Japan inflation slows in April

AFP, *Tokyo*

The pace of Japanese inflation slowed in April as gas bills fell, government data showed Friday, raising questions about when the Bank of Japan will hike interest rates again.

The Consumer Price Index excluding volatile fresh food prices came in at 2.2 percent, compared with the 2.6 percent logged in March by the internal affairs ministry.

The figure was in line with market expectations and comes even as the weak yen inflates prices for imported goods.

The data "probably reflects a move by companies to restrain price hikes in response to sluggish consumer demand", Taro Kimura from Bloomberg Economics said.

"But the core gauge is still above the Bank of Japan's two percent target -- and the latest data is unlikely to deter the central bank from normalising policy," it said.

A worker at Hatkhola of Barishal city loads discarded cardboard boxes onto a truck destined for a paper recycling mill. Such workers can earn anywhere from around Tk 500 to Tk 700 for a day's work. The photo was taken recently.

PHOTO: TITU DAS

Mobile operators allowed to pay spectrum fee in taka

MAHMUDUL HASAN

The telecom regulator has decided to allow mobile phone operators to pay spectrum acquisition fees in the local currency, a relief for them as the US dollar has become costlier to a large extent.

The Bangladesh Telecommunication Regulatory Commission (BTRC) took the decision at a meeting recently.

The row between the regulator and the operators over determining the currency for the clearing of the spectrum price surfaced in August last year when the BTRC sent a letter to the companies seeking their views on what currency should be used to settle the payment.

The payment was related to 190 megahertz (MHz) of spectrum acquired by the country's four mobile phone operators at $1.23 billion in March 2022.

Banglalink, Grameenphone, and Robi wrote to the BTRC on October 22, requesting it fix the price in the local currency.

According to the operators, companies in all other South Asian nations except Pakistan pay the spectrum bill in their local currencies.

The price of spectrum was fixed in the taka from 2008 to 2011, BTRC documents showed. However, during the auctions in 2013, 2018, 2021 and 2022, the price was fixed in the USD.

However, the operators, in most cases, were permitted to pay it in installments in the local currency based on the exchange rate on the day of the auctions.

"We have always paid the spectrum fee in the taka," said Shahed Alam, chief corporate and regulatory officer of Robi, adding that the spectrum was priced in dollars solely to align them against the rates in other countries.

Sheikh Reaz Ahmed, a commissioner at the BTRC, said: "The spectrum fee will be set in the taka and the operators will be able to pay it for the spectrum they acquired in 2022."

If specified, the fee will have to be settled on the basis of the dollar rate at the time of payments, he added.

Banglalink, Grameenphone, and Robi wrote to the BTRC on October 22, requesting it fix the price in the local currency

During the last auction held in March 2022, the four operators bought 190 MHz of spectrum for $1.23 billion, or Tk 10,645 crore, as per the exchange rate on the day.

That auction lasted only one hour, with market leader Grameenphone buying 60 MHz in 2600 band for Tk 3,361 crore. The same was done by Robi, the second-largest operator.

Banglalink took 40 MHz in the 2300 band for Tk 2,241 crore while state-run Teletalk purchased 30 MHz in the same band for Tk 1,681 crore.

A total of 220 MHz in 2300 and 2600 bands at a base rate of $6 million per MHz were up for sale.

In 2021, some 27.4 MHz was sold at $885.35 million. The base rate was $27 million for the 2100 band and $31 million for the 1800 band.

The scope to settle the bills in the local currency will come as a respite for the operators since the dollar has gained by about 35 percent against the taka in the past two years amid continuous depletion of the foreign currency reserves.

The dollar traded at Tk 86 in March 2022 whereas it has shot to Tk 117 recently, Bangladesh Bank data showed.

Sun Pharma opens new plant

STAR BUSINESS DESK

Sun Pharmaceuticals (EZ), a subsidiary of Sun Pharmaceutical Industries, expanded its footprint in Bangladesh as the drug maker inaugurated a new manufacturing plant at the Meghna Industrial Economic Zone in Narayanganj yesterday.

Equipped with the latest technology and conforming to cGMP standards, the plant has an annual production capacity of approximately 1 billion tablets and capsules.

Salman F Rahman, private industry and investment adviser to the prime minister, inaugurated the plant, according to a press release.

Rahman praised Sun Pharma's efforts, highlighting its contribution to economic growth and innovation.

