

# Star BUSINESS

Mercantile Bank plans to provide more loans to small and medium enterprises, retail and agriculture, said its top executive



Story on B4

## RMG export prices fell up to 16% in last 8 months

BGMEA chief says

STAR BUSINESS REPORT

Export prices of locally made garment items have fallen by 8 percent to 16 percent year-on-year over the last eight months, according to data of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

International market prices declined mainly because of a fall in demand from end consumers suffering from high inflationary pressure due to the severe fallout of Covid-19 and Russia-Ukraine war.

Moreover, the volume of garments exported from Bangladesh to major markets also exhibited a declining trend over the past 10 months.

For instance, the import of apparel from around the world by the US declined by 7 percent and by European Union (EU) by 13 percent in the July-April period of the current fiscal year.

**Prices declined mainly because of a fall in demand from consumers amid high inflation**

This was due to the fall in demand, the BGMEA said.

Although there was 4.97 percent growth in Bangladesh's garment exports during this period, it was far lower than the 9.09 percent rise recorded in the corresponding period of fiscal year 2022-23.

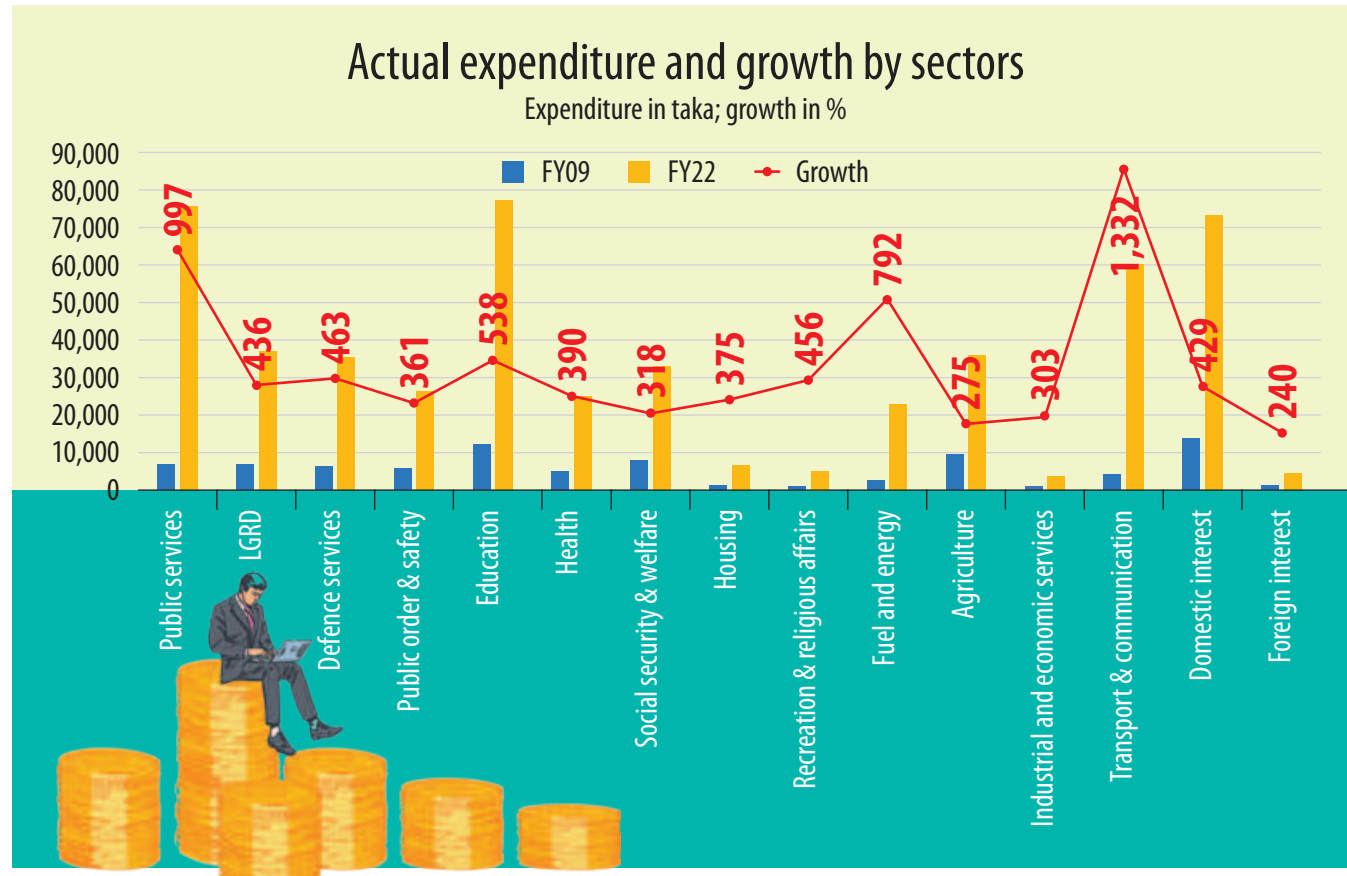
However, the bank interest rate rose by 15 percent and cost of production by 50 percent over the last five years, said BGMEA President SM Mannan Kochi yesterday.

The cost of production has increased because of a hike in gas and power prices and wages of workers, he told a views-exchange meeting with journalists at Pan Pacific Sonargaon Dhaka.

Kochi also said a recent government decision to not allow any investment to be made outside of export processing zones and special economic zones would have a negative effect on the inflow of such funds into the country.

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## Social spending gets less priority in lopsided budgets



MD ASADUZ ZAMAN

The government has prioritised budgetary investments in three sectors, namely public services, transportation and communications, and energy, since the fiscal year of 2008-09. By contrast, actual spending witnessed a drop in vital sectors such as agriculture, social security, health, and education.

This implies that the government has given lower priority to these sectors although investments in education and health are necessary to build human capital and make the most of the demographic dividend.

Finance ministry data showed that the government spent Tk 6,881 crore, or 7.81 percent of the total actual budgetary



### BUDGET REVIEW

expenditure, on public services in FY09.

However, actual expenditure on public services, which cover government employee pay and other spending for goods and services, soared more than 10-fold to Tk 75,511 crore in the 13 years to 2021-22.

In FY22, the spending on public services increased to 15 percent of the total actual expenditure, nearly double the rate in FY09. Similarly, spending on

the transport and communication sector surged to 12 percent from 4.7 percent in FY09.

In taka terms, the outlay on transport and communication shot up by more than 14-fold to Tk 60,200 crore from Tk 4,205 crore.

The energy sector, which accounted for 2.9 percent of actual expenditure in FY09, saw its share rise to 4 percent in FY22.

On the other hand, spending on education declined from 13.48 percent to 12 percent during the 13-year period despite already being lower than the 15-20 percent that the United Nations recommends countries invest in education.

