

# Star BUSINESS

Bangladesh could become a regional hub for trade and investment, according to Paul J Thoppil, Canada's trade representative for the Indo-Pacific



Story on B4

## FDI slips but stays above \$3b

MD FAZLUR RAHMAN and SUKANTA HALDER

Foreign direct investments to Bangladesh snapped its rising trend in 2023, highlighting the nervousness outside investors face in pumping money into a country whose foreign exchange regime is experiencing one of its worst periods in recent times.

Central bank data showed yesterday that Bangladesh received \$3.004 billion in FDI last year, a decrease of 14 percent from \$3.5 billion in 2022.

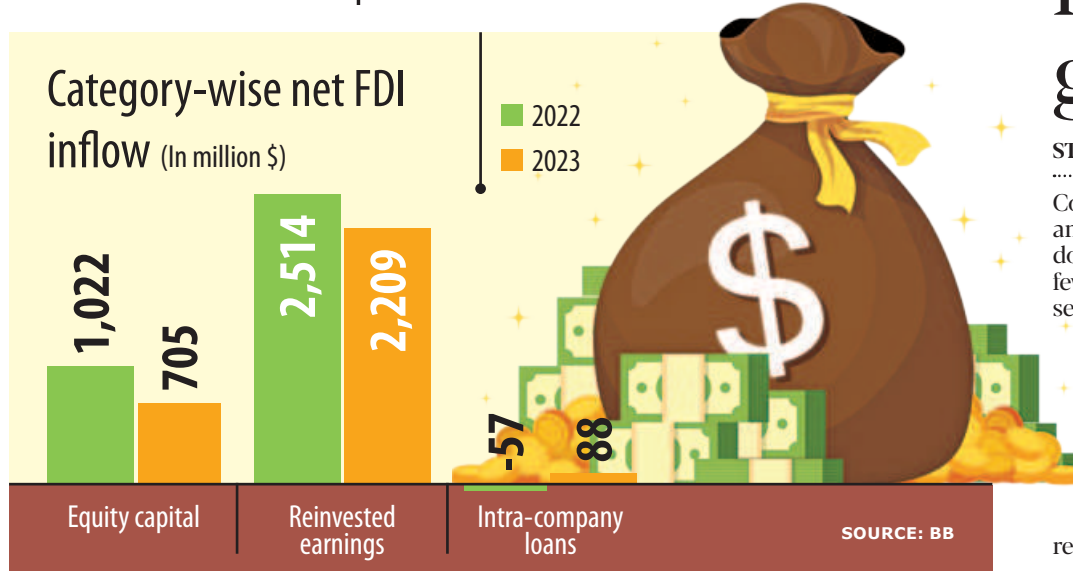
Inflows of equity capital, which refers to investors' purchase of shares of an enterprise in a country other than their own, plummeted 31 percent to \$705.83 million from \$1.14 billion in 2022.

Reinvested earnings, which happen when a company ploughs back its profits instead of repatriating, declined 12.1 percent to \$2.21 billion. Intra-company loans, however, rose to \$88.91 million from a negative \$57.65 million in 2022.

M Masrur Reaz, chairman of the Policy Exchange Bangladesh, a think-tank, said the drop is disappointing.

"And it comes at a time when the country needs foreign currencies to ride out the macroeconomic challenges that have persisted for the past two years. This is even more important when FDI-led diversification of the economy is needed."

He, however, said the decline is not surprising. "This is because our capabilities in attracting FDI have not increased in line with our economic success and the economy's



growing strength."

Reaz also said there is also a lack of targeted strategies and promotion to bring in foreign investments.

"Weaknesses in business climate, the trade policy, in the logistics sector and the outdated regulatory framework also did not help."

The former economist of the International Finance Corporation said FDI has been the clear victim of the macroeconomic challenges.

"When there is volatility in the exchange rate, a fall in foreign currency reserves, import compressions and production disruption, foreign investors don't feel encouraged in investing in a country."

The reserves slipped below the \$19-billion mark earlier this month owing to elevated global commodity prices, supply disruptions, a slowdown in external demand, and a shift in remittances back to informal channels. It was \$40.7 billion in August 2021.

This forced the central bank

to limit imports of luxury and non-essential goods. The taka has lost its value by 35 percent against the US dollar in the past two years.

In 2023, gross FDI inflows were \$3.97 billion, recording a decrease of 17.8 percent compared to 2022. The trend has continued in 2024.

The gross inflows, which include capital repatriation, reverse investment, loans to parents, and repayments of intra-company loans to parents, fell 4.92 percent to \$3.21 billion in July-March of the current financial year, according to the Metropolitan Chamber of Commerce and Industry.

The fall in the FDI explains why the financial account, a key component of the balance of payments, has been stuck in deficit for a long time.