"Sun Pharma is the world's fourth-largest specialty generics company with presence in specialty generics and consumer healthcare products. It is the largest pharmaceutical company in India and is a leading generic company in the US as well as global emerging markets," he said.

Sun Pharma's high growth global specialty portfolio spans innovative products in dermatology, ophthalmology, and onco-dermatology.

The company's vertically integrated operations deliver high-quality medicines, trusted by physicians and consumers in over 100 countries. Its manufacturing facilities are spread across six continents.

Sun Pharma is proud of its multi-cultural workforce drawn from over 50 nations.

Pranay Verma, high commissioner of India to Bangladesh, Shaikh Yusuf Harun, executive chairman (senior secretary) of Bangladesh Economic Zones Authority, and Maj Gen Mohammad Yousuf, director general of the Directorate General of Drug Administration, and Mostafa Kamal, chairman and managing director of the Meghna Group of Industries, were present.

Dollar down on profit taking

RETUERS, *New York*

The dollar slipped against most major currencies on Friday as traders booked profits after recent gains but the US currency remained well-placed for further advances, supported by strong US economic data that has prompted markets to dial back expectations for interest rate cuts.

Data on Friday showed new orders for key US-manufactured capital goods rebounded more than expected in April and shipments of these goods also increased, suggesting a pickup in business spending on equipment early in the second quarter.

This follows Thursday's data that showed US business activity in May accelerated to the highest level in just over two years and manufacturers reported surging input prices.

Minutes from the Federal Reserve's last meeting published this week showed a lively debate among policymakers as to whether current rates were sufficiently restrictive to cool inflation.

The dollar was down 0.3 percent at 104.72 against a basket of currencies on Friday, after advancing in five of the last six trading sessions. For the week the index was up 0.2 percent.

Forex position to stabilise

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to concessionary financing and support from international financial institutions."

Moody's expects external financing to help alleviate pressures on the external and fiscal metrics, enabling a stabilisation of external buffers although at a weaker level than before the pandemic.

It said the stable outlook is also underpinned by Bangladesh's economic resilience, supported by its globally competitive readymade garment industry, the second-largest in the world.

At the same time, the resilience is balanced against the country's low per capita income, constraints in infrastructure and human capital, low economic competitiveness, and high concentration among drivers of economic growth, particularly regarding the garment sector.

Moody's also said that Bangladesh's credit profile balances the country's robust growth prospects and moderate debt burden against its narrow revenue base that restricts fiscal flexibility and institutional weaknesses that constrain competitiveness.

While the competitive readymade garments industry will continue to contribute to GDP, exports, and incomes over the long term, weaker global demand, together with financial account deficits, have weakened Bangladesh's external position and increased liquidity pressures over the more immediate rating horizon, according to the report.

Debt affordability remains weak due to higher interest expenses relative to Bangladesh's low revenue generation capacity and the relatively modest, but rising, general government debt burden.

"The external position will remain at a weaker level versus two to three years ago," Moody's said.

It said inflationary pressures will remain high, curbing household consumption and keeping economic growth at a relatively modest level.

The Consumer Price Index grew 9.74 percent in April. It averaged 9.02 percent in the last fiscal year, the highest in more than a decade.

Cut expenses since tax receipts won't go up

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the economy," said Mahmud, also a former professor of economics at the University of Dhaka.

The economist said Bangladesh sometimes feels complacent that the country will never default on foreign loan payments and there is a space for borrowing more from the external sector. "But it can create a loan trap for Bangladesh."

The faulty budget management can also create a debt trap even when borrowing is made from local sources, he warned.

"If the government keeps borrowing from local banks and continues repayments of the loan, it will create a trap. It is one kind of vicious cycle."

Prof Mahmud said development spending can't be elevated because of the weakness in revenue collections. "As a result, Bangladesh's expenditure in the education and health sectors has been one of the lowest among the developing nations."

Still, Bangladesh attained some incredible success in social sectors by reducing the child mortality rate, raising girls' school enrolment rate, and improving life expectancy.

"The development in the social indexes was made possible with low-cost solutions like oral saline and vaccines. However, if the successes have to be continued, the allocation in health and education should go up and the service quality in the two sectors should be improved."

He suggested reducing inflation and foreign debts to restore the stability of the economy.

"Only the construction of infrastructures can't ensure sustainable development because the government is relying on foreign debts to build them."

The economist said although the government's foreign debt did not reach an alarming level, the borrowing rate is growing alarmingly.

He said many businesses don't deposit the value-added tax they collect while selling goods although the prices of commodities have gone up owing to the spike in the VAT rate.