READ MORE ON B3

## AkijBashir set to enter glass market, invests Tk 2,200cr

JAGARAN CHAKMA

AkijBashir Group is set to offer different types of high-end glass used in construction as it looks to grab a share of rising sales amounting to around Tk 2,600 crore annually.

Akij Glass Industries, a concern of the group, has invested around Tk 2,200 crore to set up a factory on over 125 acres of land in Madhabpur upazila of Habiganj, some 114 kilometres east of capital Dhaka.

"We already completed establishing the factory and trial production will start soon," said Abu Jubaid Mohammad Rassel, deputy general manager (marketing) of Akij Glass Industries.

A major part of the investment, which includes the price paid for purchasing the land, came from some local banks and financial institutions that found the initiative to be commercially viable, he said while talking to The Daily Star last week.

He said they have set a target to start marketing the products, categorised by safety, thermal performance and visual appearance, from the first week of July.

Initially, high end float glass will be manufactured and the production capacity will be 600 tonnes per day, Rassel added.

The company has mobilised sophisticated machinery and equipment from Europe to ensure quality in the manufacturing process, he said.

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STOCKS		WEEK-ON WEEK
DSEX	1.14%	5,251.96
CASPI	2.15%	15,072.2

COMMODITIES		AS OF FRIDAY
Gold	\$2,327.36	(per ounce)
Oil	\$77.16	(per barrel)

ASIAN MARKETS				FRIDAY CLOSINGS
MUMBAI	TOKYO	SINGAPORE	SHANGHAI	
0.1%	1.14%	0.4%	0.16%	
73,961.31	38,487.9	3,336.59	3,086.81	

## FDI inflow is shrinking. Here's why

AHSAN HABIB

Bangladesh has consistently received lower foreign direct investment (FDI) over the years despite witnessing handsome GDP growth, developing several special economic zones and adopting one-stop services.

Although such moves are designed to encourage FDI, Bangladesh Bank data shows that net FDI inflow fell to \$3 billion in 2023, a decrease of 14 percent from \$3.5 billion in 2022.

In their recently ended fiscal year, net FDI inflow stood above \$40 billion in India and \$15 billion in Vietnam.

Naturally, this raises questions about why FDI remains low in Bangladesh year after year.

One major reason is the huge gap between the thinking of policymakers and the actual problems that investors face. So far, the government has done little to solve these problems or address discrepancies.

However, if the sufferings of investors are elaborated precisely, perhaps the question should be why they should invest in the country, especially when they have better options in other countries.

Policymakers believe foreign investors will be attracted to Bangladesh because it has a huge pool of cheap labour and allows easy repatriation of capital. So, they opine, FDI will find its way to the country if they can prepare special zones for investors.

But is that enough? Not at all. Policymakers should realise that attracting foreign investors by offering only cheap labour is

losing its lustre. At present, technology is taking over the role played by labourers in many cases.

On the other hand, many other countries allow full repatriation of capital and also provide land to foreign investors.

Moreover, Bangladesh's port handling facilities are still not up to the mark. If Bangladesh engages in more international trade, handling facilities may face serious challenges.

Sustainable energy supply is also a concern as existing investors are already facing a challenging situation in getting uninterrupted energy supply for their units.

Another headache for investors is frequent policy changes, which ultimately impact their businesses.

Policy chopping and changing is common in the country but the more important aspect is that the government does not even speak with private sector stakeholders before altering them.

As a result, these frequent policy changes not only create unpredictability but also jeopardise profitability, affecting investors' decisions. Similarly, foreign investors operating in Bangladesh have been demanding consistent and predictable tax rules and measures for several years. However, the government changes the tax policies in almost every fiscal year.

On top of all these factors, corruption plays another major role behind the low FDI. Although corruption is not uncommon in foreign countries, it has permeated every sphere of society in Bangladesh, which has a greater impact.

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### WEEKLY INTERVIEW



Sumon Chowdhury

## 'Steel industry now a risky place for fresh investments'

JAGARAN CHAKMA

It has become extremely risky to invest in the steel industry of Bangladesh as the country is suffering from economic vulnerability amid sustained inflationary pressure.

Besides, the combined production capacity of local steelmakers already exceeds domestic consumption by around 41 percent, indicating an oversaturated market.

The steel industry's overall production capacity was about 1.10 crore tonnes last year against demand for 65 lakh tonnes, according to Sumon Chowdhury, secretary general of the Bangladesh Steel Manufacturers Association (BSMA).

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#### THE WEEKLY VIEW

#### Reasons behind low FDI


- Policy inconsistency
- Lack of good governance
- Inadequate energy
- High tax for companies





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## Prime Bank declares 17.5% cash dividend

STAR BUSINESS DESK

Prime Bank announced a 17.5 percent cash dividend for the year that ended on December 31, 2023.

The announcement came at the bank's 29th annual general meeting (AGM), which was held virtually recently, the bank said in a press release.

Tanjil Chowdhury, chairman of the bank, presided over the meeting, where the financial statements for 2023, along with the directors' reports and audit reports, were approved by shareholders alongside re-election of retired directors, appointment and re-appointment of independent directors, and re-appointment of statutory and compliance auditors.

Anwaruddin Chowdhury, chairman of the audit committee of the bank, and Hasan O Rashid, chief executive officer, delivered speeches at the meeting.

Tanvir A Siddiqui, company secretary, moderated the event, where representatives from the stock exchanges and auditors were present.

The chairman of the assistive committees, directors of the bank, chief financial officer, and senior bank officials were also present.

Notably, The Bangladesh Securities and Exchange Commission (BSEC) allowed holding AGM digitally only to those listed companies maintaining the "A" category for the last five consecutive years.



Tanjil Chowdhury, chairman of Prime Bank, presides over the bank's 29th annual general meeting, which was held virtually recently. The meeting approved 17.5 percent dividend for 2023.

PHOTO: PRIME BANK

## New office bearers of crop protection association

STAR BUSINESS DESK

M Sayeduzzaman of Mimpe Agrochemicals and Md Moazzem Hossain Palash of Assign Crop Care, have been elected as chairman and secretary general respectively of the Bangladesh Crop Protection Association (BCPA) for two-year term.

Md Tofiqul Islam, member of the election of the association, announced the names of the newly-elected office bearers after holding the BCPA's 44th annual general meeting at the Bangabandhu International Conference Center in the capital's Agargaon recently. Aatur Rahman Khan of Agro Winner was elected as senior vice-chairman while Md Mahbubur Rahman Gazi of MR Enterprise was elected as treasurer.

Md Manzurul Huda of Sweet Agrovet and AHM Sadrul Alam of Aungkur Traders were elected as vice-chairman 1 and 2 respectively.