The financial account covers claims related to FDI, medium and long-term loans, trade credits, net aid flows, portfolio investments, and reserve assets.

The deficit in the financial account stood at \$9.25 billion in July-March of 2023-24, according to the BB.

READ MORE ON B3

## Inflation, dollar crises stymie manufacturing growth: MCCI

STAR BUSINESS REPORT

Contraction in domestic and external consumption amid high inflation, import restrictions amid the US dollar crisis, and gas and electricity crunch over the last few months have stymied growth in the manufacturing sector, said a leading business chamber yesterday.

As a result, manufacturing output fell 0.45 percent in the October-December quarter in FY24 from that in the preceding quarter, when there was a 11.6 percent growth.

The manufacturing output had surged 10.88 percent in the second quarter of fiscal year 2022-23, said the Metropolitan Chamber of Commerce and Industry (MCCI) in its January-March quarterly report on the economic situation in Bangladesh.

The share of the manufacturing sub-sector in the economy also decreased to 24.66 percent in the second quarter of FY24 from 25.90 percent in the preceding quarter, it said.



The MCCI said due to the world's present geopolitical scenario, the overall growth in the industrial sector reduced to 3.24 percent in the second quarter of FY24, from 9.63 percent in the first quarter of the fiscal year.

The industrial sector, as a subsector of gross domestic product (GDP), recorded a 10 percent growth in the second quarter of FY23, according to estimates of the Bangladesh Bureau of Statistics (BBS).

The BBS said Bangladesh's GDP growth nearly halved to 3.78 percent in the second quarter of FY24 from 6.01 percent in the previous quarter and 7.08 percent year-on-year. The

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## Amazon wants bonded warehouse in Bangladesh

Titu says

STAR BUSINESS REPORT

American e-commerce giant Amazon wants central bonded warehouse facilities in Bangladesh to enjoy tax benefits, said State Minister for Commerce Ahasanul Islam Titu yesterday.

Amazon has been sourcing clothing from Bangladesh for many years and wants to use the country as a transshipment hub, bringing in goods through its global supply chain before sending those to destination countries, he said.

This is to avail the benefits of different tax rates in different countries and reduce the tax burden, he said in response to queries from journalists at a press conference in the commerce ministry in Dhaka.

The press conference was over a meeting Titu held earlier in the day with a visiting delegation of US-Bangladesh Business Council which included representatives from Meta, Chevron, The Coca-Cola Company and Boeing.

Titu said the government would amend the e-commerce policy so that local e-commerce companies could send goods to customers abroad and engage in international financial transactions.

Presently, Bangladeshi e-commerce companies

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## BB bypasses own rules in appointing IFIC Bank adviser

MD MEHEDI HASAN

The Bangladesh Bank has bypassed its own rules by approving the appointment of Mohammad Shah Alam Sarwar as the strategic adviser of IFIC Bank PLC.

The central bank gave the special permission following an application from the board of the private commercial lender aimed at employing its former managing director as an adviser. This contradicts the central bank's rules.

As per rules, a bank's managing director or any official of up to two levels immediately below the managing director cannot be appointed as an adviser or consultant by the same lender until five years have passed after retirement, discharge or expiry of a contract.

Sarwar's tenure as managing director and CEO of the bank ended on May 13 this year.

After receiving the special approval, he began working as the strategic adviser last week, said officials of the bank.

Contacted, Bangladesh Bank Executive Director and Spokesperson Md Mezbaul Haque told The Daily Star that the BB had approved the appointment considering the application of IFIC.