"More revenue collection from the source tax is possible, but it is not a good approach."

He urged domestic industries to cut their reliance on imports as the country will not qualify for the unilateral tariff facility after the graduation of the country from the group of least-developed countries to a developing nation in 2026.

Rather, the government should cut corruption to accelerate revenue generation, he said.

In replying to a query from a journalist, the economist also questioned why the International Monetary Fund has shown generosity by relaxing the terms before releasing the first and second tranches of its $4.7 billion loan.

"The current level of foreign currency reserves is not alarming, but the way it is falling is alarming."

Prof Mahmud said allocating expensive new cars to deputy commissioners and upazila nirbahi officers is one kind of expenditure and asked about the whereabouts of the old cars.

While moderating the competition, Hassan Ahmed Chowdhury Kiron, chairman of the DFD, called for improving food safety, reducing the incentives on export receipts, and increasing social safety net allocations.

Eden Mohila College won the competition beating the University of Barishal.

Shanta begins to sell space at Dhaka Tower

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providing sweeping views of the metropolis and Hatirjheel.

Khondoker said the podium levels would host a variety of amenities and spaces which will include banks, ATMs, a food court, cafes, retail outlets, and showrooms.

He added that the project would be financed through their own equity and bank finance.

The SHL said in a press release the Dhaka Tower will feature a total of 21 high-speed elevators, including separate service or fireman's elevators, the latest firefighting and smoke detection system designed by IGnesis Consultants, an integrated building management system, and a central security system.

He said the Dhaka Tower had achieved a LEED platinum pre-certification, which means it will be an energy-efficient building, symbolising Shanta's commitment to sustainability.

The project is now open for bookings and due for completion by the year 2028.

Social safety net allocations inflated

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"This will enable people to know the amount of funds truly spent for poor and low-income people," said Eusuf.

Bangladesh has 115 social security schemes and 39 ministries implement the schemes, he said.

If the allocations for the pensions and interest payments are shifted into another category, the overall allocation for social safety net schemes will decline, he said.

In its analysis of the budget for the current fiscal year of 2023-24, the Centre for Policy Dialogue (CPD) in June last year classified the social safety net programmes (SSNPs) into three categories -- acceptable, quasi-acceptable and non-acceptable.

Acceptable schemes are those that should naturally be included in the SSNPs. Quasi-acceptable schemes fall somewhere in the "grey" area and non-acceptable are those that should be excluded from the list, it said.

By analysing the allocation, the CPD said, "The SSNP budget continued to remain artificially inflated. Seemingly unrelated allocations are reported on the SSNP list."

The independent think-tank said the share of compatible SSNPs in total social safety net schemes declined from 62.2 percent in fiscal year (FY) 2009-10 to 29.2 percent in FY 2023-24.

Its share as a percentage of the gross domestic product (GDP) fell by more than half from 1.6 percent in FY 2009-10 to 0.7 percent in FY 2023-24, according to the CPD.

Hossain Zillur Rahman, executive chairman of the Power and Participation Research Centre (PPRC), said allocations for the pensions should be excluded immediately.

"It is not social protection per se," he said, adding that there are many programmes that do not fall in the category of social protection.

If the items included in the list of social security are examined thoroughly, the allocation for the social safety net will decline to one percent of the GDP, added Rahman, who follows poverty and social protection issues.

The finance ministry says allocations for social security schemes for FY 2023-24 amount to 2.52 percent of the GDP.

He suggested redesigning the social protection programmes keeping in mind the rise in urban poverty and climate change. He also pointed at the persistently high inflation and recommended increasing allocations for safety nets to help the financially insolvent.

"There are multiple viable opportunities," he said, adding that stipends for primary schools could be hiked and universal health coverage programmes could be expanded.

"But it is not a matter of allocation only, it is a matter of monitoring and innovation," said Rahman.

"The low-income and marginalised population groups are in peril amidst the prolonged inflationary pressure. It demands more targeted support for these groups through social protection programmes," said CPD Senior Research Fellow Towfiqul Islam Khan.

"Surely, fiscal space is limited for the government to dedicate resources to this end. Hence, reallocating resources may be required to extend adequate finance," he said.

"Making it a top priority in the upcoming national budget needs strong political will and commensurate actions," he added.

"The effectiveness of the social protection budget will be determined by putting resources into appropriate social protection programmes. Policymakers should avoid any attempts at an eyewash," said Khan.