Star BUSINESS

It may not be possible to simultaneously achieve high growth and ensure macroeconomic stability as outlined in the proposed budget, an expert said yesterday.

Story on B4

BUDGET FY2025

Oceangoing vessels sail past 100 milestone

DWAIPAYAN BARUA, *Ctg*

The number of oceangoing vessels that are Bangladesh-flagged has already gone past 100, a milestone illustrating the country's noticeable expansion in cargo-carrying capacity.

A total of seven vessels received permanent or provisional registration so far this year, taking the total to 101, the highest since Bangladesh achieved independence in 1971.

Bangladesh-flagged refers to a commercial vessel which is registered, licensed and operated under the laws of Bangladesh.

Now, oceangoing ships owned by Bangladesh have a combined carrying capacity of nearly 50 lakh tonnes, according to Mercantile Marine Office (MMO).

In the latest developments, a vessel named MV Jahan-1 was recently purchased by one of the leading ship-owning firms, KSRM Group.

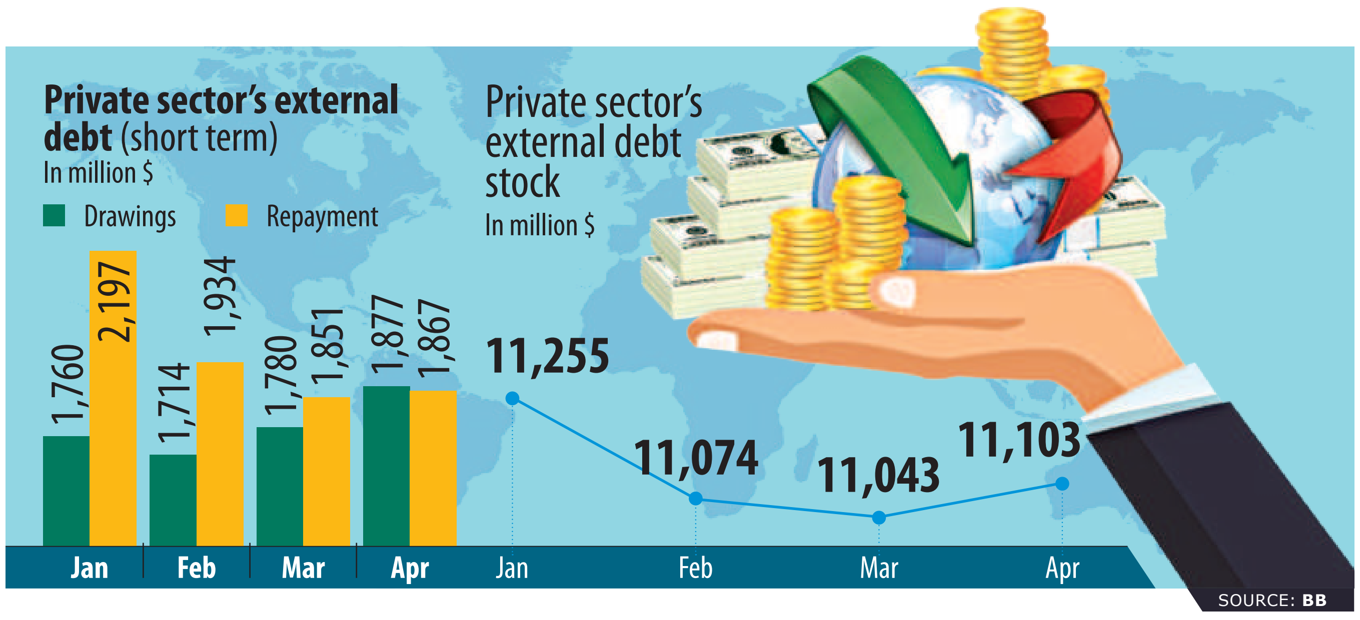
It arrived at the outer anchorage of the Chattogram port last week to get permanent registration. Officials of the MMO and customs inspected the ship on Wednesday.

MMO Principal Officer Captain Sabbir Mahmood said, including the latest one, seven vessels, of which six are bulk carriers, have received permanent and provisional registration so far this year.