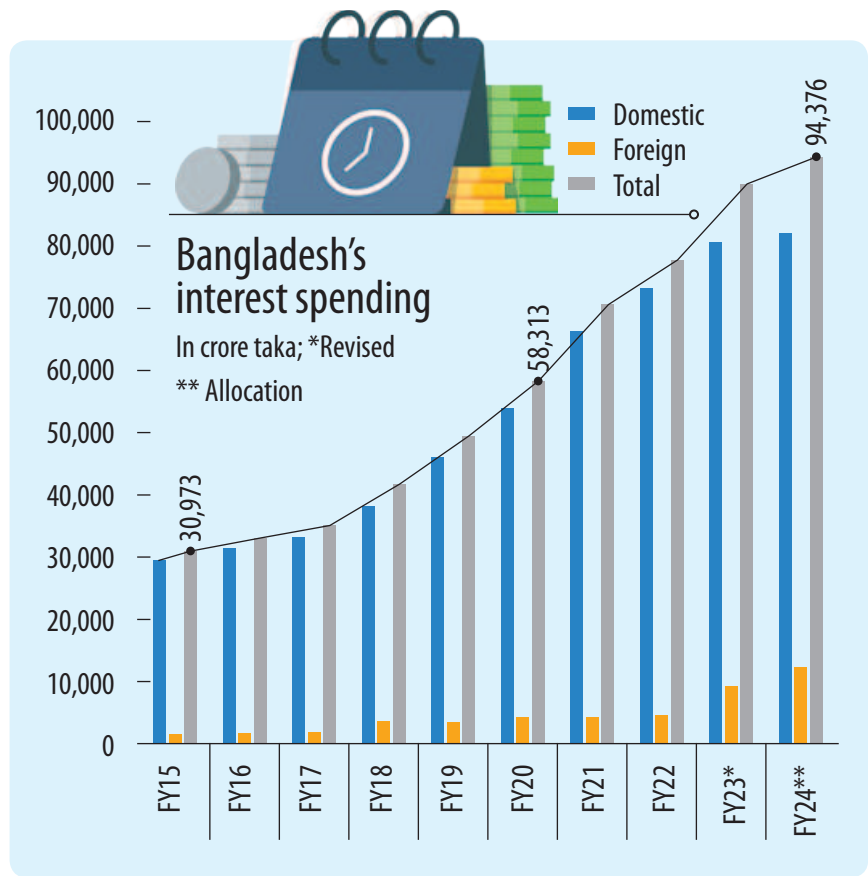
Sarwar joined IFIC Bank as the managing director in December 2012.

"The bank's board informed us that the lender has initiated several reforms for which he (Sarwar) is needed," Haque said.

However, a senior official of the central bank, seeking anonymity, said the BB was forced to give the consent following pressure from government high-ups.

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## Allocation for interest payments to rise 38%



REJAU KARIM BYRON and MAHMUDUL HASAN

The allocation for interest payments of domestic and foreign loans will likely increase by 38 percent to Tk 129,000 crore in the upcoming budget due to a significant hike in the cost of borrowing from both sources.

At the start of the current fiscal year, the government allocated Tk 94,376 crore towards interest payments, which crossed the Tk 100,000 crore mark for the first time after the budget was revised.

A finance ministry official, wishing anonymity, said the allocation for interest payments of domestic loans may increase by 33 percent to Tk 109,000 crore in FY25 compared to the original allocation for FY24.

Similarly, the allocation for interest payments of foreign loans are projected to rise by 61 percent year-on-year to Tk

20,000 crore next fiscal.

The increase in the government's treasury bond interest rate and the taka's depreciation could further drive up the allocation for interest payments when next year's budget is revised, the official said.

Finance ministry data shows that in the July-January period of FY24, interest payments totalled Tk 60,555 crore, a year-on-year increase of 26 percent.

The payment on the domestic front rose 15 percent to Tk 51,213 crore while interest payments for foreign loans went up

threefold.

According to the latest data from the Economic Relations Division, interest payments for foreign loans jumped 125 percent to Tk 12,626 crore in the first 10 months of the current fiscal compared to FY23.

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Dollar edges down

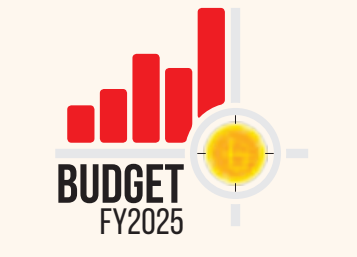
REUTERS
The dollar edged down on Tuesday, but remained in tight ranges against peers, ahead of key inflation data from major economies this week that could inform the global interest rate outlook.
The greenback was also on the verge of its first monthly decline in 2024.
“A backdrop where the Federal Reserve can start cutting rates this year, even in December, is consistent with further dollar weakness,” said Athanasios Vamvakidis, global head of forex strategy at BofA, who mentioned some weakness in US economic data and recent stronger than expected figures from the euro zone as the main drivers of the dollar slowdown.
He also highlighted that the Fed had pushed back against speculation about possible rate hikes, preventing the dollar from appreciating further.
Markets are currently more than fully priced for a US rate cut in December. They also discount an 80 percent chance of such a move in November and a 60 percent chance in September.
Against a basket of currencies, the dollar was down 0.11 percent to 104.44, for a 1.7 percent decline on a monthly basis.

