

Star BUSINESS

Bangladeshi businesses are feeling the heat of the Red Sea crisis due to increasing costs and shipping times



Story on B4

How taka's drop ate away economic output per person

FEDA AL HOSSAIN

The rapid depreciation of the taka against the US dollar has had a noticeable impact on the country's economic growth, as evidenced by recent gross domestic product (GDP) data published by the Bangladesh Bureau of Statistics (BBS).

The GDP per capita, in taka terms, had undergone a steady growth from fiscal year 2020-21 to 2022-23, rising from Tk 208,751 to Tk 262,868.

It was Tk 294,191 in the current financial year, meaning it rose 12 percent year-on-year.

The GDP per capita, in US dollar terms, however, has not followed the same trend.

It rose from \$2,462 in FY21 to \$2,687 in FY22.

However, it fell to \$2,643 in FY23 before slightly recovering to \$2,675 in the current fiscal year, up 1.2 percent year-on-year.

The fluctuation indicates that the growth of the economy, when measured in dollars, has been lower than initially projected,

GDP per capita, in US dollar terms, fell to \$2,643 in FY23 before slightly recovering to \$2,675 in the current fiscal year, up 1.2 percent year-on-year.

due to the weakening of the taka.

A similar pattern is observed in gross national income (GNI) per capita.

It climbed in terms of the taka from Tk 219,783 in FY21 to Tk 306,144 in FY24, meaning that it underwent a rise of 39 percent.

In terms of the US dollar, it went from \$2,591 to \$2,784, meaning an increase of 7 percent during the four-year period.

This suggests that while Bangladesh's economy is growing in terms of the local currency, the sharp depreciation of the taka against the dollar is, in fact, preventing the GDP per capita from swelling.

This also highlights the importance of restoring the exchange rate stability.

Banks sell dollar at more than Tk 118 as pressure mounts

WHY IS THE FOREX MARKET VOLATILE?



A surge in imports in the post-pandemic period



Supply chain disruptions due to Russia-Ukraine war



Sluggish growth in import



Fall in the inflow of trade credit, loans



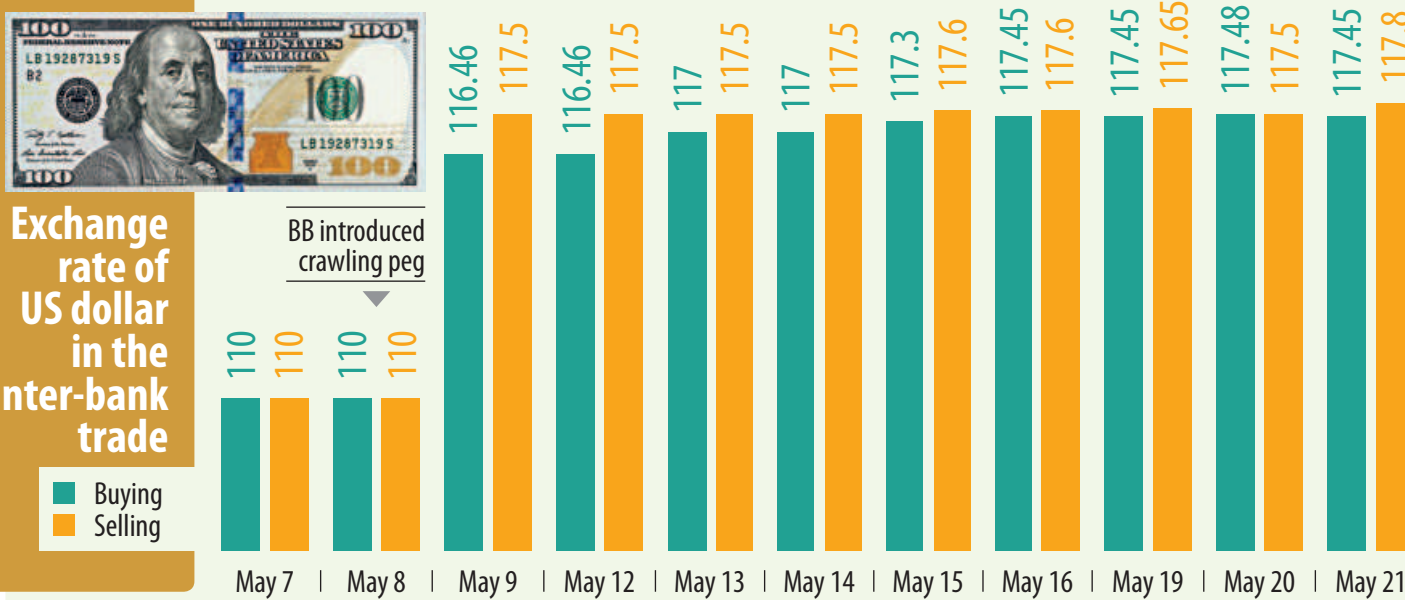
Slowdown in remittance



Mismanagement in the forex market



Frequent policy changes by the BB



MD MEHEDI HASAN

Most banks in Bangladesh are quoting more than Tk 118 per US dollar, which is above the official exchange rate as per the crawling peg system, said bankers and businesspeople.

The Bangladesh Bank introduced the new system to manage exchange rates on May 8 in line with the conditions set by the International Monetary Fund (IMF) with its \$4.7 billion loan programme.

Under the system, a crawling peg mid-rate was set at Tk 117 per US dollar. However, banks are quoting up to Tk 120 per US dollar to open letters of credit. The exchange rate is more than Tk 118 per dollar in the case of collecting remittance and export bills.

The chief executives of at least three private commercial banks told The Daily Star that the BB had verbally allowed them to quote Tk 1 more than the exchange rate to collect US dollars amid the ongoing forex crunch.

As such, banks are unofficially quoting at least Tk 118 per greenback, thereby raising the interbank exchange rate.

The official interbank exchange rate stood at Tk 117.80

on Tuesday, up from Tk 117.50 a week earlier, central bank data showed. The rate was Tk 110 on May 8.

"No US dollars are available in the market at less than Tk 119 to Tk 120," said a senior official of PHP Group, a conglomerate based in Chattogram, adding banks are quoting their previous

price to be given to the buyer in the future. The treasury head also said most banks are now quoting Tk 118.50 to Tk 120 per US dollar in the case of opening LCs and that the banking regulator was aware of the matter.

At the end of April, the gross foreign exchange held by commercial banks in the country stood at \$5.04 billion, down 8.19 percent year-on-year, as per the

banking regulator has unofficially permitted banks to quote a higher rate as forex holdings with banks continue to decline.

Even some Shariah-based banks are offering higher rates when collecting remittances and selling them to importers, he added.

A senior official of the BB said the banking regulator now wants to give a boost to the forex reserves, so it is giving banks some freedom in dealing with foreign currencies.

Bangladesh's forex market became volatile in 2022 as supply chain disruptions caused by the Russia-Ukraine war led to a hike in commodity prices globally.

The reserves have fallen by \$24 billion since August 2021. On Wednesday, the gross international reserves stood at \$18.42 billion, enough to pay for imports for over three and a half months.



latest data of the central bank.