Out of the seven vessels, MV Abdullah, MV Jahan Brothers-1 and MV Jahan-1 have been purchased by KSRM Group. With the latest additions, KSRM Group's fleet now boasts 24 vessels.

Additionally, the Meghna Group of Industries purchased two bulk carriers, the Meghna Pioneer and Meghna Century, in the last couple of months, taking the number of vessels in its fleet to 24.

READ MORE ON B3



Private sector's foreign borrowing reverses downward trend

REJAUL KARIM BYRON

The private sector's short-term foreign debt in Bangladesh made a turnaround for the first time in more than a year in April, handing a much-needed fillip to the foreign currency reserves.

In April, the private sector's short-term foreign debts reached $11.10 billion, an increase of $60 million from $11.04 billion in March, according to data from the Bangladesh Bank.

The private sector's foreign debt had been declining from the outset of 2023, and the trend continued into 2024.

The recent reversal came as the interest rate in the international markets began falling after central banks cut rates or held them steady following the easing of inflation. On the other hand, the lending rate in the domestic market has gone up sharply after the BB left the prices of loans in the hands of the market to step up its fight against stubbornly higher inflation.

Thus, local firms and businesses are again showing their interest in securing funds from international sources.

"The turnaround is good news, and if the momentum persists, the pressure on the reserves will ease and it may go up eventually," said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, a think-tank.

The recently introduced system for exchange rate management, known as crawling peg, and the market-based interest rate are widely credited for the improvement in the US dollar borrowing.

Before the recent change, banks used to set the rate in line with the instructions of the BB. Likewise, bank loans were capped at 9 percent between April 2020 and June last year before some flexibility was brought in from July through the scrapping of the ceiling. It was made fully market-oriented on May 8.

"If the central bank can properly implement the reform initiatives, the huge deficit in the financial account will also decline. Eventually, it will have a positive impact on the reserves," said Mansur, also a former official of the International Monetary Fund (IMF).

The reserves amounted to $19.21 billion on Wednesday as per the International Monetary Fund's calculation, less than half of the $41 billion seen in August 2021.

The unprecedented fall was one of the key factors for the deeper hole in the financial account, a component of a country's balance of payments that covers liabilities to non-residents and includes direct investments, portfolio investment, and reserve assets.

The deficit in the financial account stood at $9.26 billion in July-March of the outgoing fiscal year, BB data showed.

READ MORE ON B3

Forex reserves to get $2b boost

MD MEHEDI HASAN *and* REJAUL KARIM BYRON

Bangladesh's foreign currency reserves are set to receive as high as $2 billion this month, which may send the total to nearly $21 billion, handing a much-needed relief to the US dollar supply.

On Wednesday, the reserves went up by $538 million to $19.2 billion from a week ago, showed central bank figures prepared based on the formula of the International Monetary Fund (IMF). This is the highest level of forex reserve holdings in the past one month.

In a major boost, $1.65 billion is expected to be added to the reserves from the IMF and the World Bank.

The IMF may release $1.15 billion in the third instalment of its $4.7 billion loan in the last week of June, said Finance Minister Abul Hassan Mahmood Ali last month.

The WB is going to provide $500 million in budget support also by the end of June.

This means the IMF and the World Bank's support would lift the reserves to at least $20.85 billion. It was above this level two months ago and at more than $21 billion in March.

Last week's improvement comes a month after the central bank relinquished its control over the rate-setting mechanism and introduced a more flexible exchange rate regime.

READ MORE ON B3

National Bank launches Bangla QR code

STAR BUSINESS DESK

National Bank Ltd officially launched the Bangla QR code-based service at its head office recently.

The "Bangla QR Acquiring and Bangla QR Issuing" launching programme was inaugurated by Md Touhidul Alam Khan, managing director and CEO of the bank, according to a press release.

Present at the event were Syed Rois Uddin, Sheikh Akhter Uddin Ahmed, Imran Ahmed and Md Abdul Matin, deputy managing directors of the private commercial bank, along with Osman Haider, director for business and Zubaer Ahmad, chief strategy officer of IT Consultants PLC.

With this service, National Bank customers will be able to easily make purchases using Bangla QR through the bank's app.