Table with market data: STOCKS (DSEX 0.59%, CASPI 0.47%), COMMODITIES (Gold \$2,344.16, Oil \$78.03), ASIAN MARKETS (MUMBAI 0.29%, TOKYO 0.11%, SINGAPORE 0.35%, SHANGHAI 0.46%)

DSE wants tax exemption for capital gains

STAR BUSINESS REPORT
The Dhaka Stock Exchange (DSE) yesterday demanded that the capital gains of individual investors be kept free of taxation in the upcoming national budget for fiscal year 2024-25.
The demand comes at a time when the National Board of Revenue (NBR) is planning to impose 15 percent tax on capital gains of more than Tk 50 lakh.
DSE Chairman Hafiz Muhammad Hasan Babu made the demand at a pre-budget press briefing at Dhaka Club Ltd in the capital’s Shahbagh.
“Any new tax will further burden investors in this crucial time as the market is still under pressure due to the fallouts of Covid-19 and the Russia-Ukraine war,” he said.
Around 90 percent of investors in the stock market are institutional investors, who currently face a 5 to 10 percent tax on capital gains. The remaining 10 percent are individual investors.
“If the NBR imposes tax on individual investors’ capital

gains, it will negatively impact the market by damaging their confidence,” he added.
However, NBR officials said the move would not affect any small investors as they only want to catch some of the stock market’s “big fish”.



“The NBR doesn’t have any intention to affect small investors who earn less than Tk 50 lakh from capital gains,” an official of the NBR said, seeking anonymity.
Individual investors have benefited from tax breaks since 2015 as part of fiscal measures aimed at boosting Bangladesh’s fledgling securities market.
However, the NBR’s move comes in line with the International Monetary Fund’s

(IMF) recommendations to reduce tax expenditure and increase revenue to meet its aim of increasing the country’s tax-GDP ratio by 0.5 percent next fiscal year.
The DSE chairman also mentioned that existing source taxes should be reduced from 0.05 percent to 0.02 percent.
It was also proposed that corporate tax for listed companies be reduced by 2.5 percentage points from the existing 20 percent.
“The corporate tax gap between listed and non-listed companies should be 10 to 12 percent to encourage good companies in the stock market,” he added. The current gap is 7.5 percent.
Besides, the DSE demanded a tax exemption on bond income and keeping dividend income of up to Tk 50,000 tax free. AGM Sattique Ahmed Shah, chief financial officer and acting managing director of the DSE, Khairul Bashar Abu Taher Mohammed, chief regulatory officer, and Mohammad Asadur Rahman, general manager and company secretary, were also present.

Nagad Digital Bank set to get licence

Kori Digital Bank given six more months to meet criteria
STAR BUSINESS REPORT

Nagad is all set to get a licence for its ‘Nagad Digital Bank’, as it has successfully met the criteria after getting the letter of intent (LoI) from the central bank in October last year.
The details of the proposed Nagad Digital Bank were presented in the board meeting, which gave the final approval, Bangladesh Bank (BB) Executive Director and Spokesperson Md Mezbaul Haque told The Daily Star.
“So, it can be said that Nagad Digital Bank is going to get the final approval.”
The central bank’s board of directors chaired by Board Chairman and Governor Abdur Rouf Talukder took the decision of giving the licence in a meeting yesterday.
The banking watchdog has also decided to give six months’ time to the proposed Kori Digital Bank to meet the LoI criteria -- the conditions which a digital bank should fulfil to get a licence.
The BB spokesperson said the proposed Kori Digital Bank wanted more six months to fulfil the central bank criteria and the board approved it.
Nagad is now running its mobile financial services (MFS) operation without receiving a full-fledged licence from the central bank as it did not fulfil all licensing criteria.
At one point, it wanted to run its MFS operations with a non-bank financial institution (NBFI) licence and it obtained the licence in May last year.
In August 2023, Nagad surrendered the NBFI licence and sought a digital bank licence.

Inflation, dollar crises stymie

FROM PAGE B1
The statistical agency projects a 5.82 percent growth in FY24.
“The brunt of the conflicting situation in the world, especially in the Middle East, may affect the social, political, and economic aspects of Bangladesh as well as the whole world,” said the MCCI.
“This conflict may have some effect on the country’s economy, according to experts,” it added.
The leading chamber, however, said the economy has been showing some signs of improvements in the last January-March quarter.
“Exports and imports are two important drivers of the economy, and amid the present situation, both have done comparatively better,” it said in the report.
It said the agriculture sector performed better in the second quarter of FY24 than the previous quarter because of favourable weather and government efforts towards ensuring the timely availability of inputs and finance.
Yet there are concerns.
The MCCI said there was a slowdown in external demand.
It said remittance inflow remained weak while there was a shortfall in revenue collection from the target and public expenditure remained

sluggish.
The chamber also cited rising inflation, depreciation of the taka against the US dollar, a decline in foreign exchange reserves, and low investment in recent months.
It said the real estate business has been sluggish, mainly because of high costs of property and a drop in the purchasing power of people as Bangladesh was yet to see tangible economic growth.
The MCCI cited sector insiders, saying they blame rising bank lending rates for a slowdown in business as it was weighing down sales despite people’s unmet demand for housing.
The MCCI said the government took quick and decisive measures to address the economic fallouts.
“The government also needs to take more actions to ensure a stable foreign exchange reserve, manage inflation, enhance revenue earnings, ensure proper electricity and gas supply for economic activities, reduce the cost of doing business,” it added.
The MCCI said the government needs to put in the effort to find new markets for exports, promote economic diversification by revisiting the incentive structure, and protect small businesses and low-income people.

