

Dollar steady

REUTERS, Singapore

The dollar was steady on Tuesday as investors awaited the crucial inflation report this week that will likely shape the US rates outlook, while the yen was hovering near a two-week low, stoking intervention worries.

The currency market has been sedate this week, with investors seeking to gauge what path the Federal Reserve will take this year in the wake of recent softer-than-expected US labour market data and comments from officials that indicated the US central bank was unlikely to raise rates further.

Investors have had to dial back their expectations of rate cuts this year due to sticky inflation and are now pricing in 42 basis points of easing this year, compared with 150 bps of easing anticipated at the start of 2024.

They are also pricing in a 60 percent chance of a cut in September, versus 75 percent a month earlier, according to CME FedWatch tool.

All eyes this week will be on the consumer price index (CPI) on Wednesday which is expected to show that core consumer prices rose 0.3 percent month-on-month in April, down from 0.4 percent growth the prior month, according to a Reuters poll.



But before that, US Producer Price Index (PPI) is due to be released later on Tuesday, which analysts will parse through to get a sense of whether inflation is heading towards the Fed's target of 2 percent.

"A softer CPI, coming on the heels of a weaker payrolls report, will reignite market expectations of a July rate cut, weighing on the dollar," said Nicholas Chia, Asia macro strategist at Standard Chartered.

The euro eased a bit to \$1.0786 but is up 1 percent against the dollar so far this month, while sterling last bought \$1.2559, up roughly 0.5 percent so far in May.

The dollar index, which measures the US currency against six rivals, was last at 105.27. The index has slipped about 1 percent in the month.

Nearly two-thirds of economists expect the Fed to cut its key interest rate twice this year, starting in September, a Reuters poll showed. That's up from a just over half of economists in the previous survey.

With no rate cuts possible until July and not likely until September, and the next earnings season two months away, there are no apparent catalysts to change the near-term direction of markets other than inflation and economic data, said Vasu Menon, managing director of investment strategy at OCBC.

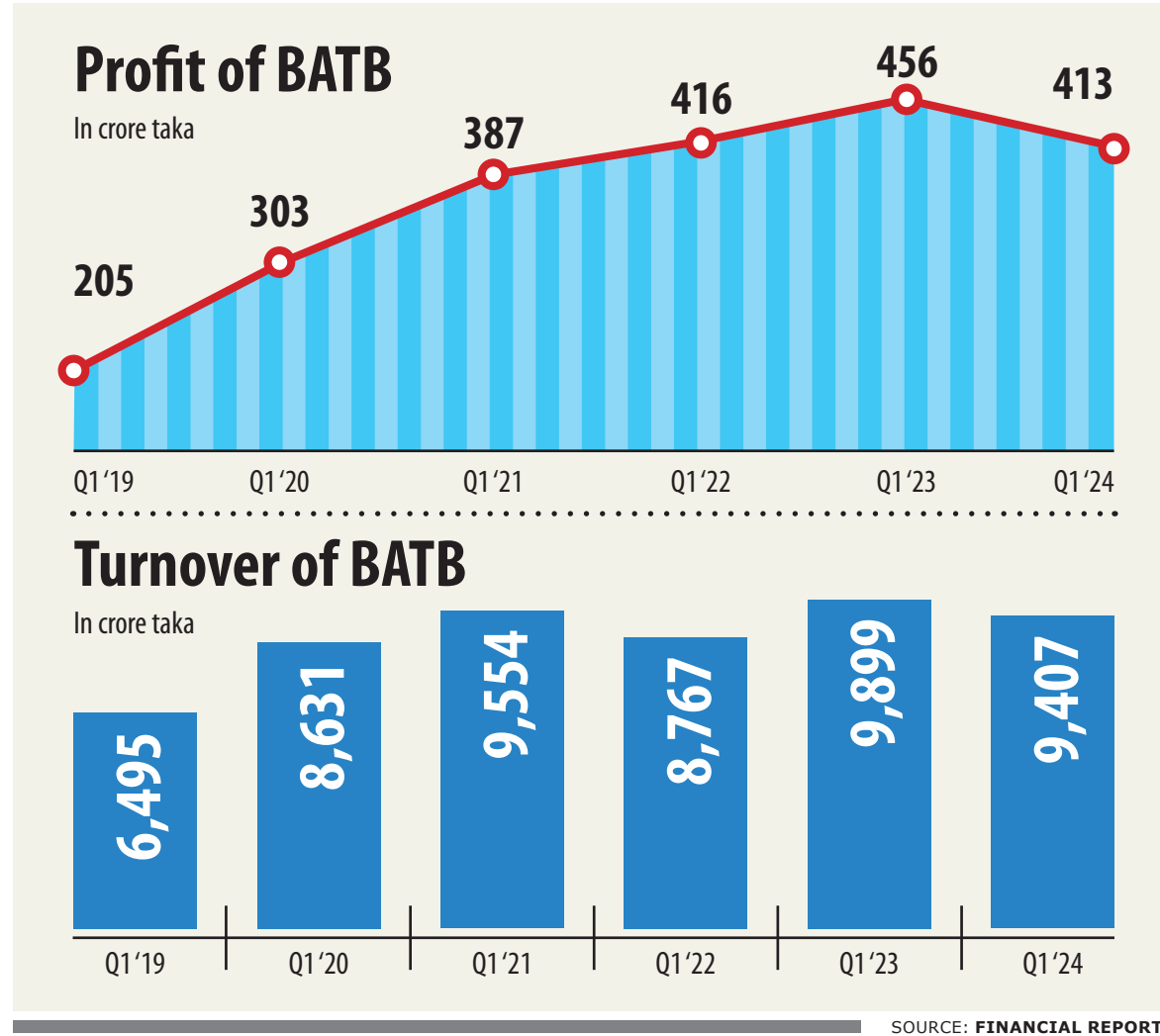
US retail sales will also be reported on Wednesday and industrial production data on Thursday.