April's figure was 7.21 percent lower compared to the previous month, when banks collectively held foreign currencies amounting to \$5.43 billion.

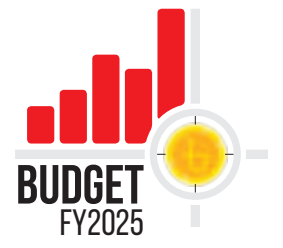
The treasury head of a private commercial bank said most banks have adopted forward selling for US dollars, where the rate is comparatively high.

Forward selling is the practice of selling something at a fixed

Govt likely to announce tax rates in advance

MD ASADUZ ZAMAN

The government is likely to announce income tax rates for individuals and companies in advance in order to allow them to make better investment and tax plans.



Currently, the National Board of Revenue (NBR) announces tax rates for firms and individuals after the end of an income year.

For instance, the current income year begins in July 2023 and will end in June 2024.

Based on the announced rates, taxpayers file their income and wealth statements and pay taxes on their incomes in the next year, termed as the assessment year.

But in the coming year, the NBR may announce tax rates that will not only be applicable for the outgoing income year 2023-24 but also for the next income year 2024-25.

In effect, this will allow individuals to know the income tax rate prior to the start of income year 2024-25 and pay the tax once the year ends in June 2025.

In response to longstanding demands of taxpayers, the NBR is expected to bring about the new system to replace the existing "retrospective system", a finance ministry official, requesting anonymity, told The Daily Star yesterday.

A retrospective tax is a tax imposed on a transaction or deal that was conducted in the past.

"In the next budget for fiscal year 2024-25, the NBR is planning to move to a new system, which is also called the prospective tax system. We are working on it," the official said.

This system will help build confidence of individuals and investors and they can pre-plan their tax management and investment plan, he added.

On May 14, Prime Minister Sheikh Hasina also gave the nod to this proposal and it might be integrated into the next finance act, the official said.

Investors and tax analysts welcomed the NBR's move, saying it would boost investor confidence and encourage local and foreign investment.

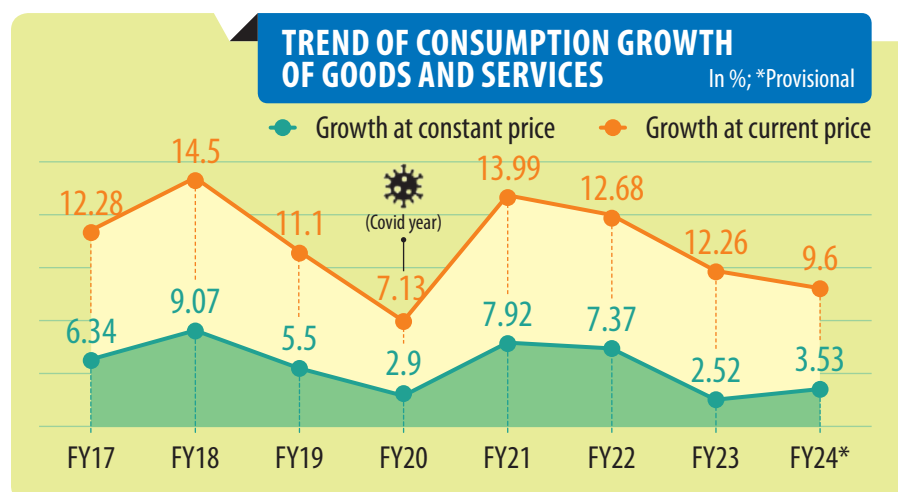
"It will have a positive impact on the domestic and foreign investment," said Md Humayun Kabir, chairman of a taxation and corporate law committee at the Institute of Chartered Accountants of Bangladesh (ICAB).

READ MORE ON B3

COMMODITIES	
Gold ▼	Oil ▼
\$2,413.84 (per ounce)	\$78.04 (per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.23% 74,121.14	▼ 0.85% 38,617.1	▼ 0.19% 3,307.9	▲ 0.01% 3,158.54

Consumption stays low for two straight years



AHSAN HABIB, SUKANTA HALDER and MD ASADUZ ZAMAN

The consumption growth in Bangladesh remained low in the last two fiscal years as people witnessed one of the biggest falls in their spending power owing to stubbornly high inflation.

According to a provisional estimate of the Bangladesh Bureau of Statistics (BBS),

consumption of goods and services grew 3.53 percent in 2023-24, up from 2.52 percent in the last fiscal year.

Except for the pandemic-hit 2019-20, when the consumption growth rate was 2.9 percent, it was above 6 percent since at least 2016-17.

In Bangladesh, the economy has been under pressure for the last two years

READ MORE ON B3

পুলচাল! PURBACHAL!

@BBCFEC | Bangabandhu Bangladesh-China Friendship Exhibition Center
In Purbachal, Near Kanchan Bridge

Buy Entry Ticket Online

dmsticket.com

dhakamotorshow.com

From 23 - 25 May 2024

Join us for a weekend of wheels, thrills, and unforgettable moments for an exciting automotive weekend extravaganza!

Timings: 11:00 am - 9:00 pm

25th MAY 2024

23rd MAY 2024

Host Country Partner

Motorsports Partner

Concurrent Exhibitions

HOTLINE

+880 1711 396000

IT'S A CEMS EXHIBITION

Dan Cake launches 'Chocolate Velvet Cake'

STAR BUSINESS DESK

Dan Cake, a subsidiary of Dan Foods, recently launched 'Chocolate Velvet Cake', crafted using a Danish recipe, aimed to capture Bangladesh's high-end cake market.

Khandker Md Touhiduzzaman, director of Dan Foods Ltd, and Shah Masud Imam, chief operating officer, attended the launch of the product in the capital, read a press release.

Anisul Haque, novelist, author and managing editor of Prothom Alo, and popular music artist Mehreen Mahmud, and culinary artist Rahima Sultana Reeta along with the management and sales team of Dan Cake were also present.



Anisul Haque, managing editor of Prothom Alo, and Khandker Md Touhiduzzaman, director of Dan Foods, and Shah Masud Imam, chief operating officer, pose for photographs after the launch of the company's 'Chocolate Velvet Cake' in the capital recently. PHOTO: DAN CAKE



Nasir A Choudhury, chairman of DBH Finance, presides over the company's 28th annual general meeting, which was held virtually recently. The meeting declared a 15 percent cash dividend for 2023. PHOTO: DBH FINANCE

DBH Finance declares 15% cash dividend

STAR BUSINESS DESK

DBH Finance declared a 15 percent cash dividend for the year that ended on December 31, 2023.

The announcement came at the company's 28th annual general meeting, which was held virtually recently, according to a press release.

Nasir A Choudhury, chairman of the company, presided over the meeting.

Choudhury expressed satisfaction over the company's performance, saying the company demonstrated resilience and strength despite the difficult operating conditions and overall slowdown in the economy.

"The initiatives undertaken by the management to improve risk

management and service quality contributed positively to continued profits," he said, hoping the trend would hold in the future.