M Sayeduzzaman Moazzem Hossain

Meanwhile, Md Reaz Uddin Ahmed of Bayer CropScience and Md Marufuzzaman of Gurpukur Corporation were elected as joint secretary general 1 and 2 respectively.

The other member of the executive committee are SM Khaled of Ingenious Crop Science, Raihanul Anam of Pals Agro International Company, Md Serazul Islam of Chemist Crop Care, Md Mizanur Rahman Khan of Siraj Agro International, Md Abdul Alim of Padma Agro Sprayers Company, Md Sadiqul Islam of Sara Chemicals, Md Rafiqul Islam of Total Agro Science, Dilip Kumar Bhowmik of Popular Agro Industries, Md Arshadur Rahman of Biotech Agrovet, Md Kabir Uddin of Agro Link BD, KM Firoz Ahmed of Fasal Agro Industries, Syed Moinul Islam of Agro Vim, and AKM Masudur Rahman of DM Crop Care.

## Mercantile Bank announces 10% cash dividend



Morshed Alam, chairman of Mercantile Bank, presides over the bank's 25th annual general meeting, which was held virtually recently. The meeting announced 10 percent cash dividend for 2023.

PHOTO: MERCANTILE BANK

STAR BUSINESS DESK

Mercantile Bank recently announced a 10 percent cash dividend for the year that ended on December 31, 2023.

The announcement came at the bank's 25th annual general meeting (AGM), which was held virtually, the bank said in a press release. Morshed Alam, chairman of the bank, presided over the meeting.

In his speech, Alam stated that Mercantile Bank succeeded in 2023 by cooperation with and support of shareholders and clients as well as the Bangladesh Bank and other regulatory bodies.

He thanked the board of directors and the management for their collective effort towards the bank's achievement.

"Mercantile Bank PLC will be able to face the challenges of the 21st century by developing the quality of its services and

human resources, implementing the use of the latest technology, and managing risks," he added.

The bank reported consolidated earnings per share of Tk 1.86, net asset value per share of Tk 23.91 and net operating cash flow of Tk 4.80 for 2023.

Md Quamrul Islam Chowdhury, managing director of the bank, presented plans for 2024 at the meeting.

ASM Feroz Alam, vice-chairman of the bank, Md Anwarul Haq, vice-chairman and chairman of the risk management committee, Akram Hossain (Humayun), chairman of the executive committee, M Amanullah, chairman of the Mercantile Exchange House (UK), Md Rezaul Kabir, chairman of the audit committee, MA Khan Belal, chairman of Mercantile Bank Securities, Md Shahidul Ahsan, sponsor shareholder, were present.

## BRAC Bank wins 'Climate-focused Bank in Bangladesh' award

STAR BUSINESS DESK

BRAC Bank has been honoured with the "Climate-focused Bank in Bangladesh" award at the 24th session of the National Renewable Energy Conference and Green Expo for its strong commitment to sustainability.

The Institute of Energy of the University of Dhaka and the Green Tech Foundation jointly organised the programme with the support of the United States Agency for International Development, the Sustainable and Renewable Energy Development Authority, the Infrastructure Development Company and Bangladesh Solar and Renewable Energy Association.

Md Sabbir Hossain, deputy managing director and chief sustainability officer of the bank, received the award from Achim Troster, the German ambassador

to Bangladesh, at the Nabab Nawab Ali Chowdhury Senate Bhaban at the University of Dhaka.

"We are honoured to be recognised as a climate-focused bank. Our business model, centred on governance, transparency, ethics and compliance, has paved the way for our remarkable achievements in green financing, sustainable CMSME financing, and climate-smart agriculture projects," said Hossain.

"As an organisation rooted in purpose, we maintain an unwavering commitment to the UN Sustainable Development Goals."

"This recognition will inspire us to expand our climate and sustainability initiatives further," he added.

This accolade is a testament to the bank's unwavering commitment to spearheading sustainability efforts, emphasising ethical practices, and bolstering green financing initiatives.



Md Sabbir Hossain, deputy managing director and chief sustainability officer of BRAC Bank, receives an award from Achim Troster, German ambassador to Bangladesh, at the 24th session of the National Renewable Energy Conference and Green Expo held at Nabab Nawab Ali Chowdhury Senate Bhaban at the University of Dhaka recently.

PHOTO: BRAC BANK

PRICES OF KEY ESSENTIALS IN DHAKA CITY			
	PRICE (JUNE 1, 2024)	% CHANGES FROM A MONTH AGO	% CHANGE FROM A YEAR AGO
Fine rice (kg)	Tk 60-Tk 76	-2.86 ↓	.74 ↑
Coarse rice (kg)	Tk 48-Tk 52	-3.85 ↓	2.04 ↑
Loose flour (kg)	Tk 40-Tk 50	5.88 ↑	-20.04 ↓
Lentil (kg)	Tk 105-Tk 110	0	13.16 ↑
Soybean (litre)	Tk 145-Tk 150	-1.67 ↓	-18.06 ↓
Potato (kg)	Tk 50-Tk 60	4.76 ↑	44.74 ↑
Onion (kg)	Tk 75-Tk 85	23.08 ↑	3.23 ↑
Egg (4 pcs)	Tk 50-Tk 55	28.05 ↑	10.53 ↑

SOURCE: TCB



Rupali Chowdhury, managing director of Berger Paints Bangladesh, and Mohammad Ali Naqi, vice-president (national affairs) of the Institute of Architects Bangladesh, pose for photographs after holding a press meet on "11th Berger Award for Excellence in Architecture (BAEA)" at Amari Dhaka hotel recently.

PHOTO: BERGER PAINTS BANGLADESH

## Berger Paints, IAB declare '11th Berger Award for Excellence in Architecture'

STAR BUSINESS DESK

Berger Paints Bangladesh, in collaboration with the Institute of Architects Bangladesh (IAB), recently announced the 11th Berger Award for Excellence in Architecture (BAEA).

The announcement came at a press meet at the Amari Dhaka hotel, attended by Rupali Chowdhury, managing director of the paint and coating manufacturer, and Mohammad Ali Naqi, vice-president (national affairs) of IAB.

This year, a total of seven projects will be awarded with each winner receiving prize money of Tk 200,000 alongside a trophy and certificate, according to a press release.

"The tireless dedication of our architects to craft extraordinary designs often goes unnoticed. This award, established 22 years ago, aims to honour their exceptional talents. We hope to continue this tradition, inspiring and encouraging our architects for many years to come," Chowdhury said.

"Award ceremonies like this are crucial in inspiring architects to pursue excellence. IAB is proud to be part of this remarkable platform created by Berger, which celebrates the outstanding talents in the field of architecture," Naqi said.

The last day of submission for the award is June 14. Mohsin Habib Chowdhury, chief operating officer and director of IAB, Nabi Newaz Khan, general secretary, AKM Sadeque Nawaj, chief business officer of Berger Paints Bangladesh, Shabbir Ahmed, head of CSPEZ, Asia Karim, award director, and Abu Musa Itekhkar and Nazifa Tabassum, deputy directors, were present.