Elon Musk’s xAI secures \$6b in new funding

AFP, Washington
Billionaire tech mogul Elon Musk’s startup xAI said it has raised \$6 billion from investors in an increasingly crowded artificial intelligence market.
The latest funding, including from well known venture capitalists

and a Saudi prince, takes the firm’s total valuation to \$24 billion, based on a pre-inflation figure of \$18 billion cited by Musk.
“xAI is pleased to announce... Our Series B funding round of \$6 billion,” the company said in a blog post on Sunday. “The funds from the round will be used to take xAI’s first products to

market, build advanced infrastructure, and accelerate the research and development of future technologies,” it added. Musk teased on his social media platform X that there would be “more to announce in the coming weeks”.
The latest round of funding came from Valor Equity Partners, Andreessen Horowitz, Sequoia

Capital and Prince Alwaleed Bin Talal, among others.
Musk launched the company in July last year, shortly after he signed a letter calling for a pause in AI innovations. He is one of the world’s few investors with deep enough pockets to compete in the AI sphere with the likes of OpenAI, Google and Meta.

BB bypasses

FROM PAGE B1
At least the chief executives of three private banks told The Daily Star that the banking regulator had set a bad example by approving the appointment.
“Now other banks will follow suit,” said one of them.
The central bank, in January, rejected an application from National Bank to appoint the bank’s former managing director Mehmood Husain as its adviser since it breached the rules.
Sarwar neither received phone calls nor replied to text messages.
This correspondent also sought comments from Salman F Rahman, chairman of the bank, through his public relations firm Impact PR. However, the agency did not respond to the queries.

FDI slips

FROM PAGE B1
Bangladesh received the highest net FDI from the United Kingdom, which channelled \$613.93 million, or 20.4 percent of the total.
Some \$366.96 million came from the Netherlands, \$314.9 million from the United States, \$259.54 million from China, \$181.43 million from South Korea, and \$176.87 million from Norway.
In 2023, the manufacturing sector attracted the maximum net FDI, bringing in \$1.26 billion. The power, gas and petroleum sector came second with an inflow of \$581.27 million.
The trade and commerce sector received \$551.97 million, the transport, storage and communication sector got \$290.11

million, and the services brought in \$208.52 million.
FDI stock in Bangladesh was \$20.55 billion at the end of 2023, down 5.1 percent from a year prior, BB data showed. It also fell in 2022, the first decline in 19 years.
Zaved Akhtar, president of the Foreign Investors’ Chamber of Commerce & Industry, said there are a few provisions in the current tax regime that are creating an unfair tax burden on businesses. Such rules are adversely impacting the growth of investment and FDI.
This can be best illustrated by how treating disregarded expenses as separate taxable income imposes an unjust additional tax liability on businesses, thereby raising their

operational costs, he said.
This is particularly problematic because it undermines efforts to cultivate a business-friendly environment, he said.
Moreover, the FICCI chief says, the taxes are considered as deducted or collected and the minimum tax can’t be carried forward or refunded, further complicating the tax framework.
“Reforming such unfavourable rules is crucial to lessen the financial burden on businesses, which will in turn stimulate investment, and foster a more supportive business climate.”
Masrur Reaz urged the government to come up with a mid-term and long-term plan to attract a higher volume of FDIs.

Allocation for interest payments

FROM PAGE B1
However, the total allocation was Tk 12,376 crore, meaning that the entire year’s allocation was surpassed in only 10 months.
In dollar terms, it rose 101.5 percent to 1.15 billion.
As the taka depreciated against the US dollar in the past two years, payments through the local currency increased significantly compared to payments in dollars.
An ERD official said the average exchange rate rose to Tk 110 per dollar during the current fiscal, up from Tk 100 last fiscal.
As the Bangladesh Bank has recently hiked the price of each dollar to Tk 117, interest payments for foreign loans will rise significantly next fiscal.