AMR Chowdhury, vice chairman of the company, joined the meeting alongside Mehreen Hassan, Syed Moinuddin Ahmed, Nazir Rahim Chowdhury, Khandkar Manwarul Islam, Maj Gen (ret'd) Syeed Ahmed, and Imran Rahman, directors.

Nasimul Baten, managing director and CEO, highlighted the fact that DBH has seen only 0.86 percent of its loans become non-performing loans.

Among others, Jashim Uddin, company secretary of DBH Finance, and general shareholders also attended the meeting.

Midland Bank strikes deal to sell Zenith's insurance products

STAR BUSINESS DESK

Midland Bank recently signed a bancassurance agreement with Zenith Islami Life Insurance Limited.

Md Ahsan-uz Zaman, managing director and CEO of the bank, and SM Nuruzzaman, chief executive officer of the life insurer, penned the deal at the bank's head office in Gulshan, the bank said in a press release.

Under the agreement, the bank's customers can avail all types of life and health insurance products offered by the life insurer directly from the bank.

Md Rashed Akter, head of retail distribution division and chief bancassurance officer of the bank, Khondoker Imran Hossain, bancassurance manager, and Abdur Rahman, company secretary of the life insurer, and Md Shahadat Hossain, head of bancassurance, were present.

Among others, Anwar Hossain Sarkar, head of group insurance of the insurer, along with other officials from both organisations were present.



Md Ahsan-uz Zaman, managing director and CEO of Midland Bank, and SM Nuruzzaman, chief executive officer of Zenith Islami Life Insurance, pose for photographs after signing an agreement on bancassurance at the bank's head office in Gulshan recently. PHOTO: MIDLAND BANK

Sonali Bank's e-Wallet recognised as best innovation

STAR BUSINESS DESK

Sonali e-Wallet, the mobile app of Sonali Bank, has been recognised as the best innovation by the Financial Institutions Division of the Ministry of Finance for implementing e-governance and innovation plans for FY24.

Waseqa Ayesha Khan, state minister for finance, handed over an award to Md Zahurul Islam, deputy general manager of the bank, at a function at the finance ministry in the capital on Tuesday, the bank said in a press release.

Md Abdur Rahman Khan, secretary of the Financial Institutions Division (FID), presided over the programme.

Among others, Mafiz Uddin Ahmed, additional secretary of the FID, and Farida Yasmin, deputy secretary, along with other senior officials were present.



Dollar firm as traders awaits more Fed clues

REUTERS, London/Tokyo

The dollar edged higher on Wednesday as investors awaited Federal Reserve meeting minutes for more insight on the central bank's rate path, while the pound jumped after data showed UK inflation fell less than expected in April.

Investors have been shoring up US rate cut bets after a milder inflation reading last week, even as Fed officials have continued to sound a cautious note.

Fed Governor Christopher Waller on Tuesday said he would need to see several more months of good inflation data before he would be comfortable supporting rate cuts.

That timeline was echoed by Cleveland Fed President Loretta Mester.

PRICES OF KEY ESSENTIALS IN DHAKA CITY			
	PRICE (MAY 21, 2024)	% CHANGES FROM A MONTH AGO	% CHANGE FROM A YEAR AGO
Fine rice (kg)	Tk 64-Tk 76	-2.86 ↓	.74 ↑
Coarse rice (kg)	Tk 50-Tk 54	1.96 ↑	8.33 ↑
Loose flour (kg)	Tk 35-Tk 45	-15.79 ↓	-30.43 ↓
Lentil (kg)	Tk 105-Tk 110	0	13.16 ↑
Soybean (litre)	Tk 145-Tk 155	-3.28 ↓	-18.06 ↓
Potato (kg)	Tk 48-Tk 55	-1.90 ↓	37.33 ↑
Onion (kg)	Tk 65-Tk 75	12.00 ↑	-6.67 ↓
Egg (4 pcs)	Tk 48-Tk 50	19.51 ↑	1.03 ↑

SOURCE: TCB

With inflation falling fast, will the BoE quickly cut rates?

REUTERS, London

Britain's once towering inflation rate looks set to fall close to the Bank of England's 2 percent target on Wednesday, but it may be other figures in the data that influence the BoE's decision on when to cut interest rates for the first time since 2020.

Much of the drop in headline consumer price inflation - from a peak of 11.1 percent a year and a half ago - is due to falling energy prices which are beyond the BoE's control.

Its policymakers are more interested in price pressures generated within Britain's economy, especially its still tight labour market where many employers continue to push up pay at a rate that could keep inflation hot.

As well as businesses and homeowners stretched by the highest borrowing costs since 2008, Prime Minister Rishi Sunak is also hoping for a drop in inflation pressures that could allow the BoE to cut rates, offering an electoral lifeline to his Conservatives before an election later this year.

Advertisement - Scroll to continue
BoE Governor Andrew Bailey has said a first-rate cut could come as soon as next month, depending on the data.

IS THE INFLATION CRISIS OVER?

Inflation in Britain peaked higher than in any other big rich economy. For a period, it was an outlier in the Group of Seven due to a combination of the energy price surge and a shortage of workers to fill jobs, a problem seen in other countries but compounded in Britain by Brexit.

Britain's inflation of 3.2 percent in the 12 months to March remained higher than in Germany, France and Italy. But it was lower than 3.5 percent in the United States.

Today we're looking at the restaurant chain sector.

Economists polled by Reuters say Wednesday's data will probably show

headline inflation slowed sharply to 2.1 percent in April although it is likely to pick up a bit later in 2024. The BoE thinks it will speed up again to around 2.6 percent later this year.

Analysts will be just as focused on other price measures in the April data, chief among them services inflation which at 6.0 percent in March remains a big concern for the BoE.

LABOUR MARKET PRESSURES

For services firms, wages are a bigger share of costs than for other companies. So, the recent 6 percent pace of annual wage growth in Britain - driven by a more acute shortage of workers to fill roles than in many other economies - has pushed up prices in the sector.

There have been some recent signs that the labour market heat is cooling. The imbalance between a high number of vacancies and a low number of unemployed people - a key

gauge for the BoE - is its narrowest since before the Covid pandemic.

COMPANIES FINDING IT HARDER TO PUSH UP PRICES

Something else the BoE is watching closely is the ability of companies to pass on higher costs to customers in the form of higher prices. The BoE's regional agents say that will be harder this year than in 2024.

Megan Greene, one of the nine Monetary Policy Committee members, last week pointed to similar signals from purchasing manager index reports which have shown stronger inflation in prices paid by firms than in the prices they charge.

NEXT ROUNDS OF DATA

After Wednesday's inflation figures for April, there will be a set of official labour market data on June 11 and May's inflation release on June 19 before the BoE's next scheduled policy announcement on June 20.

Due to the problems with the official jobs data, the BoE will watch other gauges of the market even more closely than usual, including PMI surveys due on Thursday this week.

WHEN DOES THE MARKET EXPECT A RATE CUT?