"Any signs that the US economy is cooling should be positive for global markets because it also means a benign outlook for US inflation and interest rates," Menon said.

Traders are back on tenterhooks as the yen nears levels that saw suspected interventions by Tokyo. It was last at 156.41 per US dollar, having touched a two-week low of 156.50 earlier in the session.

Japan's Ministry of Finance is suspected to have intervened in the currency market at the end of April through early May after the yen hit a 34-year low of 160.245 on April 29.

BATB's profit drops as high inflation deters smokers



STAR BUSINESS REPORT

British American Tobacco Bangladesh (BATB) saw a drop in its profits and sales in the January-March period of 2024, reasoning that people had cut back on smoking cigarettes amidst high inflationary pressure.

The listed multinational tobacco company registered 4 percent lower sales year-on-year to Tk 9,389 crore in the first quarter of the current year.

At the same time, its profits fell 9 percent to Tk 413 crore.

Thus, BATB's earnings per share stood at Tk 7.65 in the first quarter of 2024 compared to Tk 8.44 in the same quarter of 2023.

The 113-year-old company stated in its financial statements that its earnings decreased from the same period last year due to lower sales and tobacco leaves exports.

It sold 1,612 crore cigarettes in the three-month period, which represented a year-on-year drop of

10 percent.

At the same time, BATB's revenue from export of tobacco leaves plunged 81 percent to Tk 18 crore.

The company has cigarette factories in Dhaka and Savar, a green leaf threshing plant in Kushtia and a green leaf redrying plant in Manikganj.

A mid-level official of the company, preferring anonymity, said people had cut back on smoking cigarettes mainly due to high prices as inflationary pressures had reduced their disposable income.

The inflation rate in Bangladesh has remained above 9 percent since March last year.

As a result, most people were forced to cut back on their expenses, including on purchasing cigarettes, so it had an impact on the revenue of the company, he added.

The company provided 100 percent cash dividend to shareholders for 2023, the lowest in

at least the past decade.

The Dhaka Stock Exchange (DSE) data showed that it had Tk 4,826 crore in cash reserves, meaning funds set aside to cover costs or expenses that are unplanned or unexpected.

BATB was listed with the stock exchange in 1977 and since then it has provided high dividends every year.

Its sponsors and directors hold around 73 percent of shares while institutional investors account for around 13 percent, foreign investors 6 percent and general investors the rest.

The company has Tk 540 crore in paid-up capital, meaning the amount of money received from shareholders in exchange for the shares of stock.

The A category company's stocks dropped 2.57 percent to Tk 363 at the DSE yesterday.

With that, the company's share price remains at its lowest in at least the past year.

Bangladesh-Netherlands joint initiative to ensure healthy food

STAR BUSINESS DESK

In the wake of massive adulteration of food, Bangladesh and the Netherlands yesterday launched a joint initiative to produce healthy food and market them in Bangladesh through Fargo Private Limited.

The initiative was unveiled at a press conference held at Fargo's office at Niketan, according to a press release.

M Riaz Hamidullah, ambassador of Bangladesh to the Netherlands, thanked Fargo for taking the joint initiative in a video message.

Hamidul Haque Khan, managing director of Fargo, and Ele Jan Saaf, agriculture, food and environment expert of the Netherlands, put forward the matter in detail at the conference.

According to the press conference, this joint venture will accelerate the process of ensuring quality and healthy food products in Bangladesh by developing food production and processing technology, ensuring traceability and compliance.