Additionally, customers of other banks can also shop safely using the Bangla QR code at various merchant points acquired by National Bank.

Md Touhidul Alam Khan said that with the launch of the Bangla QR code service, National Bank has taken another step forward in building a cashless society, in line with the government's vision of Smart Bangladesh.

PHOTO: NATIONAL BANK LTD

Md Touhidul Alam Khan, managing director and CEO of National Bank, poses for a photo with senior officials during the launch of Bangla QR code-based services at the bank's head office.

Russian bourse suspends dollar trades after US sanctions

AFP, *Moscow*

Russia's main stock exchange halted dollar and euro trades on Thursday after the United States hit Moscow with a new package of sanctions over its military offensive in Ukraine.

Washington announced Wednesday it was sanctioning Moscow Exchange, Russia's main stock market and clearing house for foreign currency transactions, a major new financial punishment.

"Due to the introduction of restrictive measures by the United States against the Moscow Exchange Group, exchange trading and settlement of instruments in US dollars and euros will be suspended," Russia's central bank said in a statement Wednesday evening.

Measures that target Russians' ability to buy and trade foreign currency typically provoke a strong reaction in Moscow and throughout Russian society.

The exchange rate is seen as a key indicator of the health of the Russian economy.

Scarred by several bouts of devaluation in the three decades since the fall of the Soviet Union, many Russians prefer to save in Western currencies, often selling rubles in times of economic crisis.

During the Soviet Union, there was a thriving black market for currencies with prices far detached from the official state exchange rate.

Both the central bank and the Kremlin have sought to calm nerves.

"Companies and individuals may continue to buy and sell US dollars and euros through Russian banks. All funds held in US dollars in accounts remain safe," the bank said Wednesday.

And on Thursday, Kremlin spokesman Dmitry Peskov said the regulator was "ensuring stability in all markets," state media reported.

Russians will still be able to trade in dollars and euros outside of the centralised Moscow Exchange -- something which could limit liquidity and lead to higher volatility.

Many Russian companies and banks had already reduced their reliance on Western currencies in the two years since Moscow ordered troops into Ukraine, with the Chinese yuan accounting for the majority of foreign currency trades on Moscow Exchange.

HBM Iqbal, chairman of the board of directors of Premier Bank, is seen alongside other directors and members of the board at the bank's 25th annual general meeting held virtually recently. PHOTO: PREMIER BANK

Premier Bank approves 12.5% cash dividend

STAR BUSINESS DESK

Premier Bank's board of directors recently approved a 12.5 percent cash dividend for 2023 at its 25th annual general meeting (AGM) held digitally.

HBM Iqbal, chairman of the board, presided over the AGM, according to a press release. Mohammad Abu Jafar, managing director and CEO of the bank, presented the performance report of 2023.

Moin Iqbal, vice-chairman, Naba Gopal Banik and Kaiser A Chowdhury, independent directors, and Mohammad Akram Hossain, company secretary, were present along with BH Haroon, Abdus Salam Murshedy, Shafiqur Rahman, Jamal G Ahmed, Nahyan Haroon and Shaila Shelley Khan, members of the board.