Rate futures on Monday were pricing a roughly 56 percent chance of the BoE cutting Bank Rate to 5 percent from 5.25 percent next month and an almost 100 percent chance of a cut by its August meeting.

Economists polled by Reuters last week were also split about the timing of the BoE's first move but with a narrow majority seeing it coming later than investors do: of 71 analysts who took part in the poll, 38 expected a first cut in August while 31 pointed to June. Two predicted it would come in September.



Road construction workers carry out work outside the Bank of England in London's financial district on February 13. PHOTO: REUTERS

China's blistering solar power

FROM PAGE B4

In November, Henan province directed companies and local regulators to come up with action plans to increase grid capacity to support the "healthy development" of distributed solar.

State planner the National Development and Reform Commission did not respond to a faxed request for comment, and its Henan and Hebei offices could not be reached. The North China Energy Regulatory Bureau declined to comment, and the Henan energy regulator did not respond.

FORECASTS DIVERGE

China's rapid solar rollout has put it on track to meet its renewable goals years ahead of schedule, with installed solar capacity of 655 gigawatts (GW) as of March, the most in the world by far, well ahead of second-placed United States with upwards of 179 GW at the end of 2023.

But forecasts for the solar rollout this year vary sharply. S&P Global Commodity Insights expects new installations to rise 4 percent in 2024 from 217 GW last year, saying first-quarter additions were stronger than expected even with the March drop-off, while Rystad analysts see a 6 percent increase.

In contrast, the China Electricity Council expects new installations to drop by 20 percent this year, while a Chinese PV industry association in February forecast, they could fall 12 percent. Lagging grid investment and uncertainty created by ongoing electricity market reforms loom as

challenges, said Holly Hu, S&P Global Commodity Insight's principal analyst for clean energy tech.

The country's solar surge was facilitated by government support that encouraged an explosion in equipment manufacturing that has crushed global solar panel prices, prompting complaints from trading partners.

For this year, analysts expect China to add 500-600 GW of PV module production capacity, a 60-70 percent increase, well above growth in solar projects.

That would force manufacturers to export even more to markets such as Europe and the US, which doubled tariffs on cells used to make solar panels from 25 percent to 50 percent.

PRICING CHANGE FALLOUT

Renewable generators previously enjoyed a guarantee that grid operators would buy nearly all of their power at a rate tied to the coal index. That guarantee was lifted on April 1 and took effect earlier in some places, three industry experts said.

Now, renewable generation is increasingly subject to less favourable market pricing.

Shenhua Energy, a state-run coal and power firm, said in its 2023 annual report that prices for its solar power fell 34.2 percent year on year to 283 yuan per kilowatt-hour (kWh), while its coal power prices fell just 2.4 percent to 406 yuan per kWh.

Wang Xiuqiang, a researcher at consultancy Beijing Linghang, attributed the lower solar prices and profitability to a higher proportion of market-based pricing.

Oil slips for third day

FROM PAGE B4

Investors are awaiting minutes from the Fed's last policy meeting and, following the API data, the latest official US oil inventory figures from the Energy Information Administration (EIA) due later on Wednesday.

"The Federal Open Market Committee (FOMC) minutes will

be scrutinised for Fed's assessment of bumpy Q1 inflation and clues on the timing and extent of potential interest rate cuts in 2024," ANZ analysts said in a report.

Inflation in Britain fell by less than expected in April and a key core measure barely dropped, figures showed on Wednesday, prompting investors to pull bets on a rate cut next month.

EU to deter any illegal China subsidies

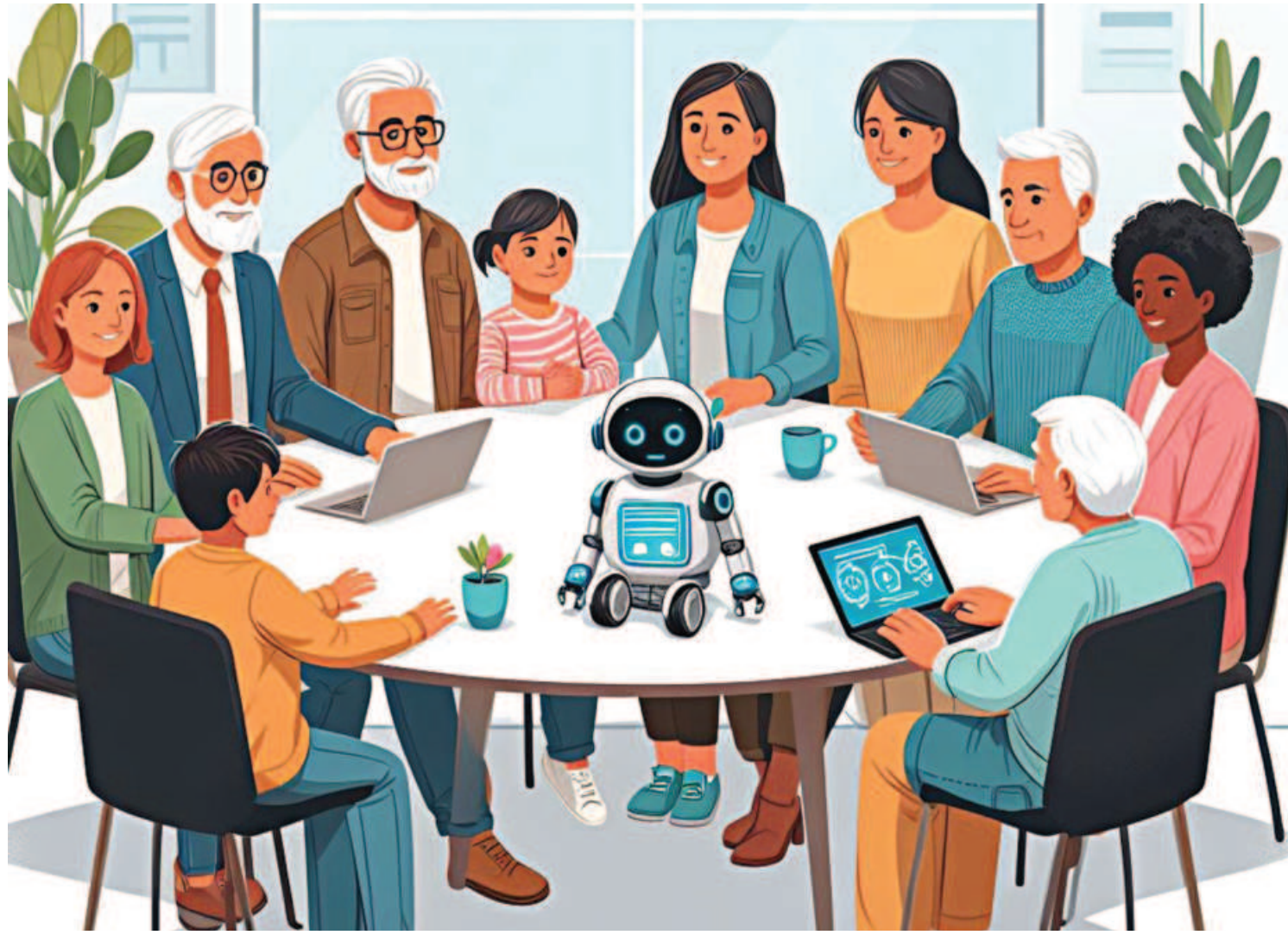
AFP, Brussels

The EU would impose "targeted" duties on Chinese electric cars if Beijing's state aid for the sector is proven to be illegal, bloc chief Ursula von der Leyen said Tuesday.

