limited, a concern of Beacon Pharmaceuticals.

...as the interest rate in banks grew interest rate not swelled.

Revenue and profit of Beacon 635.45 **Pharma** In July-March period; In crore taka

SOURCE: FINANCIAL STATEMENT



from 7 percent to over 14 percent during last six months, particularly in the third quarter, which contributed to reduced profit margin," he said.

On the other hand, production of lifesaving drugs was seriously hampered due to an inadequate supply of gas, he said.

Against this backdrop, although prices of some medicines rose significantly due to a rise in the cost of imported raw materials, revenue did not increase substantially

Alam said there could have been a significant increase in profit had the

He said the interest rate ballooned immediately after Bangladesh Bank lifted the lending rate cap.

In the January-March quarter of the current fiscal year, the company paid Tk 25.46 crore as interest to banks.

It was only Tk 1.06 crore in the same

period of the last fiscal year. In FY2022-23, the company provided a

16 percent dividend to its shareholders. Stocks of Beacon Pharmaceuticals closed at Tk 177.90 at Dhaka Stock Exchange yesterday, declining by 2.95

percent from that on the previous day

LafargeHolcim's profit drops for first time since Q1 of 2022

STAR BUSINESS REPORT

LafargeHolcim Bangladesh's quarterly turnover and profits dropped for the first time since the first quarter of 2022 mainly due to shrinking demand amid high inflationary pressures.

The listed multinational cement producer's turnover fell 3 percent year-on-year to Tk 825 crore in the January-March quarter of 2024 while profits slipped 15 percent year-on-year to Tk 162 crore, according to its quarterly report published

In a press release issued yesterday, the company said the rest of 2024 would be challenging due to the persistent inflation and pressure on the foreign exchange reserves.

The construction sector is going through a challenging time due to inflationary pressures, which have impacted cement consumption

The construction sector is going through a challenging time due to inflationary pressures, which have impacted cement consumption, said LafargeHolcim Bangladesh's CEO Iqbal Chowdhury.

"Despite that, we are optimistic and well poised to continuously deliver strong performance with leading industry margin."

Moreover, the cement maker has continued to focus on the expansion of sales channels, increasing aggregate business, launching new products and improving market presence to ensure a stronger result in the next quarter, he said.

The company entered the bricks and blocks

market by launching the Holcim Block, which is environment-friendly and has a huge growth potential, Chowdhury said.

The company's earnings per share was Tk 1.4 in the first quarter of 2024, down from Tk 1.64 in the same period of 2023.

The stock price of the company fell by 0.61 percent from the previous day to Tk 65 at the Dhaka Stock Exchange yesterday.





△ 0.15% ▼ 0.13% △ 0.39% ▼ 0.21% 72.772.64 38.179.46 3.303.66 3.148.02	MUMBAI	токуо	SINGAPORE	SHANGHAI
, , , , , , , , , , , , , , , , , , , ,	0.15% 72,772.64	0.13% 38,179.46	0.39% 3,303.66	0.21% 3,148.02

Nagad hands over Tk 5.5cr revenue to Postal Department

STAR BUSINESS DESK

Nagad, the country's leading mobile financial service provider, has shared its revenue with the Bangladesh Postal Department as per their agreement.

Nagad authorities handed over Tk 55,137,558 from its revenue generated in 2023 to the Postal Department at the secretariat on Sunday. As per an agreement, the

Bangladesh Postal Department is entitled to 51 per cent of the revenue earned by Nagad. In 2022, the Postal Department

received Tk 4.5 crore from Nagad's revenue earnings. In 2021, it had received Tk 3.31 and in 2020 it got Tk 1.12 crore.

Tarun Kanti Sikder, director general of the Postal Department, received the cheque from Tanvir A Mishuk, founder and CEO of Nagad.

State Minister for Posts, Telecommunications Information Technology Zunaid Ahmed Palak was also present alongside senior officials from both organisations.