The government’s foreign loan utilisation has also been increasing in recent times, with \$10 billion of foreign loans spent during each of the last two fiscal years.
Interest payments commence once the loan is utilised, thereby increasing the overall interest expenditure.
At the same time, interest rates of market-based loans have increased. Prior to the pandemic, interest rates of such loans were below 1 percent. But they have swelled to up to 9 percent in line with the international market.
The cost of funds mobilised through the sale of treasury bonds has also been on the rise, leading to further increases in interest expenditure.
The interest rate of treasury bonds has gone past 12 percent at

present from 8 percent in June 2023, according to Bangladesh Bank data.
The interest rate for 5-year treasury bonds rose to 12.5 percent in May this year from 7.91 percent in December 2022. It was 10.3 percent in December 2023.
Though sales of instruments such as national savings certificates are currently low and interest rates against them have fallen, many schemes have matured. This means the government’s expenses in this segment have also gone up.
As of December 31, the government’s outstanding debt stock was Tk 1,659,334 crore, according to the finance ministry’s quarterly debt bulletin. Of that, domestic debt stock was Tk 953,814 crore while foreign loan stock stood at Tk 705,520 crore.

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# Bangladesh could be a regional trade hub

Says Canadian trade representative

PORIMOL PALMA

Bangladesh could become a regional hub for trade and investment in the wake of ongoing geopolitical tensions and growing focus on the Indo-Pacific region, according to Paul J Thoppil, Canada's trade representative for the Indo-Pacific.

However, the country would need to sign Foreign Investment Protection Agreements (FIPAs) in order to encourage foreign direct investment (FDI) to this end, he said.

A FIPA is an international treaty between two countries that imposes rules on how foreign investors from either side can be treated while doing business with the other, thereby protecting their interests.

Most countries have taken advantage of the huge low-cost labour force in China, Thoppil said.

"But given geopolitical tensions, a lot of foreign multinationals are considering adopting a combined China Plus One policy," he added.

China Plus One refers to a global business strategy where companies avoid investing only in China and opt for a more diverse portfolio featuring a variety of ASEAN countries.

Bangladesh has the opportunity to benefit from this strategy amid the changing global supply chain thanks to its low-cost and educated labour force, Thoppil said.

"I would like Bangladesh to leverage this attribute as demonstrated in the country's garments sector to increase trade and investment with Canada

and other parts of the North American market," he added.

Thoppil made these comments in an

exclusive interview with The Daily Star on May 21 during a three-day visit to Dhaka, where he held meetings with top government officials to promote bilateral trade and investment.

There is also a willingness on the government side to sign FIPAs, which gives a note of confidence and some degree of legal recourse in protecting investments from other countries.

various crops that are resilient to climate shocks.

Besides, with global focus shifting to the Indo-Pacific region, the highly developed economies of North America have a strategic desire to step up engagements with Bangladesh and some 40 other economies in the region, Thoppil said.

Canada aims to achieve this through its five pillars, which include ensuring peace, security and stability, expanding trade and investment, fostering sustainable and inclusive growth, increasing investment in people to people contacts and deepening diplomatic engagement in the region.

Thoppil, who has been posted in Indonesia, said there are already more than 100,000 Bangladeshis, of which roughly 15,000 are students, living in Canada.

"We want more Bangladeshis to come to Canada and are also looking for young Canadians to come work and study in this region," he added.

Thoppil informed that Canada is also willing to support Bangladesh in its transition to middle-income status following its graduation from least developed country status in 2026.

"We will provide duty-free access to Bangladeshi products for three years after 2026. We will give more support in terms of tariff reduction but it will be conditional on labour reforms as recommended by the International Labour Organization," Thoppil said.

Canada will also look at the aspects of inclusivity, including women empowerment and Bangladesh's pursuit of multilateral systems, he added.



## KEY POINTS

Bangladesh exports products, mostly RMG, worth over \$2b to Canada a year

Canada exports goods such as wheat, pulses and MoP worth nearly \$1.5b to Bangladesh

Canada looks to sign Foreign Investment Protection Agreement with Bangladesh

It considers Bangladesh a regional hub for trade and investment

Bangladesh has improved infrastructure, now it needs branding

Canada willing to reduce tariff post-2029 subject to labour reforms

exclusive interview with The Daily Star on May 21 during a three-day visit to Dhaka, where he held meetings with top government officials to promote bilateral trade and investment.

He said he observed vibrancy in the economy, confidence in the private sector, good infrastructure and a youthful population.

In fact, Bangladesh's economic progress in the past two decades has been so fast that it was not well observed by the outside world, he said.

"I think we should send the Canadian private sector a signal that Bangladesh is a fantastic place for investment as it could be a hub for exports to India, China and neighbouring countries," he said.

"So, I came here to signal, that beyond diversifying our trade, we want to encourage investment in this country and also tell Bangladeshi companies to consider Canada as an investment destination," Thoppil said.

"We need to give both parties confidence through this agreement," he added.

However, bilateral trade with Canada rose significantly to about \$3.5 billion a year, with Bangladesh exporting goods worth more than \$2 billion to Canada.