Brussels last year angered China after launching an anti-subsidy investigation into Chinese electric cars with growing expectations the EU will slap on duties in response.

The United States earlier this month sharply raised tariffs on Chinese-made electric vehicles, but von der Leyen insisted the EU would take a different approach.

"I can guarantee that the level of the duties we would impose is correspondent to the level of damage, so much more targeted, much more tailored," the European Commission president said.



AI-GENERATED IMAGE

Nurture tech companies to build Smart Bangladesh

Speakers say at Youth Tech Summit

STAR BUSINESS REPORT

Skill development, research and investment are crucial to facing the challenges of AI (Artificial Intelligence) and transforming them into opportunities, young tech entrepreneurs said yesterday.

As AI is going to bring a transformative impact on their businesses, the entrepreneurs said staying abreast of rapid AI advancements is also necessary.

IT firms must invest substantially in AI technology, infrastructure, research and development, and skill enhancement to maintain a competitive edge and foster innovation, they added.

They were speaking at the "Youth Tech Summit" with the theme "Are you ready for AI", jointly organised by 14 non-profit organisations in the technology sector.

They also called for government support to transform those challenges into opportunities.

More than 2,000 people, including young tech entrepreneurs, professionals, business leaders, and students

WHAT TECH ENTREPRENEURS SAY

- Skills development needed to unlock opportunities
- Keeping up with advancements in AI crucial for transforming businesses
- IT firms should invest in AI infrastructure
- Govt support required to tackle AI challenges
- Proactive AI adaptation crucial for business survival

participated in the event at the Krishibid Institution in Dhaka.

There were 40 speakers, including 20 tech founders, who are working in different fields such as agriculture technology, educational technology, healthcare technology, outsourcing, and product development.

The young founders argued that tax incentives are vital for enabling tech companies to allocate enough resources towards AI research and development and workforce development.

They warned that imposing taxes could hinder these critical investments, potentially stalling the industry's progress and innovation.

Proactive adaptation to AI is not just beneficial but necessary, and supportive policies are key to ensuring that businesses can thrive in this rapidly evolving landscape, they said.

Sayem Faruk, founder of Airwrk, said AI will revolutionise human civilisation in the next few years.

"Jobs will be lost while countless new jobs will be created and supported. As a nation whose only true resources are human resources, it is imperative that we nurture the fledgling companies spearheading this massive change."

"Instead of clipping their wings by imposing taxes, policymakers should nurture them till they take off and soar. Only

then can we create a true Smart Bangladesh." Shahir Chowdhury, founder and CEO of Shikho, said the advancement in AI has huge implications for education technology companies like his.

"In the next three to five years, EdTech will have even more powerful use cases, empowering both teachers and students. AI technology can potentially allow personalised tutoring for every student at a very large scale."

Ahsan Khan Chowdhury, chairman of PRAN RFL Group, said he is excited about the energy and talent of the youth.

Fahim Mashroor, CEO of bdjobs, urged Chowdhury to invest in startups founded by youths in Bangladesh. In reply, he said, "If your idea is good and honest, [PRAN-RFL] will be with you with investment. And we will be encouraged to work on the success of your companies."

Mashroor also said this is the first time that so many young successful tech founders have gathered under a single platform to talk about technological trends and disruptions.

US existing home sales slip in April on still high mortgage rates



A for sale sign is seen in front of a home in Arlington, Virginia on November 19, 2020. Existing home sales in the United States crept lower in April as mortgage rates remained elevated, industry data showed on May 22.

PHOTO: AFP

AFP, Washington

Existing home sales in the United States crept lower in April as mortgage rates remained elevated, industry data showed Wednesday.

Sales of previously owned homes dipped by 1.9 percent from March, reaching a seasonally adjusted annual rate of 4.14 million, according to the National Association of Realtors (NAR).

Analysts had expected a slight uptick last month.

"Home sales changed little overall, but the upper-end market is experiencing a sizable gain due to more supply coming onto the market," NAR chief economist Lawrence Yun said in a statement.

Total housing inventory at the end of April was up nine percent from March, and was 16.3 percent higher from a year ago.

But the level of 1.2 million units remains markedly below the pre-pandemic period, Yun told a press

briefing, adding that inventory remains "tight."

- 'Frustrating market' -

Mortgage rates have surged in recent years as the Federal Reserve rapidly hiked the benchmark lending rate to tackle stubborn inflation.

For now, the central bank continues to hold rates steady as it seeks to stamp out price increases.

As of May 16, the popular 30-year fixed-rate mortgage averaged 7.02 percent, up from 6.39 percent a year prior, according to home loan finance firm Freddie Mac.

But in mid-May 2021, the rate was around three percent.

Higher rates have weighed on transactions, as homeowners who locked in lower rates previously remain reluctant to enter the market.

"It is a very frustrating market out there" for homebuyers, Yun told reporters. "Home prices are at record high, mortgage rates are high."

India inspects spice companies after contamination claims

AFP, Mumbai

India's government spice board has launched factory inspections of two top companies in the wake of foreign bans following accusations some products were tainted with pesticides, media reports said Tuesday.

India is a key spice producer making up some 12 percent of global exports, totalling \$4.25 billion last year, according to the Global Trade Research Initiative (GTRI).

The Spices Board of India launched checks at processing plants of popular producers MDH and Everest - together making up more than a quarter of India's market - to ensure that they meet global standards, the Economic Times reported.

Both companies deny their spices pose a health risk, and MDH last month said the claims were "untrue and lack any substantiating evidence".

Last week Nepal became the latest jurisdiction to impose bans on the import and sale of some spice products by the two brands, following restrictions imposed by both Hong Kong and Singapore.

Restrictions were slapped on after tests detected the presence of ethylene oxide, according to media reports. Besides its use as a pesticide, ethylene oxide is used as a sterilising agent in spices to prevent illnesses caused by salmonella and E.coli bacteria.

Regular exposure to the colourless and odourless compound increases the "risk of cancers of the white blood cells", according to the US Environmental Protection Agency.

There was no immediate response from the Spices Board, and the media reports did not specify exactly when the factory checks began.

But the reported checks come after the board earlier this month ordered exporters to "test raw materials, processing aids, packaging materials and finished goods" for ethylene oxide contamination.

Consumption stays low

FROM PAGE B1

owing to an unprecedented depletion of foreign currency reserves and a rapid depreciation of the taka.

As a result, the inflation rate has surged to record levels.

Arman Hossain, a resident in the capital's Pallabi, said that his family has been forced to cut expenses by 30 percent because everything has become costlier.

"However, my salary has not increased in line with the expenditures," said the 30-year-old, who works for a private company.