Palak said: "Bangladesh is advancing towards a smarter nation the Postal Department. According amount to Tk 1,800 crore on average.



Tarun Kanti Sikder, director general of the Postal Department, receives a cheque from Tanvir A Mishuk, founder and CEO of Nagad, as part of their revenue sharing agreement at the secretariat recently.

digitalisation, thanks mainly to this mobile financial service provider." He also extended his best wishes

for the upcoming Nagad Digital

Nagad's Mishuk added: "We always keep our promises. We started our journey as a digital service of crore. Its daily transactions now

following an enormous success in to the agreement, we share revenue with it. We hope that our publicprivate partnership will be extended further, and many more doors will be opened."

Nagad is now one of the leading MFS providers in Bangladesh, with a customer base of more than 9.5

The announcement came as Macron

France has received combined investment commitments from foreign companies of more than 15 billion euros (\$16.2 billion), President Emmanual Macron's office said Monday.

kicked off a day of meetings with foreign business leaders at the Chateau de Versailles, called "Choose France".

The biggest single commitment is by Microsoft which on Sunday announced four billion euros in investment for developing data centres.

France gets record foreign investments

Microsoft's president Brad Smith told AFP the move to strengthen its artificial intelligence and cloud computing infrastructure was the tech giant's biggest-ever investment in France since its arrival 41 years ago.

A new data centre will be created in eastern France, while existing sites in the Paris region and the southern city of Marseille will be expanded.

E-commerce behemoth Amazon will invest more than 1.2 billion euros in

France, creating more than 3,000 jobs Macron's office said earlier on Sunday.

The money will help develop Amazon Web Services' (AWS) cloud infrastructure, mainly generative artificial intelligence, and the logistical infrastructure of its parcel delivery service, a statement added.

Several pharmaceutical companies, including US group Pfizer and Britain's AstraZeneca, announced on Sunday commitments to invest more than a billion euros more in France's health sector.

Handset production

So, unless people's purchasing manufacturing sector. power is restored to previous levels, the industry will face difficulties in staging a turnaround and achieving The slump is so significant that

the number of locally manufactured phones in 2023 was even lower than that in 2020. Over 2.40 crore handsets were made in 2020. Despite acute global supply chain disruptions to the mobile

device component market due to the Covid-19 pandemic, 2.95 crore handsets were produced in 2021. In 2022, 3.16 crore handsets were produced locally, which accounted

for 99 percent of the local demand through official channels. But over the last year, mobile phone sales plunged over 33 percent,

according to the MPIOAB. According to the association, illegal and informal channels currently capture about 35 to 40 percent of the overall handset market

in Bangladesh. Industry stakeholders have called on the government to explore alternative measures to address the grey market if tax reductions prove impractical.

One proposed solution involves the adoption of a National Equipment Identity Register (NEIR)

Introduced by the BTRC in 2021, the NEIR aims to ensure the use of legitimate mobile devices in the country by linking their IMEI number with the customer's national identification and SIM numbers.

But although Bangladesh took the lead in introducing NEIR, other countries managed to implement it first. For instance, Pakistan and Nepal now utilise the NEIR to curb illegal trade and support local manufacturers.

But in Bangladesh, crucial functions like blocking fake, unauthorised, or cloned handsets are not yet operational. The government has also not initiated the blocking of illegally-imported mobile phones.

A few months earlier, Zunaid Ahmed Palak, state minister for ICT, announced that illegal and smuggled handsets would be disconnected from mobile networks.

The BTRC recently issued a public notice to launch a drive in this regard

However, last week, Sheikh Reaz Ahmed, a commissioner of the BTRC, said phones currently in use were being registered with the BTRC's system and they have no plans to disconnect unregistered ones for

Motor and bike to safeguard the local mobile phone show in Dhaka

FROM PAGE B4

platform for car lovers and auto industry buyers and sellers," said Meherun N Islam, managing director at CEMS Global USA and Asia Pacific, the organiser of the two fairs.