## AkijBashir set to enter glass market

FROM PAGE B1

The basic raw material to be used is sand, which is available in Bangladesh, while other chemicals and ingredients need to be imported, he said.

According to Rassel, the factory will directly employ around 1,000 people.

Referring to their market assessment, he said 5.15 lakh tonnes of glass was used in construction in Bangladesh every year and the amount has been growing by 15 percent on an average over the past decade due to rapid urbanisation.

Still, around 1.5 tonnes of high-end glass need to be imported from China and Indonesia, he said.

So, there is a scope to avail a share of the high-end glass market, he added.

Industry insiders believe the country annually consumes around 3.5 lakh tonnes of glass, including float, reflective and soundproof ones, leading to market sales of no less than Tk 2,600 crore if present prices are

considered.

Local manufacturers claim they are capable of catering to 98 per cent of the country's total requirement while the remaining 2 percent consists of high-end imported products.

Major players in the domestic industry include Nasir Glass Industries and PHP Float Glass Industries, which collectively account for around 95 percent of the sales.

Meanwhile, AB Glass and state-owned Usmania Glass Sheet Factory each hold very nominal shares.

Nasir Glass Industries is the market leader in terms of production and supply with a market share of around 60 percent.

It has two manufacturing units that jointly produce about 22,000 tonnes of glass per month, around 75 percent of which is for the local market while the rest is exported.

PHP Float Glass Industries manufactures 75,000 tonnes of float glass per year in 10 colours.

## AB Bank, Mana Bay Water Park strike MoU on service benefits

STAR BUSINESS DESK

AB Bank recently signed a memorandum of understanding (MoU) with Mana Bay Water Park, a premium water park located in Gazaria, Munshiganj.

Md Rezaul Shahriar, executive vice-president and head of branches and distribution of the bank, and Salim Khan

Surattee, assistant vice-president of the water park, penned the deal at the bank's head office in Dhaka.

Under this MoU, the bank's cardholders can buy three tickets and get another free at the water park, the bank said in a press release.

Senior officials of both the organisations were also present.



Md Rezaul Shahriar, executive vice-president and head of branches and distribution of AB Bank, and Salim Khan Surattee, assistant vice-president of Mana Bay Water Park, pose for photographs after signing a memorandum of understanding at the bank's head office in Dhaka recently.

PHOTO: AB BANK

## Steel industry now a risky place

FROM PAGE B1

Still, the country's annual steel manufacturing capacity will likely increase by another 10 tonnes within the next year as small producers are expanding their capacity.

There are around 120 steelmakers in Bangladesh, with some 40 large companies dominating more than 90 percent of the market, Chowdhury said in a recent interview with The Daily Star.

Referring to the BSMA's latest market assessment, he said steel consumption amounted to about 75 lakh tonnes in 2019 but reduced last year as the implementation of

development projects slowed in the face of reduced public spending.

But other than cost cutting to replenish the state coffers, steel consumption in the public sector has decreased to 45 percent from 60 percent of the demand as various mega projects requiring large amounts of the material are nearly complete.

Chowdhury also said it is really difficult to predict when the demand for steel will rise once again as no one knows when the ongoing economic crisis will let up.

"The demand for steel will not increase unless the economy becomes more stable," he added.

Chowdhury pointed out that aside from lower demand, the steel industry is facing difficulties because of the gas crisis and higher foreign exchange rate while sustained inflationary pressure has reduced the purchasing power of individual consumers.

Steel consumption at both the company and individual levels is in decline as prices have risen substantially over the past two years thanks to the higher cost of US dollars and utilities.

The BSMA secretary general informed that the domestic steel sector faced capital losses of about 40 percent over the past one-and-

a-half years due to fluctuations in the foreign exchange rate.

Against his backdrop, even some big companies that were encouraged to invest in the industry after witnessing its significant growth in 2018 and 2020 have ultimately decided to postpone their investments until the economy recovers.

The domestic market for steel shrank to Tk 65,000 crore in 2023 due to lower demand, with most factories running at almost half capacity in a bid to reduce costs.

"But it is not commercially viable to run a unit under 80 percent capacity," Chowdhury said.



## China factory activity contracts for first time in three months

AFP, Beijing

Factory activity in China shrank for the first time in three months in May, data showed Friday, a setback for Beijing as the sector is seen as a key driver of a fragile economic recovery owing to sluggish consumer spending.

The manufacturing purchasing manager's index (PMI) — a key measure of factory output — dipped to 49.5 last month, from April's 50.4, according to the National Bureau of Statistics (NBS).

The reading was also short of the 50.5 forecast in a Bloomberg survey. A figure below 50 indicates a contraction in activity, while anything above points to expansion. The last time the manufacturing PMI came in below 50 was in February.

NBS statistician Zhao Qinghe said manufacturing activity had been affected by "insufficient effective demand".

China's manufacturing sector has been an important pillar of a nascent recovery in the world's number two economy, with the country's army of consumers still cautious about spending owing to a debilitating debt crisis in the vast property sector.

And while authorities have unveiled a raft of measures to support developers and the real estate industry, analysts said more work was needed to revive consumer spending.



Sukesh Halder sorts lemons for sale at Tk 180 to Tk 260 per 80 pieces at wholesale markets of Barishal city. The photo was taken at Shatadashkathi village of Jhalakathi recently.

PHOTO: TITU DAS

## Dollar set for first monthly drop

REUTERS, New York

The dollar was lower on Friday and on track for its first monthly decline in 2024 after data showed US inflation rose in line with expectations in April, offering little clarity on how soon the US Federal Reserve will be able to cut interest rates.

The personal consumption expenditures (PCE) price index increased 0.3 percent last month, the Commerce Department's Bureau of Economic Analysis said on Friday, matching the unrevised gain in March.

"These numbers do not give any sense that the Fed is achieving its goal," said Joseph Trevisani, senior analyst at FX Street. "It's already stated what its goal is, so the markets are willing to give it some time... but that time I do not think is unlimited."

The US dollar index was last down 0.12 percent at 104.64. The Fed has raised borrowing costs by 525 basis points since March 2022 in a bid to cool demand across the economy. Financial markets initially expected the first rate cut to come in March, but it then got pushed to June and now to September.

Official data showed on Thursday the US economy grew at an annualized rate of 1.3 percent from January through March, down from the previous estimate of 1.6 percent after downward revisions to consumer spending.

Although inflation is "moving in the right direction," said Kyle Chapman, FX markets analyst at Ballinger Group, "policymakers are definitely not out of the woods yet." "I would caution against over-interpreting a single month's data," he said.