Zahid Hussain, a former lead economist of the World Bank's Dhaka office, said the low-income group is finding it difficult to keep their heads above water, so a lower consumption growth rate is normal.

"People's purchasing power has been declining for the past two years. On the other hand, the wage growth rate is not rising at the same pace as inflation. Instead, the real wage growth has turned negative," he said.

In 2022-23, the average inflation rate was 9.02 percent, far higher than the average of 6 percent in recent years. The Consumer Price Index grew by around 9.5 percent in the first 10 months of FY24, BBS data showed.

"The elevated level of consumer prices has forced many people to cut consumption," said Towfiqul Islam Khan, a senior research fellow of the Centre for Policy Dialogue.

Since wages and incomes did not rise in line with the prices of essential goods and services, people were forced to adopt a coping mechanism.

"The relatively low-income people are the main sufferers in this situation. As a coping mechanism, they have reduced their consumption and savings and expenses aimed at education and health. The same was seen during the peak of the pandemic," Khan said.

Private consumption is projected to grow by 3.32 percent in FY24 while

it was 1.98 percent in the previous year. In 2021-22, the consumption of the private sector increased by 7.47 percent, according to the national statistical agency.

"Because of lower consumption, people's nutrition and future investments will be impacted," Khan said, adding that child marriage and the infant mortality rate may increase because of lower consumption as well.

Sabbir Hasan Nasir, managing director of Shwapno, the largest grocery chain in Bangladesh, said the market is not growing the way it expanded in 2021 or 2022.

"The consumption growth has slowed since 2022," he said.

Shwapno has the data of 1.5 million customers, so it can see changes in consumer behaviour by analysing it, he said.

"Volume-wise, there is massive de-growth in many places."

Helal Uddin, president of the Bangladesh Shop Owners Association, backed the data of the BBS.

"Our sales have declined since many low-income and lower-middle-income households cut back on purchases because the prices of almost all products have gone up. It has continued for a couple of years," he said.

Helal added that the cash-poor people are dipping into their savings to survive.

The government consumption growth was projected to be 5.67 percent in FY24, down from 8.53 percent in the previous year.

Overall consumption in terms of gross domestic product also fell. It stood at 72.39 percent in the current fiscal year, down from 74.24 percent in FY23.

Private consumption slipped to 66.78 percent of GDP from 68.58 percent while the government's consumption dipped from 5.67

percent to 5.61 percent.

"Consumption growth is low if volume is considered. As essential commodities have become dearer, overall consumption has fallen," said Eleash Mridha, managing director at Pran Group, the biggest food processor and exporter.

"If we talk about our company, the growth rate was in double digits in the past. However, it has now slipped to single digits."

Govt likely to announce tax rates in advance

FROM PAGE B1

Not only investors, but also individuals will benefit from the move as they will be able to take decisions about their businesses or personal finances in advance, he added.

Therefore, the new system should be continued to grow confidence of investors, he said.

Kabir also mentioned that the government once implemented this system at least two decades ago. "But it was discontinued after two years," he said.

Kamran T Rahman, president of the Metropolitan Chamber of Commerce and Industry, also welcomed the move.

"Investors will receive a positive signal. A stable tax environment will increase their confidence," he said.

In Bangladesh, there are over one crore people who have taxpayer identification numbers.

In 2022-23, taxpayers submitted 41 lakh returns, which represented a year-on-year increase of 17 percent.

Meanwhile, some 35,976 companies filed returns, up 6 percent year-on-year, according to NBR data.

Visa's digital payments rise 25% during Ramadan

STAR BUSINESS REPORT

Global digital payments leader Visa has achieved over 25 percent growth in digital payments during Ramadan of 2024, particularly through cards, and nearly 70 percent of it came through e-commerce.

"It is exciting to see the speedy adoption of card payments by the consumers," said Sabbir Ahmed, country manager for Bangladesh, Nepal and Bhutan of Visa.

An increase in e-commerce spending accounted for nearly 70 percent of Ramadan spends, he said. "We expect this momentum in digital payment usage to continue during Eid-ul-Azha."

The parallel growth of credit and debit card use underscores the confidence and trust people place in Visa, he said.

During Ramadan, retail spends picked up pace with consumers exercising their purchasing power and paying through both debit and credit cards, Visa said in a statement.

Visa Consulting & Analytics shared that during the holy period of Ramadan in 2024, people transacted more online as compared to in-store (face-to-face) shopping, it added.

This year, the share of e-commerce in overall spends rose by 6 percentage points over 2023, with Visa cardholders spending most on travel, education and utilities.

Visa also observed that both online and in-store spends increased, by nearly 50 percent and 15 percent respectively and almost 70 percent of in-store shopping happened on credit cards.

The young tech-savvy population, high smartphone adoption and government initiatives favouring digital transformation are creating a promising future for Bangladesh, said the Visa country manager.

"While cash used to be the primary mode of payment, there is a clear shift underway, and we are delighted to help power this change towards becoming Smart Bangladesh."

"We continuously work with our bank and merchant partners to increase card usage and acceptance innovatively, so that consumers nationwide can use their Visa cards anywhere at any time - conveniently, easily, and safely," Ahmed said.

Gold slips

REUTERS

Gold prices slipped on Wednesday as investors strapped in for minutes from the Federal Reserve's most recent policy meeting for further insights on the timeline for interest rate cuts.

Spot gold eased 0.3 percent at \$2,413.99 per ounce, as of 0838 GMT. Prices had scaled a record high of \$2,449.89 on Monday. US gold futures were down 0.4 percent at \$2,417.50.

"Gold is just consolidating after its big run up. In the short term, it can potentially not go higher without additional support from dollar with focus on the outlook for rate cuts. But it has been an incredibly strong market and buy on dip mentality is still there," Ole Hansen, head of commodity strategy at Saxo Bank said.

Participatory budget crucial for economic progress
Says Deputy Speaker Shamsul Hoque Tuku

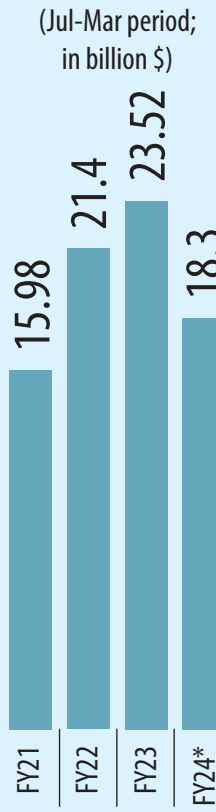
STAR BUSINESS REPORT
Civilians in Bangladesh have to play a strong role in ensuring a participatory budget for fiscal year 2024-25, said Shamsul Hoque Tuku, deputy speaker of parliament, yesterday.
He made the comment while speaking as the chief guest at the launching of Unnayan Shamannay's "Amader Sangsad" (Our Parliament) platform, according to a press release.
The platform, jointly facilitated by Unnayan Shamannay and Bank Asia PLC, intends to provide information and analysis to the members of parliament and other stakeholders during the upcoming budget session.