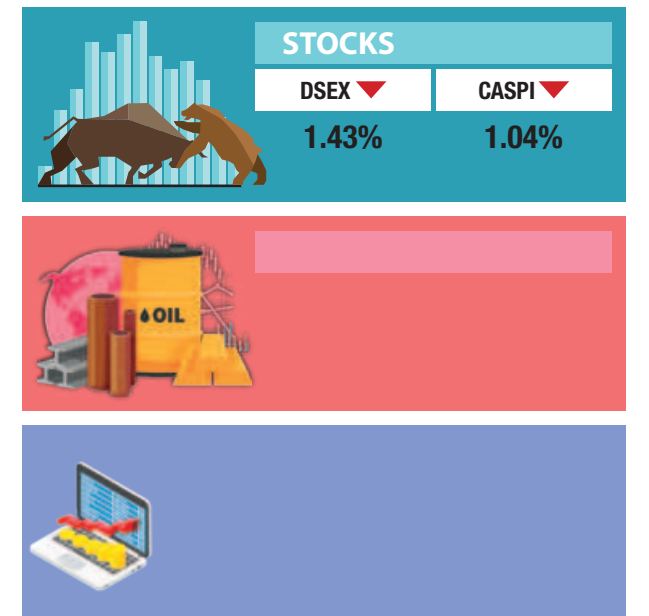
The joint venture will also enhance food and agricultural exports to Europe and the Middle East.

Entrepreneurs said that Fargo collects fruits and vegetables from Bangladeshi farmers trained by "Solidarity" of the Netherlands and "Syngenta Foundation" of Switzerland.

These farmers work with safe, natural and 100 percent chemical- and poison-free farming in more than 40 countries of the world.

In addition, international organisations such as IFAD, USAID, and World Bank procure healthy dry fruits, spices and other safe and nutritious food from such marginal farmers and entrepreneurs trained in eco-friendly agriculture.

At the event, Haque said that non-communicable diseases in Bangladesh have posed a serious threat to public health and increased medical expenses manifold. To prevent the spread of non-communicable diseases, the World Health Organization recommends five components of a healthy diet, namely whole grains, quality protein, plant-based oils, fruits and vegetables, and safe water.



China's economy showing signs of modest recovery: analysts

ANN/CHINA DAILY

China's economy is showing fresh signs of modest recovery, while pressures from still-weak demand remain, heightening the need for more stimulus to bolster the world's second-largest economy, analysts said.

They also said that policy easing is likely to continue in the following months, including a small uptick in the fiscal impulse and further reductions in banks' reserve requirement ratio — the proportion of deposits that banks must keep in cash as a reserve — and policy benchmarks for interest rates.

Their comments came as data from the National Bureau of Statistics showed on Saturday that the country's consumer price index, which is a key indicator of inflation,

rose 0.3 percent year-on-year in April after a 0.1 percent gain in March.

The core CPI, which excludes volatile food and energy prices and is deemed a better gauge of the supply-demand relationship, grew 0.7 percent year-on-year in April, after a 0.6 percent increase in March.

"The improvement in the CPI indicates that China's economy is steadily recovering and the economy's endogenous driving force is strengthening. The consumer demand recovery trend has been further consolidated," said Zhang Xuewu, head of the price analysis and forecasting division at the National Development and Reform Commission's Price Monitoring Center.

Zhang said he anticipates a modest rise in overall price levels, as

domestic demand is set to continue to improve, with a series of policies aimed at boosting consumption and expanding investment taking effect, such as advancing large-scale equipment renewal and trade-in of consumer goods.

Wu Chaoming, deputy director of the Chasing International Economic Institute, estimated that the CPI may rise around 0.2 percent year-on-year in May.

While China's consumer prices stabilized in April, the growth in the nation's producer price index, which gauges factory-gate prices, stayed negative for the 19th consecutive month, dropping 2.5 percent year-on-year in April, following a 2.8 percent fall in March, the NBS said.

Wu said he anticipates that the PPI decline may narrow to

1.6 percent in May amid policy support, even though it is likely to register negative growth for the full year.

The persistently low price levels have received attention from policymakers. The People's Bank of China, the country's central bank, said on Friday in its first-quarter monetary policy report that it "will treat maintaining price stability and promoting moderate price recovery as key considerations in the formulation of monetary policy".

The PBOC report said the fundamental reason for current low price levels is insufficient demand compared with supply in the real economy, instead of inadequate money supply, adding that price levels are expected to mildly recover during the rest of the year.

Bar non-compliant banks

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The external shocks increased budget subsidies, which have also not been tackled with domestic reforms.

He said although the government lays the blame for the macroeconomic difficulties on external shocks, a careful review of the facts suggest that the fundamental source of the current macroeconomic imbalances lies in several policy mistakes and the absence of adequate corrective policy measures.