The euro edged up after data showed price pressures in the euro zone accelerated faster than expected in May, complicating the outlook for the European Central Bank.

## Examine prospect of using local currencies in cross-border trade

Asian Clearing Union advises its member countries

STAR BUSINESS REPORT

The board of directors of the Asian Clearing Union (ACU) has advised its member countries to examine the possibility of using domestic currencies to facilitate cross-border payments.

The recommendation comes at a time when most countries wanted to reduce the use of the US dollar in international trade.

The ACU made the recommendation at its standing technical committee meeting in Dhaka on May 29, according to a press release.

The meeting was part of the two-day meeting of the board of the ACU, which began on the same day.

Bangladesh Bank Governor

Abdur Rouf Talukder, also the chairman of the ACU for 2024, presided over the meeting.

**The ACU board recommended examining the possibility of launching the ACU central bank digital currencies to facilitate cross-border payments**

Tehran-headquartered ACU has nine members: Bangladesh, India, Bhutan, Iran, the Maldives, Myanmar, Nepal, Pakistan, and Sri Lanka.

The representatives from the member countries were present

at the meeting. Those from Myanmar and Pakistan central banks attended it virtually.

The board recommended examining the possibility of launching the ACU central bank digital currencies to facilitate cross-border payments, the risk of using domestic currencies in the ACU mechanism, and the risk of emerging issues, including the linkage of the payment systems.

The meeting also decided to hold a special discussion on utilising local currencies in the next meeting.

The ACU is an arrangement whereby the participant central banks settle payments for intra-regional transactions on a net multilateral basis.

## New customs act to come into effect on June 6

STAR BUSINESS REPORT

A new customs act will come into effect from June 6 this year aiming to enhance fiscal discipline, accountability in import revenue collection and trade facilitation.

On May 30, the government issued a gazette in this regard signed by Abu Hena Md Rahmatul Muneem, chairman of the National Board of Revenue (NBR).

The Customs Act 2023 will replace the existing Customs Act, 1969.

Some existing provisions have been revised and incorporated in the new law to make customs agents, exporters and importers more responsible, according to the NBR officials.

The Customs Bill of 2023 was placed in parliament on October 25 last year by Law Minister Anisul Huq.

It was subsequently referred to a parliamentary standing committee for scrutiny. The committee was asked to provide its report within seven days.

Later, the bill was passed by voice vote. The upcoming law, framed in Bangla, incorporated up-to-date provisions on revenue collection to foster growth in import and export trade, facilitate business activities, and promote the development of new industrial sectors.

The existing law, enacted in English by incorporating international best practices related to customs, was part of a multifaceted reform and modernisation programme undertaken by the government and the NBR.

It had sought to promote international standards of customs management in international trade and import and export.

## DS Korea (BD), Sparrow Trade sign MoU on textile chemicals distribution

STAR BUSINESS REPORT

DS Korea (BD), a concern of Daesung Group of Korea, yesterday signed a memorandum of understanding (MoU) with Sparrow Trade International to distribute dyeing chemicals of textiles among exporters.

Baek Ho-young, chairman of Daesung Group, and Md Nazrul Islam, chairman of Sparrow Trade International, penned the MoU at Uttara Club in Dhaka.

The agreement will facilitate the growth of the textiles chemical industry in the country, said Mohsin Khan, managing director of DS Korea (BD).

## Social spending gets less priority

FROM PAGE B1

Healthcare spending decreased to 5 percent in FY22 from 5.80 percent in FY09, which is much lower than the World Health Organization's recommendation.

The UN agency advises that countries like Bangladesh allocate 5 percent of GDP (gross domestic product) to the health sector. Bangladesh allocates only around one percent of the GDP.

"The imbalanced spending has pushed back the country from its smooth sustainable growth trajectory," said Debapriya Bhattacharya, a distinguished fellow of the Centre for Policy Dialogue.

"If you don't allocate enough to health and education, it will create a shortfall in output needed to build efficient human capital. It is upsetting that we are undermining the process."

Spending in social sectors such as education and health is low in Bangladesh compared to peer nations and very low compared to emerging nations.

"Against this backdrop, any further reduction in education and health budget is unwelcome," said Bazul Haque Khondker, chairman of the South Asian Network on Economic Modeling (Sanem), a think tank.

"The implications of such declines have been reflected in the decline in education quality and surge in out-of-pocket health expenses. Both have deleterious impacts on human capital development."

The Sanem chairman added that a chunk of the large expenses in the public service sector could be attributed to increased

facilities for government employees, driven by the costs of implementing a new pay scale for public officials in 2015 and associated spending.

MM Akash, a former chairman of economics at the University of Dhaka, said the transport sector has boomed over the years in terms of the budget share, which has crowded out other sectors.

"We have spent much more than the actual requirement in the transport sector. For example, the work worth Tk 1 has been done for Tk 3. As a result, the education, health and social protection fell short of the mark."

Prof Akash expressed his concerns about a drastic fall in the share of expenditure in the agriculture sector.

The spending in the farm sector was 10.85 percent in FY09, but dropped to 7 percent in FY22 although Bangladesh is yet to attain self-sufficiency in cereal production.

"When the country needs more investment in agriculture to ensure food security and achieve self-sufficiency, we have not maintained the pace," Prof Akash added. "Rather, we have reduced it."

The implications of the falling investment in the agriculture sector are lower agricultural output and incomes and higher agricultural prices.

"Sustained recent increases in food prices in Bangladesh may have been associated with such a structural shift in the budget," Khondker said.

According to the Bangladesh Bureau of Statistics, one in every five households experienced

food insecurity in 2022.

On a positive note, Khondker opined that there had been a massive shift in spending in the transport and communication sector, including paying for infrastructure projects like the Padma Bridge and metro rail, which benefited all sections of society.

"Expansion of transportation infrastructure is beneficial to businesses, industrialisation, and individual movement. Bangladesh has been reaping the benefits of these mega investments."

However, Bhattacharya believes that the government has opted for the physical signs of development. One may suspect that the government is trying to legitimise its rule by delivering visible development projects.

He also said the government will face complications in the coming days as it must pay huge amounts to service debts taken for such mega projects.

"From a financing point of view, it will put pressure on the debt burden if it is not covered by domestic sources. And it is increasingly becoming unsustainable."

Additionally, a huge gap was seen in the share of spending on social security and welfare, which dropped from 8.95 percent in FY09 to 6 percent in FY22, finance ministry figures showed.

The same occurred in the housing, rural government and public order and safety sectors. However, the share of expenses for the defence sector and the recreation, culture and religious affairs sector has remained almost unchanged.

"Owing to the fallout

of the pandemic and the Russia-Ukraine war, low-income groups have become more insecure and helpless. Therefore, they need social protection," said Prof Akash, adding that the proportion of both allocation and expenditure has gone down in the area.