"It will also encourage local component makers to introduce themselves as local brands," she told a press conference at Pan Pacific Sonargaon Dhaka yesterday.

Islam also claimed that the expositions would help attract foreign direct investment to the automobile sector of Bangladesh.

The expositions will remain open from 11:00am to 9:00pm, while the entry fee for visitors is Tk 50.

Two more specialised expositions the 7th Dhaka Auto Parts Show 2024 and the 6th Dhaka Commercial Automotive Show 2024 -- will take place concurrently.

The motor show is considered as Bangladesh's largest and only international exhibition of cars, motorcycles, and accessories, Islam

SS Sarwar, group chief executive officer of CEMS-Global, Tanveer Qamrul Islam, executive director, and Abhishek Das, director of international marketing, were also present at the media briefing.

April food prices cross 10% is coming from the declining FROM PAGE B1

'We would have benefited had we taken the measures earlier."

The economist said food prices have gone up in global markets, meaning import-dependent nations like Bangladesh have to pay more to buy them. Furthermore, the duties and taxes have not been adjusted adequately to lessen the impacts of the price spiral.

"There are also anomalies in the market. Besides, only a few companies import items, so there is a lack of competition.'

Another blow for Bangladesh

foreign exchange reserves. Since the reserves are not improving, the IMF has drastically slashed the net international reserves requirement for the fourth tranche of the \$4.7 billion loans.

Commodity prices are projected to experience a slight downturn in 2024 and 2025 but are expected to remain above pre-pandemic levels, according to the World Bank.

Despite the drop in April, the overall inflation has stayed above the government's target for the current financial year, which ends in June.

The government has aimed to limit the average inflation to 7.5 percent in FY24. The CPI surged to a 12-year high of 9.02 percent in FY23. According to the IMF, inflation

is projected to remain elevated at approximately 9.4 percent in FY24 but is anticipated to decline to around 7.2 percent in FY25, on the back of the continued tighter policy mix and projected lower global food and commodity prices.

"Nevertheless, uncertainties surrounding the outlook remain high, with risks predominantly leaning towards the downside.'

China overtakes US to become India's top trading partner

STAR BUSINESS REPORT

China has regained its position as India's largest trading partner overtaking the US after two years, according to Indian media reports.

The two-way trade between India and China stood at \$118.4 billion in fiscal year 2023-24 (FY24) buoyed by increased imports and exports from

The latest bilateral trade data was marginally higher than the two-way trade with the US of \$118.3 billion in FY24, according to Global Trade Research Initiative (GTRI).

The US lost its crown as India's largest trading partner on having retained the top position for two consecutive

India, the third biggest economy in Asia, exported \$16.67 billion of items in FY24, posting an 8.7 percent year-onyear increase.

Its imports grew 3.24 percent to \$101.7 billion in the same year, reported several Indian media.

The main sectors, which recorded healthy growth in exports to that country, include



AI-GENERATED IMAGE

iron ore, cotton yarn/fabrics/ made-ups, handloom fabrics, spices, fruits and vegetables, plastic, and linoleum, according to The Economic Times (ET).

The Economic Times cited the GTRI and said from fiscal year 2019 to FY2024, India's trade dynamics with its top 15 trading partners underwent significant transformations.

and imports along with the rising from USD 53.57 billion in

status of trade surplus or deficit

from \$70.32 billion to \$101.75 "This growth in imports led

across various sectors, it said. It added that China witnessed a marginal decline in exports by 0.6 percent, from \$16.75 billion to \$16.66 billion, while imports from China surged by 44.7 percent,

This impacted both exports to an expanding trade deficit,

FY2024, highlighting concerns over stagnant exports amidst including production-linked rising imports," GTRI Founder Ajay Srivastava said.

Trade with the US showed with exports increasing significantly by 47.9 percent from \$52.41 billion to \$77.52 billion, according to The Economic Times report.

economic with China have been under close scrutiny due to a heavy reliance on Chinese imports in critical sectors such as telecommunications, pharmaceuticals, and advanced technology, said Mint, a business and financial daily of

Mint said the GTRI report highlighted significant dependence, noting, "India imported \$4.2 billion worth of telecom and smartphone parts, accounting for 44 percent of total imports in this category, indicating significant reliance on Chinese components.