Bangladesh's main export items include garments while Canada's are wheat, pulses and potash. Canada is also deepening its relations with Bangladesh in areas of agricultural research by developing



## iPhone sales in China jump 52% in April

REUTERS, Beijing

Apple saw its iPhone sales in China jump 52 percent in April from a year earlier, Reuters calculations based on industry data showed on Tuesday.

The big increase follows a weak performance earlier this year in the world's biggest smartphone market, as the US tech giant faces intensifying competition in the high-end market from local rivals such as Huawei.

Apple's shipments in China increased by 12 percent in March, marking a significant improvement from the first two months of 2024, when the company experienced a 37 percent slump in sales.

Overall smartphone sales in China increased by 25.5 percent to 22.7 million units in April, data from the China Academy of Information and Communications Technology (CAICT) showed.

# DCCI seeks more Russian investments in power and energy

STAR BUSINESS REPORT

More Russian investments, especially in the power and energy sector, could play a pivotal role in ensuring steady economic progress and industrialisation in Bangladesh, said Ashraf Ahmed, president of the Dhaka Chamber of Commerce & Industry (DCCI), yesterday.

He made the remarks during a meeting with a Russian trade delegation at the DCCI auditorium in the capital.

The 14-member delegation led by Alexander Rybas, trade commissioner of the embassy of the Russian Federation in India, visited the DCCI to explore business opportunities for the entrepreneurs of both countries.

Ahmed urged Russian importers to import more products from Bangladesh, especially readymade garments, pharmaceuticals, jute and jute goods, light engineering, leather goods, plastics, footwear, shipbuilding, ceramics, IT, and IT-enabled services.

The DCCI chief also said Russian investors who are already operating in Bangladesh have

been successful so far. He invited Russian investors to invest in the field of agriculture, science, technology, education, maritime and service since these sectors offer huge opportunities to widen the bilateral ties.

Bilateral trade between the two countries stood at \$965.61 million in the last financial year of 2022-23: Bangladesh's exports were \$460.39 million while imports amounted to \$505.22 million, according to the press release.

Rybas said that Russia and Bangladesh have been maintaining a cordial bilateral trade relation since 1972.

Bangladesh and Russia have signed a joint trade agreement to foster bilateral trade and investment.

He said that Russia has already extended all-out support for the implementation of the Rooppur nuclear power plant and will continue the cooperation for Bangladesh's energy security and natural gas exploration.

In 2023, Russia exported 2.67 million tonnes of wheat to Bangladesh, according to Rybas. "There are many opportunities for Russia's

investment either in the form of single or joint venture, especially in the information technology, banking, chemical and mechanical engineering sectors of Bangladesh."

Rybas said Bangladesh's skilled workforce has been engaged in the shipbuilding industry in Russia since 2023 and it is expected that this trend will be expanded in the future.

Ekaterina Semenova, minister counsellor and deputy chief of mission at the embassy of the Russian Federation in Bangladesh, said Russia has the second-biggest commercial relationship with Bangladesh among South Asian countries.

In order to strengthen the trade ties, she emphasised expanding the relationship between the private sector representatives of the two countries.

After the meeting, the members of the delegation took part in a business-to-business networking where they expressed their keen interest in doing business in Bangladesh and lauded the country as an attractive destination for investments, the press release added.

## Sri Lanka holds rates to manage inflation, foster economic stability

REUTERS

Sri Lanka's central bank held interest rates steady on Tuesday to ensure inflation pressures remain in check as authorities look to foster economic stability and lift growth following the South Asian nation's worst financial crisis in decades.

The Central Bank of Sri Lanka (CBSL) kept the Standing Deposit Facility Rate at 8.50 percent and the Standing Lending Facility Rate at 9.50 percent, it said in a statement.

The decision surprised some in the market as eight out of 15 economists and analysts polled by Reuters had projected rates to be cut by 50 basis points.

Sri Lanka's key annual inflation rate was at 1.5 percent in April, down from 6.4 percent at the start of the year, and prices appear well anchored, the central bank said in a statement.

"Incoming data suggests that headline inflation is likely to be below the targeted level of 5 per cent in the upcoming months due to the combined impact of the administered price adjustments and eased food prices, although some upside risks remain," the central bank said.

CBSL reduced rates by 50 bps in March as it continued an easing cycle that has seen rates drop by 700 bps since June, partially reversing the 1,050 bps in increases made since April 2022 when the economy plunged into crisis.



REUTERS, Hong Kong

China is roping in financial blue-chips in a renewed push to achieve technological self-sufficiency. Six of the country's biggest lenders have invested in Beijing's third and largest semiconductor fund, marking a new and riskier phase in China's industrial ambitions.