It is of critical importance to ensure effective participation of the elected representatives as well as the common people in the budget process, Tuku said

The overall wellbeing and economic progress of citizens are tied with the efficiency and effectiveness of the budget making and implementation, Tuku said.
"So, it is of critical importance to ensure effective participation of the elected representatives as well as the common people in the budget process."
Given the prevailing socioeconomic turmoil, the initiative of Unnayan Shamannay may be useful in understanding the relevance and effectiveness of the budget to be proposed next month, said Workers Party President Rashed Khan Menon.
The event was chaired by former Bangladesh Bank governor and Unnayan Shamannay's Founding Chairperson Emeritus Professor Atiur Rahman.
He said in the context of the tumultuous economic environment, the Amader Sangsad platform aims to provide reliable information and analytics related to the national budget.
He also opined that if a right set of policy measures are designed and implemented, Bangladesh is most likely to reaccelerate its inclusive growth.

Shipping cost keeps upward trend as Red Sea crisis lingers

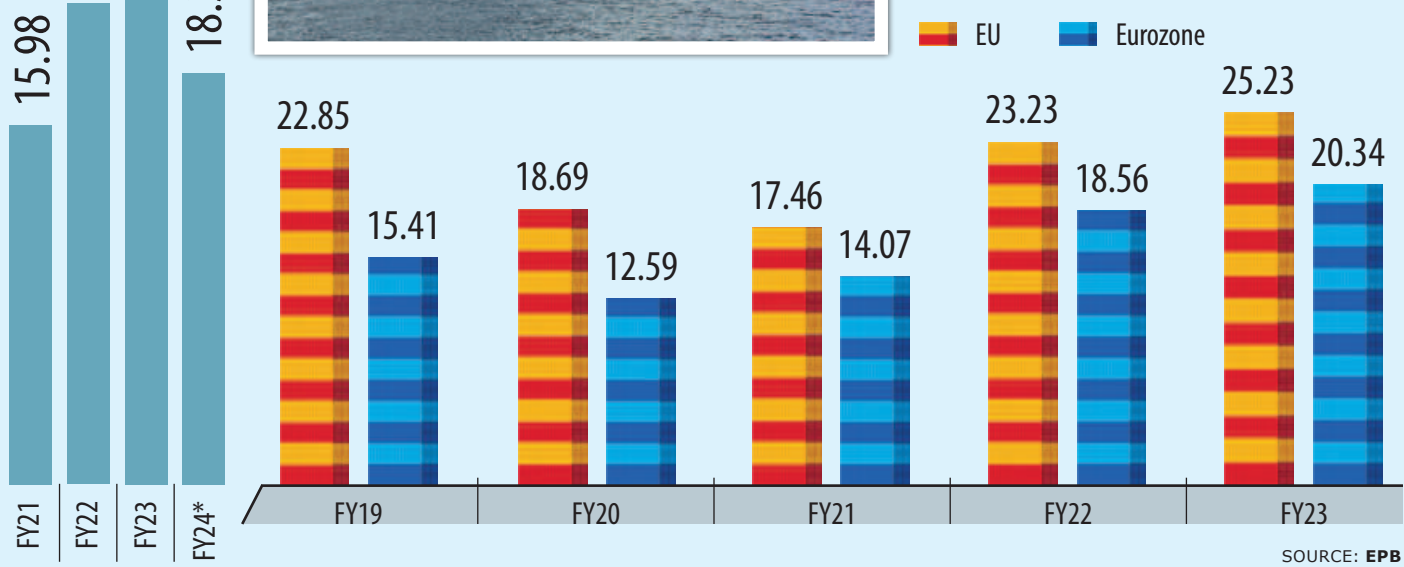
Garment export to the EU
(Jul-Mar period; in billion \$)



The freight cost has escalated by more than the 30 percent reported by users

Nurul Qayyum Khan
President of the Bangladesh Inland Container Depots Association

Bangladesh's export to the EU and Eurozone
(In billion \$)



SOURCE: EPB

REFAYET ULLAH MIRDHA

Shafiur Rahman, regional operations manager of G-Star in Bangladesh, needs to send 6,146 pieces of denim trousers weighing 4,404 kilogrammes from a Gazipur-based garment factory to Amsterdam of the Netherlands.
However, he can't decide whether he will send them by air or sea since the cost has gone up on both routes. The indecision arises because air shipments will cost a lot of money for his company.
Although the transportation of goods through waterways will be relatively cheaper, it would require more time.
The bill is expected to total \$17,616, or \$4 per kg if the items are sent by air. The rate ranged between \$1.50 and \$1.6 per kg before the outbreak of the Red Sea crisis.
The Red Sea connects Asia to Europe and the Mediterranean, via the Suez Canal. About 12 percent of global trade passes through the Red Sea, including 30 percent of global container traffic.
It emerged as the heart of global tension after Houthi rebels began attacking Israel-linked ships in response to the latter's devastating war in the Gaza Strip in the third week of October.
The crisis deepened after the intensification of counterattacks on the rebel groups by the UK and the US.
Bangladeshi businesses are feeling the heat of the conflict as reinsurers worldwide are charging 3.5 times more premiums to cover the risks brought on by the crisis.
As a result, like Rahman's company, other clothing retailers and brands have to count the additional costs due to the crisis,

which has forced users to move goods through the alternative route.
The reliance on air shipments has increased significantly to carry goods from Asia to Europe as the alternative new route around Cape of Good Hope in South Africa costs more and involves more time.
The new route takes an additional 15 days compared with the normal shipping route using the Suez Canal because goods-laden vessels must travel 3,500 to 4,000 kilometres extra.
In fact, all countries that have trading relations with Europe are experiencing the same problem in carrying goods because of the Houthi attacks on commercial vessels.
Rahman said if he sends the same quantity of goods through the new sea route, he will have to pay \$1,400, or \$0.32 per kg. The rate was \$0.17 per before the beginning of the Red Sea crisis.
The higher shipment cost comes at a time when Bangladesh's export sector has come under pressure owing to consumption slowdown in key markets and garment exporters are racing to manufacture products for the upcoming summer.
Faruque Hassan, the immediate past president of the Bangladesh Garment Manufacturers and Exporters Association, said the freight cost has increased by more than 30 percent.
In some cases, however, the rate is lower since some commercial vessels are still using the Suez Canal despite the risk of attacks.
In the case of Bangladesh, global clothing retailers and brands bear the shipping charge as suppliers send goods on the Freight-on-Board (FoB) basis. Very

few suppliers ship goods under the Freight-on-Cost (FoC) method, which requires exporters to pay the shipping costs.
Some buyers had moved away from Bangladesh to other countries due to the protracted crisis. Now, those buyers are coming back, Hassan said.
Nurul Qayyum Khan, president of the Bangladesh Inland Container Depots Association, said the freight cost has escalated by more than the 30 percent reported by users.
He said the crisis has not only affected the traditional route but also raised petroleum prices, ultimately driving up the freight costs.
"Still, exporters are preferring the sea route to move cargoes because of the lower transportation cost compared to air shipments," he said, adding that suppliers can't make any profits if goods are to be transported by air.
Diverting vessels around the Cape of Good Hope has led to additional costs, with an increase of up to \$1,000 per twenty-foot equivalent unit.
The extended transit times are notable, with an additional 14 days for northern Europe, 18 days for southern Europe, and a 30 percent rise in fuel consumption compared to the route through the Suez Canal, according to GEP, a global company providing AI-powered software, consulting and outsourcing solutions.
In addition, war risk premiums have surged to nearly 1 percent of a ship's value, up from the previous 0.7 percent, it said citing global media outlets.
Moreover, the Suez Canal Authority has declared a 5-15 percent hike in transit fees for ships passing through the canal, effective from January 15, it said.