"Laptops and PCs imports from China totalled \$3.8 billion, making up 77.7 percent of India's imports in this sector," it said.

In response, India has

FY2019 to USD 85.09 billion in implemented various measures to reduce this dependency, incentive schemes (PLI), antidumping duties, and quality control orders, according to the

Additionally, India's import of lithium-ion batteries for electric vehicles, primarily from China, was valued at \$2.2 billion, representing 75 percent of such imports, underscoring the critical role China plays in India's push towards electrification of transport, reports the newspaper.

The report, according to the Mint, also compared other significant trading relationships, substantial changes in trade dynamics with countries like Russia and Saudi Arabia.

Russia's trade figures have seen a dramatic increase, with exports growing by 78.3 percent and imports soaring by 952 percent, leading to a significantly widened trade

In contrast, trade with Saudi Arabia showed a more balanced growth, with exports more than doubling and imports rising at a slower pace, reports Mint.

Misconceptions about risk management in import and export

AAM AMIMUL EHSAN KHAN

Cross-border trade is the main driver of the economic progress of a country. The World Trade Organisation Trade Facilitation Agreement (WTO TFA) has set standards to facilitate global trade. Bangladesh ratified the TFA in 2016, and risk management is a unique measure of it.

Risk management in import and export is a sciencebased and data-driven goods clearance system that assesses risk, identifies high-risk consignments, and channels those for physical inspection, and if required, for sample withdrawal and laboratory testing. Simultaneously, it ensures faster clearance for low-risk consignments without physical inspection or with minimum intervention.

Each WTO member state will have to concentrate on high-risk consignments and expedite the release of lowrisk ones for customs controls and other border controls.

This means, there shall be no arbitrary intervention without assessing risk, and no same treatment for both high-risk and low-risk consignments. Rather, the compliant parties will benefit more through faster clearance.

However, some misconceptions among regulatory agencies and stakeholders regarding risk management are delaying and hindering its implementation. If not resolved, this unique facilitation measure may not bring the expected results.

One of the misconceptions is whether risk management ignores risks. No, it does not. Rather, it follows a sciencebased and data-driven method suggested by the WCO and

the WTO and it has been adopted by almost all countries. India has been implementing it for a long time. As a scientific approach is applied to addressing revenue, compliance, and security risks before or after the

arrival at ports, the cargo is cleared addressing various types and levels of risks.

Another misperception is risk management is customs function alone. All cross-border agencies responsibilities within their scope. The role of customs and other borderrelated controls are clearly

mentioned in the TFA. There are about 70 regulatory agencies in the overall process of import and export in Bangladesh.

Suppose a plant product consignment is identified as "not risky" from the customs' point of view. Then, customs will not conduct a physical inspection. But can it release the consignment? The reply is "never".

The customs will have to wait until the Plant Quarantine Wing (PQW) issues a release order. If the PQW does not follow risk management, the release will be delayed. Therefore, the risk management of the customs is not sufficient alone for the speedy release of goods. All other agencies will have to follow it.

Risk management allows deploying more human resources and logistics in risky consignments to establish overall control. Simultaneously, the post-clearance audit (PCA) provision empowers agencies to audit traders' functions even after the clearance of goods. So, implementing risk management will empower agencies to exercise their legal and institutional authority, instead of undermining their power.

The concept of waiving risk management for plants, fish, animals, and related products or foodstuffs is not correct. No such waiver is referred to in the TFA.

As agencies create risk profiles, it is their sole mandate to select high-risk consignments. As a result, stakeholders will not have the opportunity to exert pressure. Moreover, transparency will be in place when the entire process is automated.

The notification sent by Bangladesh to the WTO mentions the deadline for the risk management implementation is June 2026. During these two years, a lot of things need to be done, including inserting risk management and PCA provisions in the regulatory agencies' legislation.