Bhattacharya said the existing allocation in health, education and social protection is in stark contrast to the commitments made in the two documents of the government: the Eighth Five-Year Plan and the election manifesto.

He said the documents specifically mentioned it, but the allocation does not reflect the reality. "In fact, it is almost half of the budget promised in the two documents."

## FDI inflow is shrinking

FROM PAGE B1

A top official of a multinational company, preferring anonymity, said the main problem that his company faces relates to the delicate handling of government officials, who seek bribes in many forms.

He added that local politicians also extort the businesses.

He added that a foreign company could not pay anything as a bribe. However, in Bangladesh, bribes and extortion are a bitter reality.

"A lack of governance in every space is a major barrier to FDI," the official said.

Such barriers ultimately create problems for companies and that deters others from investing here, he said, adding that many investors were fed up with

## RMG export prices fell up to 16%

FROM PAGE B1

He urged the government to review the decision to enable investors to set up factories outside of the zones.

The BGMEA president also urged the government to prepare major special economic zones with adequate supplies of gas, power and logistics services so that those could become operational soon.

He also suggested that the government bring an end to harassment at the National Board of Revenue's offices, such as those dealing with customs, bond and VAT.

Kochi demanded that

the government reduce source tax to 0.5 percent from existing 1 percent in the next budget to make businesses more competitive.

Moreover, the government should continue to provide cash incentives at previous rates until 2029, he said.

This is due to the fact that the World Trade Organization also agreed to continue trade benefits up to 2029 for least developed countries, including Bangladesh, graduating to developing nation status, he said.

The government should ensure rations of essential

food commodities for garment workers and facilitate entrepreneurs investing in non-cotton and manmade fibres for the country to grab a bigger share of the world trade of value-added garments, he said.

Achieving the \$100 billion garment export target by 2030 is possible if the government ensures gas and power supplies and provides policy support, he added.

Bangladesh exported garment items worth \$40.49 billion in the July-April period of the current fiscal year, according to data of the Export

Promotion Bureau.

In the same 10 months of fiscal year 2022-23, export earnings from the sector stood at \$46.99 billion.

The BGMEA has been trying to increase exports to new destinations like Turkey, Brazil, Argentina, Russia, South Africa and member countries of the Association of Southeast Asian Nations, he said.

Kochi also said the new BGMEA board has also been trying to simplify the trade procedures by resolving problems related to customs, VAT and RMG Sustainability Council.

Advertisement

### LG Electronics Bangladesh Announces Winners of the 2024 LG Ambassador Challenge

LG Electronics Bangladesh proudly announced its annual LG Ambassador Challenge program winners on May 29th, 2024. The ceremony, held at the company's Gulshan office, was graced by the presence of Managing Director Mr. Peter Ko, Head of Corporate Branding Mr. Hasan Mahmudul, and other esteemed guests.

Building on a tradition that began in 2017, the LG Ambassador Challenge program empowers communities by supporting underprivileged populations across Bangladesh. This year, five exceptional projects were selected for funding.

Bangladesh could not only ensure a larger number of jobs but, given the current crisis in the foreign exchange reserves, find great support by attracting higher FDI.

However, the country has been failing to live up to its potential as the proper environment for FDI is yet to be prepared. It is high time to realise that FDI will not come simply by requesting foreigners to invest in sectors with potential.



## S&P lowers French credit rating

AFP, Paris

Ratings agency Standard & Poor's downgraded France's credit score on Friday citing a deterioration in the country's budgetary position, a blow to Emmanuel Macron's government days before EU parliamentary elections.

In a statement, the American credit assessor justified its decision to drop France's long-term sovereign debt rating from "AA" to "AA-" on concerns over lower-than-expected growth.

It warned that "political fragmentation" would make it difficult for the government to implement planned reforms to balance public finances and forecast the budget deficit would remain above the targeted three percent of GDP in 2027.

The S&P's first downgrade of France since 2013 puts the EU's second-largest economy on par with the Czech Republic and Estonia but above Spain and Italy.

The announcement will sting for Macron, who has staked a reputation as an economic reformer capable of restoring France's accounts after low growth and high spending.

The risk of a ratings downgrade had been looming for several quarters, with the previous "AA" assessment given a "negative outlook".

**The S&P's first downgrade of France since 2013 puts the EU's second-largest economy on par with the Czech Republic and Estonia**

The surprise slippage in the public deficit for 2023 to 5.5 percent of Gross Domestic Product (GDP) instead of the expected 4.9 percent did not play in the government's favour.

France's general government debt will increase to about 112 percent of GDP by 2027, up from around 109 percent in 2023, "contrary to our previous expectations", the agency added.

Responding to the downgrade decision, Economy Minister Bruno Le Maire reaffirmed the government's commitment to slashing the public deficit to below three percent by 2027.

"Our strategy remains the same: reindustrialise, achieve full employment and keep to our trajectory to get back under the three percent deficit in 2027," he said in an interview with newspaper Le Parisien, insisting that nothing would change in the daily lives of the French.

Le Maire claimed the downgrade was primarily driven by the government's abundant spending during the Covid pandemic to provide a lifeline to businesses and French households.

The main reason for the downgrade was because "we saved the French economy," he said.

Government critics offered a different rationale.

"This is where the pitiful management of public finances by the Macron/Le Maire duo gets us!" Eric Ciotti, head of the right-wing Republicans party, wrote on social media platform X.

# Mercantile Bank redirects focus to SME, retail lending

Managing Director Md Quamrul Islam Chowdhury says

MD MEHEDI HASAN

Mercantile Bank PLC used to emphasise corporate lending but now the private commercial lender plans to redirect the focus in order to bring the unbanked people under the financial system by providing more loans to small and medium enterprises, retail and agriculture, said its top executive.

"We extend credit facilities to those who are interested in business but don't have money," said Md Quamrul Islam

National Credit and Commerce Bank.

He joined Mercantile Bank in 2001. In the years since he served as the head of the Agrabad branch of Chattogram, the zonal head of the Chattogram region, and chief of the main branch.

Chowdhury was appointed as the managing director in February 2019.