Known as the "Big Fund", the China Integrated Circuit Industry Investment Fund this week launched a 344-billion-yuan (\$47.5 billion) investment vehicle worth more than its two predecessors combined. It underscores President Xi Jinping's bold campaign to wean his country off Western chips, equipment and software amid Washington's efforts to hobble technological advances in the People's Republic and rising trade tensions with Brussels. Shares of Semiconductor Manufacturing International, a \$25 billion domestic chipmaking champion and key beneficiary, rallied more than 4 percent in Shanghai on Monday.

# China cashes in on banking chips for tech drive

As with the earlier ones, Big Fund III counts China's Ministry of Finance as its top shareholder with a roughly 17 percent stake. What's different this time is its roster of investors: whereas in the

past, policy banks and local governments from Wuhan to Hefei featured heavily, the latest fund has roped in the \$270 billion Industrial and Commercial Bank of China, the world's largest bank by assets,

and peers. Altogether, the six Chinese lenders have invested 114 billion yuan for a combined one-third stake.

It's a prudent move. The central government is grappling with a property crisis alongside a sluggish economy; it is already issuing 1 trillion yuan worth of special bonds to boost growth. Tapping the country's lenders, which have access to the country's nearly \$18 trillion of savings, could help ease the fiscal strain on cash-strapped provinces. Companies in the private sector, from Alibaba, and Tencent, are also investing huge sums to back promising startups.

This will come at the expense of shareholders. China Construction Bank, which took a 6 percent stake in the chip fund, justifies the investment as "a strategic choice to serve the real economy". Moreover, since its inception in 2014, the Big Fund has been marred by bankruptcies and corruption scandals, culminating in the arrest of its chairman in 2022 shortly after the financial implosion of Tsinghua Unigroup, the country's erstwhile chip darling.

The payoff for the local semiconductor sector could be huge. So will the investment risks for the country's biggest firms.



A worker is producing chips at a workshop in Suqian, in China's eastern Jiangsu province. China Integrated Circuit Industry Investment Fund launched a \$47.5 billion investment vehicle this week. PHOTO: AFP/FILE

## BB upgrading software to expedite treasury bond transfers

STAR BUSINESS REPORT

Bangladesh Bank is currently in the process of upgrading its treasury bond management software to address delays in the transfer of these government securities to beneficiary owner (BO) accounts following their purchase by individual investors.

The central bank sent a letter to the chairman of the Bangladesh Securities and Exchange Commission (BSEC) last week informing of this initiative.

Due to the software upgradation process, the transfer of treasury bonds has been suspended since May 26.

However, associated systems have been kept running, such as for secondary trading and investor participation in primary auctions for treasury bonds.

The central bank hopes to bring the upgraded software online from June 2.

The banking regulator took up this initiative as some investors were facing long delays in getting treasury bonds upon their purchase through the existing system.

A top official of a stock brokerage told The Daily Star yesterday that although some investors had bought treasury bonds in recent weeks, it was not showing up in their BO accounts.

This was creating confusion among the investors over whether their payments had gone through, whether the system had registered their purchase orders and whether the treasury bonds would indeed be transferred to their BO accounts.

However, brokers assured them that the delay was just a technical issue.

As such, the central bank's decision to upgrade the treasury bond management software will give relief to the investors as it will expedite the transfer of the bonds to their BO accounts, said the official.

Treasury bonds made their debut at Dhaka Stock Exchange on October 11, 2022, offering a new product to investors in a market that had limited investment options.

## Stocks fall again

STAR BUSINESS REPORT

The benchmark index of Dhaka Stock Exchange (DSE) fell again yesterday on rising the preceding day snapping a nine-day losing streak.

The DSEX, the broad index of the country's premier bourse, dropped 31.63 points, or 0.60 percent, from that on the day before to close at 5,278.88.

Similarly, the DSES, the index that comprises Shariah-based firms, went down 7.63 points, or 0.66 percent, to 1,152.55.

The DS30, the index that represents the best blue-chip stocks, dipped 13.92 points, or 0.73 percent, to 1,886.72.

The market closed in the negative with a decrease in turnover, according to UCB Stock Brokerage. Turnover, meaning the value of the shares traded on a given business day, decreased 12.92 percent to Tk 440 crore.

The pharmaceuticals sector dominated the turnover chart, accounting for 16.40 percent of the market's total turnover for the day.

International Finance Investment and Commerce (IFIC) Bank was the most traded share accounting for 7.6 percent of the total turnover, or Tk 21.4 crore.

It was followed by eGen Consultants with 2.78 percent, Reliance Insurance Mutual Fund 2.80 percent and Alif Industries 3.62 percent.

Block trades accounted for 9.4 percent of the total market turnover.

A block trade is a large, privately negotiated securities transaction which is arranged away from public markets to lessen the effect on the security's price.

The total block market turnover stood at Tk 41.3 crore, representing 9.4 percent of the day's total turnover.