At present, only the Customs Act contains it and amendments to numerous legislations are a lengthy process. Another option could be to enact an overarching umbrella like the "Trade Facilitation Act", incorporating all facilitation measures and without amending agency wise separate legislations.

The author is a senior technical adviser of the USDA funded Bangladesh Trade Facilitation Project. He can

IDLC's profit rises slightly in Q1

STAR BUSINESS REPORT

IDLC Finance PLC posted a profit of Tk 35.33 crore in the first quarter of 2024, up 2 percent year-on-year.

The leading non-bank financial institution of Bangladesh logged a profit of Tk 34.50 crore in the January-March quarter of the previous year. Thus, the consolidated earnings per share rose to Tk 0.85 from Tk 0.83, according to a filing on the Dhaka Stock

Exchange. Albeit slightly, the profit in the first quarter was an improvement from the overall loss IDLC suffered in the financial year that ended on December 31. The profit dipped 21 percent year-on-year to Tk 151.31 crore in 2023.

The consolidated net operating cash flow per share was Tk 17.53 in negative in January-March this year against Tk 6.69 in negative a year prior.

The consolidated net asset value per share rose to Tk 46.56 on March 31 from Tk 45.71 on December

Shares of IDLC Finance closed down 2.09 percent to Tk 32.80 on the DSE vesterday.

BTRC to seek Tk 87.18 lakh dues from Software Shop

The regulator also imposes Tk 2 lakh fine

MAHMUDUL HASAN

The Bangladesh Telecommunifor violating different rules. The balance transfers. telecom regulator has instructed demanding payment of the dues.

These dues stem from nonpayment of revenue sharing and social obligation fund contributions.

The imposition of the Tk 2 lakh administrative fine on Software Shop was decided for various violations, including providing services with expired tariffs and failing to comply with commission

Software Shop is a holder of the Telecommunication Value without Added Services (TVAS) registration certificate issued by the BTRC.

carriers under a revenue-sharing a TVAS guideline.

model. Customers are charged by mobile phone operators.

The services include welcome cation Regulatory Commission tunes, voice messages, news (BTRC) has decided to seek dues alerts, missed call alerts, also directed its engineering and totalling Tk 87.18 lakh from call block, call forwarding or Software Shop and impose a fine diverting, music, videos, mobile action against Software Shop of Tk 2 lakh on the company games, streaming services and for using expired shortcode of

The decision of the commission an inspection carried out on the enforcement and inspection directorate.

The inspection team afterwards submitted a report to the commission.

BTRC According documents, the company was expired tariffs in a clear violation of the telecom law.

It also changed it address informing the commission and did not provide "online monitoring terminal's The TVAS providers offer user ID and password" -- which various services through mobile was in violation of the clauses of

The company also violated the commission's instructions by providing services using expired shortcodes. The commission operations division to take legal

Software Shop was supposed its finance and accounting division comes against the backdrop of to pay Tk 1.25 crore as a part of a 5.5 percent revenue sharing office of the company by a team agreement and 1 percent social comprising officials of the BTRC's obligation contribution from October 2018 to September 2023 to the commission.

However, it only paid Tk 38.74 lakh to the commission, according to the documents.

Nurul Huda, chief external affairs officer of Software Shop, providing its services with said they were holding negotiations with the BTRC over this matter.

Meanwhile, Software Shop should have received 40 percent of the revenue from mobile operator Robi Axiata but received 30 percent.

The commission has also decided to seek an explanation from Robi in this regard.

bike show in Dhaka from May 23 STAR BUSINESS REPORT

Motor and

The 17th Dhaka Motor Show and the 8th Dhaka Bike Show 2024 are going to kick off in Dhaka on May 23 to showcase locally-made automotive components and vehicles.

The fairs will also demonstrate the industry's capacity to attract foreign direct investment (FDI) in the automotive sector.