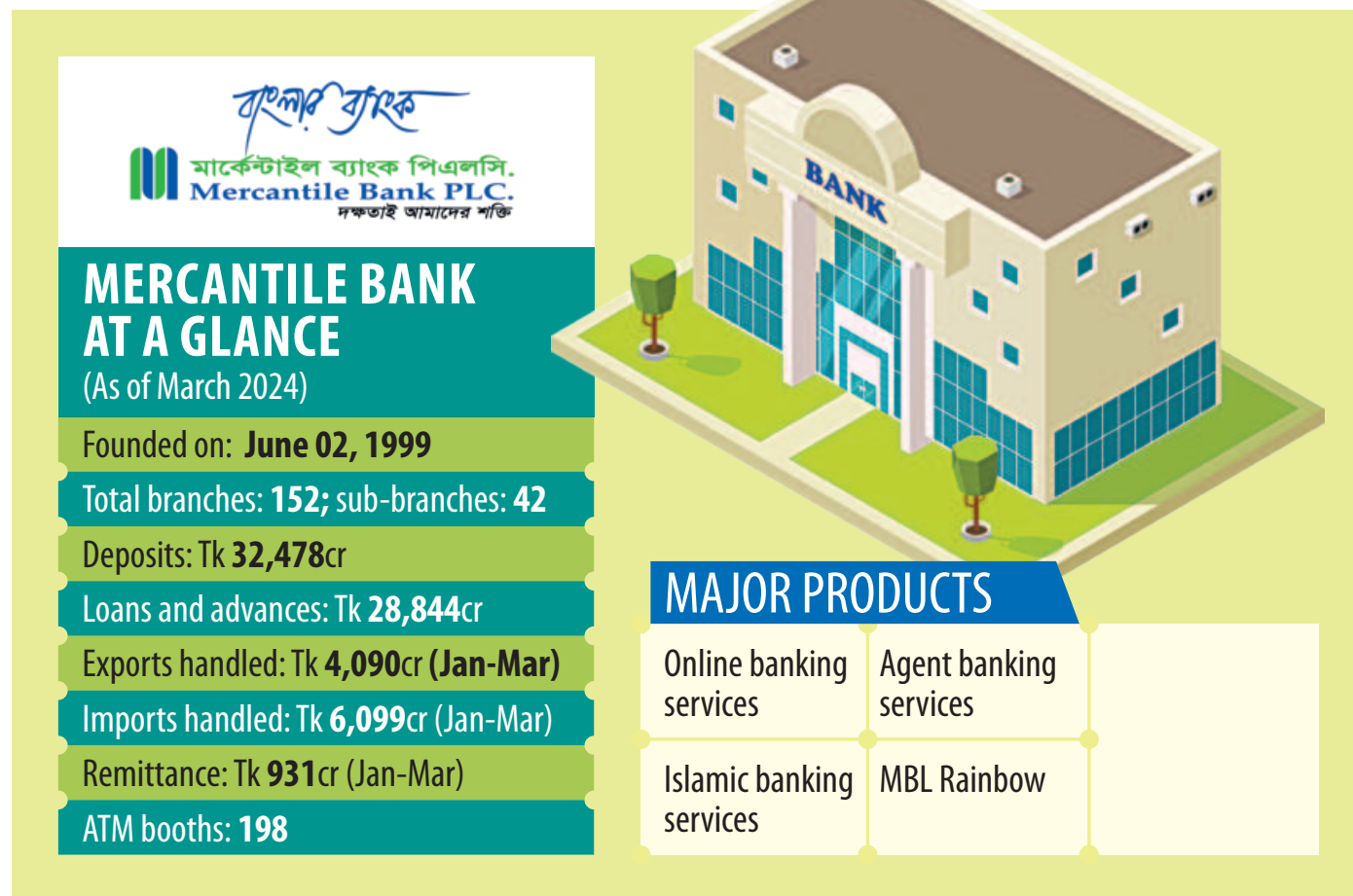
He said from the beginning, the bank has adopted modern technologies to provide quick services to customers.

Mercantile Bank has introduced online,

outstanding loans of Tk 28,341 crore. Of the sum, Tk 1,248 crore defaulted, central bank data showed.

"Thanks to our prudent risk management practice, we contained the non-performing loan ratio to 6.08 percent in December from 7.9 percent a year ago," Chowdhury said.

When asked about compliance and profitability, the noted banker said that the overall financial sector is struggling because of rising default loans, the shortfall in provisions and



Chowdhury, managing director and chief executive officer of Mercantile Bank, in an interview with The Daily Star recently.

"Providing banking services to marginalised communities and ensuring smart banking through technological excellence will be our priority."

A group of visionary entrepreneurs set out in 1999 to contribute to the economy of Bangladesh in a sustainable way. Mercantile Bank was set up on June 2 of the same year as part of their vision.

Today, the bank is delivering personalised, technology-driven services through its extensive network, which includes 152 branches, 42 sub-branches, 198 automated teller machines, and 187 agent banking outlets.

Despite facing multiple obstacles, the bank has grown sustainably year on year over the decades and delivered consistent financial performance.

Assets grew 5.19 percent to Tk 40,217 crore at the end of December. In March, deposits totalled Tk 32,478 crore, and loans and advances amounted to Tk 28,844 crore.

"Since its inception, the bank has created a credible brand impression and achieved customers' trust and loyalty," he said.

Chowdhury, who obtained master's degree in marketing from the University of Dhaka, started his banking career at National Bank in 1983 and later joined



Md Quamrul Islam Chowdhury

SMS and internet banking and is offering round-the-clock services through ATM booths and contact centres. It has implemented "TEMENOS T24", a world-class technology platform, which ensures real-time integrated banking software.

"We are committed to placing cutting-edge technology at the forefront of delivery channels and operations," the CEO said. "We will continue our endeavours to strengthen our position in the banking sector by improving the skills of the workforce and striking a balance between risks and profits."

According to Chowdhury, the bank was able to reduce bad loans last year through cash recovery, rescheduling, legal procedures and alternative dispute resolution (ADR).

At the end of 2023, the bank had

capital, shrinking profitability, operating inefficiency and weak governance.

He welcomed the central bank initiative aimed at introducing the market-driven interest rate and the flexible exchange rate.

In order to foster financial inclusion and support economic empowerment, the bank in 2016 established the financial inclusion department under the Agriculture Credit Division. The department aims to improve the living standards of marginalised individuals and include them in the formal financial system.

In accordance with the Bangladesh Bank's guidelines, it provides credit facilities through two refinancing schemes: a Tk 500 crore scheme for 10/50/100-Taka account holders and a Tk 3,000 crore scheme for Covid-19 affected low-income professionals, farmers, and small business owners.

"We have put in place a network to reach unbanked and under-banked sections of society," Chowdhury said.

The bank is also providing services through three subsidiaries, two offshore banking units, internet banking and mobile banking.

"We remain hopeful of growing our business despite the current uncertain environment," he said. "As the crisis gradually recedes, there will be a greater ease of doing business, and we will forge ahead riding on that."

## AMA Muhith: a defining character

MAMUN RASHID

Abul Maal Abdul Muhith, the former finance minister of Bangladesh, and more importantly, one of the architects of Bangladesh's economic development, left an undeniable legacy upon his passing, more than two years ago.

He assumed the office of finance minister in 2009 amidst a challenging global economic downturn. His tenure was instrumental in steering the country through a remarkable transformation, transitioning it from a state of food deficit, poverty, and vulnerability to its status as a lower-middle-income country.