"The external shocks simply exposed the underlying macroeconomic vulnerabilities," he opined.

He further said many of the sources of macroeconomic difficulties have been long simmering.

These include weaknesses in the management of the exchange rate, ineffective tax policy management, taking control of interest rates in April 2020, the growing incidence of fiscal subsidies owing to poor pricing policies, and inefficiencies in managing the state-owned enterprises.

"The adverse pressure of such weak policy management has been building up slowly, but the acceleration of GDP growth, owing to the contributions of the RMG sector, foreign remittances, and

the agricultural sector, clouded the visibility of these problems. The series of external shocks related to Covid-19, global inflation and the Russia-Ukraine war ignited the flame that exposed the underlying macroeconomic problems."

He added that Bangladesh had made tremendous progress since independence, as indicated by rising per capita income, acceleration in GDP growth, rapidly declining poverty, and impressive progress with social indicators, especially in terms of improved life expectancy and gender balance.

"A key factor facilitating rapid GDP growth was macroeconomic stability, reflected in the single-digit inflation rate, low and stable debt-GDP ratios, low current account deficit and rising foreign exchange reserves. This long-term development progress has come under threat over the past four years, triggered by a series of external shocks."

MCCI President Kamran T Rahman stressed that stakeholders and policymakers must have a comprehensive understanding of how multiple factors collectively shape economic dynamics.

He believed this knowledge would help create strategies for economic stability and growth.

Businesses spend six times more than official fees

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facing difficulties in repatriating profits from Bangladesh due to the current US dollar crisis, he said.

At the discussion, businesses called for the withdrawal of trade barriers such as the requirement to repeatedly renew licences and for simplifying business processes to gain competitiveness.

The Bangladesh Investment Development Authority (BIDA) should help expedite all business processes and all kinds of licences need to come with a validity period of five years, the CPD researcher said.

Bangladesh has not yet become an attractive destination for German investment although there is a potential, said Jan Janowski, deputy

head of mission of the German embassy in the country.

Other countries like India, Indonesia and Vietnam are enjoying Germany's China Plus One investment policy that aims to relocate German investment from China to other nations, he said.

German companies' arrival in Bangladesh increased by 20 percent over the last two years because of the China Plus One policy, but the potential is still high, he said.

After the Rana Plaza building collapse, reforms have come about in Bangladesh, he said, suggesting meeting compliance standards to obtain the Generalised Scheme of Preferences (GSP) Plus of the European Union.

"Regulatory barriers are major

challenges to businesses," said Mostafa Abid Khan, a former member of the Bangladesh Trade and Tariff Commission.

One major barrier is the process to avail licences and it should be addressed as it costs time and money, he said.

Import and export registration certificates need not be renewed every year. India issues it just once and that works for the lifetime of businesses, Khan also said.

State Minister for Commerce Ahasanul Islam Titu said his ministry has already digitalised many systems.

He suggested doing more business with emerging markets like India and China to reduce overdependence on some selective markets.

Germany can be a good market

for Bangladesh as the European nation imports goods worth more than \$1,998 billion per year and Bangladesh exports goods worth only \$8 billion to the country, Titu said.

Ahsan Khan Chowdhury, chairman and chief executive officer of PRAN-RFL Group, said Bangladesh was a growing economy.

With regard to compliance, he said Bangladesh was not falling behind China in the garment sector and Bangladesh needs to do good business with India.

Lokman Hossain Miah, executive chairman of the BIDA, said 125 licences have already been issued under its One Stop Service (OSS) and 25 services will be brought under the OSS within the next three months.

BRAC Bank to get \$50m

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and with trusted partners like BRAC Bank, we can reach more people that need support the most and are truly instrumental in driving the country's progress and prosperity," he added.

Selim Rf Hussain, managing director and CEO of BRAC Bank, said: "It will help micro-entrepreneurs expand their product basket, penetrate new markets and create jobs invigorating the rural economy."

"Our strong partnership with the UK's development finance institution aims to create opportunities for the unserved and underserved businesses."

"The injection of \$50 million from BII will also ameliorate the foreign exchange crunch in Bangladesh," he

added.

The loan will provide vital foreign currency funding support for its offshore banking clients, the bank said in the press release.

It said the agreement supports United Nations Sustainable Development Goal (SDG) 5 on gender equality, SDG 8 on decent work and economic growth, and SDG 9 on industry, innovation and infrastructure.

Among others, Duncan Overfield, deputy development director and head of prosperity and economic growth at the British High Commission in Dhaka, Shahnur Shikder, private sector development adviser, and Meheriar M Hasan, chairperson of BRAC Bank, were also present.