The participants at the three-day expositions Bangabandhu Bangladesh-China Friendship Exhibition Centre in Purbachal will showcase brand new cars, commercial motorcycles and all kinds of automotive parts and accessories.

Meanwhile, visitors and exhibitors will get to know each other too.

This year "Dhaka Motor Show" will host more than 600 booths and over 175 companies from more than 17 countries including Japan, India, Malaysia, South Korea, the USA and many more.

"The motor show will serve as a one-stop READ MORE ON B3

be reached at ehsanamim@gmail.com.

Maldives gets IMF debt warning as more Chinese loans loom

AFP, Malé

The International Monetary Fund warned the Maldives against looming "debt distress" Monday, as the small but strategically placed luxury tourist destination looks set to borrow more from main creditor China.

Since winning office last year, President Mohamed Muizzu has reoriented the atoll nation -- known for its upmarket beach resorts and celebrity vacationers -- away from traditional benefactor India and towards Beijing.

Last month his party won parliamentary elections in a landslide after promising to build thousands of apartments, reclaim more land for urban development and upgrade airports, all with Chinese funding. Without naming the archipelago's main lender, the IMF

said the Maldives remained "at high risk of external and overall debt distress" without "significant policy changes". "Uncertainty surrounding the outlook is high and risks are tilted to the downside, including from delayed fiscal

consolidation and weaker growth in key sources markets for tourism," the IMF said in a statement. It urged the Maldives to urgently raise revenue, cut spending and reduce external borrowing to avoid a major

economic crisis. The Maldives is a small nation of 1,192 tiny coral islets scattered 800 kilometres (500 miles) across the equator, but it strategically straddles key east-west international shipping routes.

The world can survive a strong dollar – for now



REUTERS. London

The dollar is casting a long shadow over the world. The US currency has surged on the back of American economic resilience and higher interest rates. Prudent fiscal management and less foreign currency debt has helped to insulate most countries from the effects of this imbalance. But if the greenback keeps rising, commodity importers and emerging markets have a lot to worry about.

The dollar is on a tear. An index that tracks its value against a weighted basket of currencies of major US trading partners has risen by around 17 percent since 2021. This year alone, the greenback is up 10 percent against the Japanese yen, nearly 8 percent relative to the Swedish crown and almost 2 percent compared with the Chinese renminbi, despite Beijing's tight foreign exchange controls.

The surge is largely due to the extraordinary economic performance of the United States. Since 2021, US GDP has grown at an average of 3.4 percent a year. That's more than double its cruising

speed between 2006 and 2015, and 70 and hold them at a high level, increasing percent faster than a group of advanced the attractiveness of dollar-denominated economies in the 13 years before the pandemic, International Monetary Fund data show. Inflation pressures prompted the Federal Reserve to raise interest rates

assets for investors.

In previous cycles, such a sharp upward move in the dollar could have damaged countries that relied on the United



Pedestrians walk past a line of currency exchange shops in central Tokyo on April 17. If the dollar keeps rising, commodity importers and emerging markets have a lot to worry about.

States to grease their economic wheels. The most devastating example was the Asian financial crisis that started in 1997. Countries like Thailand, Malaysia and Indonesia failed to defend fixed exchange rates, leading to capital flight and long recessions.

There are two main reasons other countries have avoided the doom loop this time. First, the twin inflationary shocks of the pandemic and Russia's invasion of Ukraine hit around the world, prompting central banks to hike interest rates at roughly the same time, lowering the risk of capital flight. Indeed, some central banks began tightening monetary policy before the Fed. Brazilian policymakers started raising rates in March 2021 - a year before their US counterparts. Official borrowing costs in the country are now 10.5 percent, nearly double the level in the United States.

Many emerging markets had also put their fiscal houses in order. The biggest difference with the past has been the sharp increase in the percentage of debt issued in local currencies. Domestic-denominated debt accounted for 95 percent of the \$3.9 trillion in new borrowing by governments in emerging markets last year, according, opens new tab to the Organisation for Economic Co-operation and Development.