Muhith's approach to governance was characterised by forward-thinking, and a commitment to progress. He recognised the importance of collaboration between the public and private sectors in driving infrastructure development. During his tenure, the public-private partnership received its first budget allocation in 2009-10, marking a significant milestone in Bangladesh's approach to infrastructure financing and delivery.

He pioneered the introduction of district budgeting, recognising the need for decentralised decision-making and resource allocation. The district budget system was inaugurated in 2013-14, starting with Tangail. This initiative aimed to enhance local governance, empower communities, and ensure equitable distribution of resources across regions.

In 2015-16, Muhith launched Bangladesh's first ever child budget, highlighting the government's commitment to investing in the well-being and development of the youth. This dedicated budget allocation aimed to address the specific needs and challenges faced by children, including education, healthcare, and social protection.

Recognising the importance of social security and welfare, he championed the concept of a universal pension scheme. Beginning work on this initiative in 2015-16, he spearheaded efforts to develop a comprehensive framework to provide financial security to retirees and vulnerable populations. A position paper was prepared to outline the rationale and feasibility of the scheme.

Even though his tenure as finance minister concluded after a decade of service, the economic foundations he established continued to propel Bangladesh forward on its journey towards greater prosperity and development despite some challenges in recent times.

Muhith's contributions to Bangladesh's independence movement will forever be etched in the annals of history. As an organiser of the liberation war in exile, he played a pivotal role in mobilising support for the cause and preserving the nation's sovereignty.

An environmental activist at heart, he recognised the urgent need for sustainable development and environmental conservation. His advocacy for eco-friendly policies and initiatives underscored his holistic approach to nation-building, ensuring that economic growth was harmonised with ecological preservation.

One of Muhith's remarkable abilities was his exceptional memory, allowing him to recall events and details from decades ago. This cognitive prowess not only facilitated his work but also enabled him to provide valuable insights and perspectives.

A voracious reader and a man who could delve deep into any subject, his intellectual curiosity knew no bounds. His keen insights and scholarly pursuits enriched the discourse on various topics, while his global view of affairs allowed him to navigate the complexities of international relations.

From a more personal perspective, I fondly recall that Muhith held PwC in high esteem, inaugurating its first Bangladesh office in 2016 and recognising the firm's importance in shaping the country's economic landscape.

There was an instance wherein he had noted that the front cover page of PwC's Bangladesh budget recommendation publication consisted of non-local individuals as models. He immediately requested that we change that to include Bangladeshi individuals instead. This exemplified his unwavering patriotism and attention to detail.

Whether analysing complex financial data or crafting policy proposals, Muhith ensured that no detail was overlooked, contributing to the effectiveness and efficiency of his work.

Above all, Muhith will be remembered as a tolerant politician, a knowledge-seeking individual and a defining character for his fellow colleagues.

The author is an economic analyst.

## India's GDP grows 7.8% in Q4

ANN/THE STATESMAN

India's gross domestic product (GDP) growth rate in the quarter ending March 31, 2024 grew by 7.8 percent, the data released by the National Statistical Office of Ministry of Statistics and Programme Implementation showed on Friday.

Notably, these figures surpass the Reserve Bank of India's estimate of 7 percent.

As per the government data, the GDP growth provisionally stands at 8.2 percent for the financial year 2023-24, as compared to the growth rate of 7 percent in FY23.

Real GDP has been estimated to grow by 8.2 percent in FY2023-24 as compared to the growth rate of 7 percent in FY23.

Nominal GDP has witnessed a growth rate of 9.6 percent in FY24 over the growth rate of 14.2 percent in FY23. Earlier, government estimates had placed GDP growth for FY24 at 7.6 percent.

The real gross value added (GVA) has been estimated to grow by 6.3 percent in Q4.

"This GVA growth has been mainly due to significant growth of 9.9 percent in manufacturing sector in 2023-24 over a contraction of (-) 2.2 percent in 2022-23 and growth of 7.1 percent in 2023-24 over 1.9 percent in 2022-23 for mining sector," the government said in a press release.

For the entire financial year 2023-24, GVA has grown by 7.2 percent, compared to the growth rate of 6.7 percent in FY23.

Real GVA and real GDP have been estimated to grow by 6.3 percent and 7.8 percent respectively in Q4 of FY24. Growth rates in nominal GVA and nominal GDP for Q4 of FY24 have been estimated at 8 percent and 9.9 percent respectively.

## China making youth employment a 'top priority'

AFP, Shanghai

At a job fair for soon-to-be graduates in central Shanghai, recruiters sat bored under washed-out tarpaulins as rain and an apparent lack of interest kept potential young employees away.

The empty seats belied China's stubbornly high youth unemployment rate — a problem so pressing that President Xi Jinping this week told top Communist Party (CCP) cadres it should be a "top priority".

His words have been seen by many analysts as a signal that reforms could be in the pipeline ahead of July's Third Plenum, a meeting that has historically unveiled important changes in economic policy direction.

Youth unemployment stood at 14.7 percent in April, official data showed — and in June, another 11.8 million students will graduate from university, adding to the bottleneck.

That number had soared to an unprecedented 21.3 percent in mid-2023, before officials paused publishing monthly figures. They began releasing them again in December after adjusting the calculation method.

Hospitality and human resources firms dominated Friday's small job fair,

one of many hosted by local authorities over recent weeks in anticipation of the imminent influx of university leavers.

"It's difficult to find a job that matches your degree and aspirations," one of the

few young jobseekers at the fair, a data sciences student, told AFP.

"Lots of college students actually have too high expectations," said Julia Shao, who was recruiting for a restaurant chain.



People visit a job fair for soon-to-be graduates in Shanghai on May 31. Youth unemployment stood at 14.7 percent in April, official data showed -- and in June, another 11.8 million students will graduate from university.

PHOTO: AFP

"They do not prefer this kind of basic position. They prefer... a fancy job."

Xi specifically mentioned graduates in his speech to the CCP Politburo on Monday, noting that "more jobs should be created for them to apply what they have learned and what they are adept at".

His remarks follow "a steady drumbeat of comments from China's leadership underlining the urgency" of the matter, Erica Tay, director of macro research at Maybank, told AFP. The issue has been hanging over the government for some time.

Together with persistently low consumption and a long-running property sector crisis, the unemployment situation has been labelled a key culprit for China's uneven post-pandemic recovery.

"While details in Xi's comments are vague, it's clear a policy shift is underway," said Harry Murphy Cruise of Moody's Analytics.

"We expect policies aimed at reducing youth unemployment to be a key pillar of the discussions (at the Third Plenum)."

In the remarks published Monday, Xi said young people should be encouraged "to find jobs or start businesses in key fields (and) industries".

"Market-oriented and social channels should be expanded for young people to find a job," he was quoted as saying.