Leading AI firms pledge 'responsible' tech development

AFP, Seoul
More than a dozen of the world's leading artificial intelligence firms pledged at a global summit on Wednesday to develop and use their technology safely, as concern rises over the lack of safeguards for ChatGPT-style AI systems.
Fourteen companies, including South Korea's Samsung Electronics, sprawling tech giant Naver and America's Google and IBM, agreed on the final day of the Seoul summit to "minimise risks" as they push the cutting-edge field forward.
"We commit to continuing to advance research endeavors to promote responsible development of AI models," they said in the Seoul AI Business Pledge. The companies also promised to "minimise risks and enable robust evaluations of capabilities and safety".

The two-day summit, co-hosted by South Korea and Britain, gathered top officials from global AI companies such as OpenAI and Google DeepMind to find ways to ensure the safe use of the technology.
Their commitment builds on the consensus reached at the inaugural global AI safety summit at Bletchley Park in Britain last year.
Under their new pledge, the companies also agreed to help socially vulnerable people through AI technologies, although it gave no details on how this would be achieved.
Sixteen tech firms, including ChatGPT-maker OpenAI, Google DeepMind and Anthropic, also pledged on Tuesday to make fresh safety commitments that included sharing how they assess the risks of their technology.
That includes what risks are "deemed intolerable" and what the firms will do to ensure that such thresholds are not crossed.
The stratospheric success of ChatGPT soon after its 2022 release sparked a gold rush in generative AI, with tech firms around the world pouring billions of dollars into developing their own models.
Such AI models can generate text, photos, audio and even video from simple prompts and its proponents have heralded them as breakthroughs that will improve lives and businesses around the world.

IMF cautions on timing of UK rate cut

AFP, London
The International Monetary Fund on Tuesday said the Bank of England should be mindful over when to start cutting interest rates or risk harming an economy recently out of recession.
The warning came as the IMF ramped up its UK economic growth forecast but warned over "difficult" fiscal choices to stabilise debt, as beleaguered Prime Minister Rishi Sunak's Conservatives trail the main opposition Labour party in opinion polls before a general election this year.
The BoE this month signalled a summer rate cut, after holding borrowing costs at a 16-year peak of 5.25 percent to further dampen price rises.
"As monetary policy reaches an inflection point, the timing and pace of rate cuts must carefully balance the risks of premature and delayed easing," the IMF cautioned in its latest outlook document.
Premature easing could risk further stoking inflation -- but delayed easing could "stall or even reverse" economic recovery, the IMF said.
The BoE began a series of rate hikes in late 2021 to combat inflation, which rose after countries emerged from Covid lockdowns and accelerated following Russia's invasion of Ukraine in February 2022.
UK inflation peaked at 11.1 percent in late 2022 and has decelerated since then, reaching 3.2 percent in March. April data is due on Wednesday.

Oil slips for third day on likely 'higher for longer' US rates

REUTERS, London
Oil prices fell over 1 percent on Wednesday, retreating for a third straight day on expectations the Federal Reserve might keep US interest rates higher for longer due to sustained inflation, potentially impacting fuel use in the world's largest consumer.
The market also slipped as US crude oil and gasoline inventories rose last week, according to market sources citing American Petroleum Institute (API) figures on Tuesday. Analysts expected them to decline.
Brent crude futures were down \$1.03, or 1.2 percent, to \$81.85 a barrel, while US West Texas Intermediate crude (WTI) dropped \$1.25, or 1.6 percent, to \$77.41 as of 0802 GMT.
"The view on the fundamental outlook remains grim," said Tamas Varga of oil broker PVM, adding that "the timing of a Fed rate cut is ambivalent at best".
Oil settled about 1 percent lower on Tuesday.
Physical crude markets have been weakening and in another sign that concern of tight prompt supply is easing, the premium of Brent's first-month contract over the second, known as backwardation, is close to its lowest since January.
Fed policymakers said on Tuesday the US central bank should wait several more months to ensure that inflation really is back on track towards its 2 percent target before cutting interest rates.
Higher borrowing costs can slow economic growth and pressure oil demand.

READ MORE ON B2

China's blistering solar power growth runs into grid blocks

REUTERS, Beijing
China's breakneck build-out of solar power, fuelled by rock bottom equipment prices and policy support, is slowing as grid bottlenecks pile up, market reforms increase uncertainty for generators, and the best rooftop space runs short.
Last year, China expanded its solar fleet by 55 percent. The momentum continued through the first two months of 2024, but in March new solar build fell 32 percent year-on-year to the lowest level in 16 months, official data and Reuters calculations show.
The country's solar power expansion is slowing due to tighter curbs on supplying excess power from rooftop solar into the grid and changes in electricity pricing that are denting the economics of new solar projects.
Forecasts show China's solar build this year will be heavily outpaced by growth in its photovoltaic (PV) module manufacturing capacity, raising the prospect the country will export more solar panels despite a trade backlash in Europe and the US.
The main factor slowing the expansion of distributed solar - installations built near the point of use, mostly on rooftops

- is that there is not enough storage or transmission capacity to soak up the excess power generated when the sun is shining.
That in turn is leading regulators to take away some of the price support that

led to the rapid growth of distributed solar.
"In the next couple of years, this is going to be a huge problem that all provinces will face as grids are oversaturated, the infrastructure is overwhelmed," said Cosimo Ries, an analyst with Trivium



People walk past the solar panels at a wind and solar power site of State Grid Corporation of China in Zhangjiakou of Hebei province.

PHOTO: REUTERS

China, a policy research group.
The problem has hit several regions that were heavy adopters of distributed solar, which made up 42 percent of the national solar fleet last year, but is especially acute in provinces such as Shandong in the north.
State broadcaster CCTV said up to 50-70 percent of distributed solar generation is being curtailed in Shandong, which means grid managers have had to stop that amount of supply coming into the grid in order to maintain balances with demand.
China has tried to limit curtailment of renewable energy to 5 percent, in line with rates of 1.5-4 percent in most big markets, according to the International Energy Agency.
But in a survey of six provinces' ability to absorb distributed solar, China's energy regulator last year found five expected to have to impose restrictions on new projects in 2024.
Hebei and Henan provinces - two of the "three big drivers" of distributed solar along with Shandong - have already seen an "absolute collapse" in installations, Ries said. "These two provinces are very worrying."

READ MORE ON B2