Mutual Trust Bank signs deal with D Money

STAR BUSINESS DESK

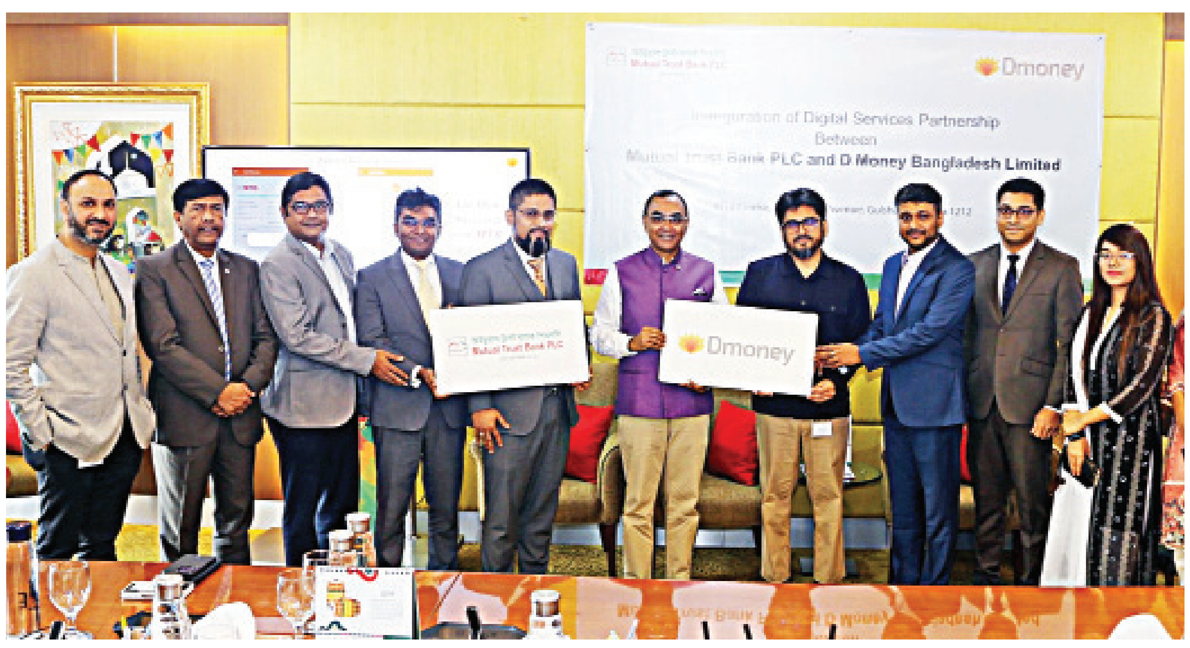
Mutual Trust Bank PLC (MTB) launched a new partnership with D Money Bangladesh Ltd for a range of digital services.

The inauguration ceremony took place at the MTB Centre, the bank's corporate head office in the capital's Gulshan.

Syed Mahbubur Rahman, managing director and CEO of the bank, and Mohammad Arif Hossain, managing director and CEO of D Money Bangladesh, attended the programme, according to a press release.

Chowdhury Akhtar Asif, additional managing director of the bank, Md Khalid Mahmood Khan, additional managing director, and Khalid Hossin, head of MTB Digital Banking Division, were also present.

Mahbubul Islam Rony, chief technology officer of D Money Bangladesh, and Sijraj Siddiquey (Shakil), chief business officer, were among others present.



Syed Mahbubur Rahman, managing director and CEO of Mutual Trust Bank, and Mohammad Arif Hossain, managing director and CEO of D Money Bangladesh, pose for photographs after signing an agreement at the MTB Center in the capital's Gulshan. PHOTO: MUTUAL TRUST BANK

PRICES OF KEY ESSENTIALS IN DHAKA CITY

	PRICE (JUNE 13, 2024)	% CHANGES FROM A MONTH AGO	% CHANGE FROM A YEAR AGO
Fine rice (kg)	Tk 60-Tk 78	-1.43 ↓	2.22 ↑
Coarse rice (kg)	Tk 50-Tk 54	0	6.12 ↑
Loose flour (kg)	Tk 40-Tk 45	6.25 ↑	-20.56 ↓
Lentil (kg)	Tk 105-Tk 110	0	13.16 ↑
Soybean (litre)	Tk 145-Tk 152	-1.00 ↓	-14.66 ↓
Potato (kg)	Tk 55-Tk 60	11.65 ↑	57.53 ↑
Onion (kg)	Tk 80-Tk 90	21.43 ↑	9.68 ↑
Egg (4 pcs)	Tk 52-Tk 54	9.28 ↑	15.22 ↑

SOURCE: TCB

Mohammad Shamsul Islam, managing director and CEO of National Housing Finance, inaugurates its Aftabnagar sales centre in presence of other officials of the non-bank financial institution. PHOTO: NATIONAL HOUSING FINANCE

National Housing Finance opens sales centre at Aftabnagar

STAR BUSINESS DESK

National Housing Finance PLC opened a sales centre in Aftabnagar in the capital recently.

Mohammad Shamsul Islam, managing director and CEO of National Housing Finance, inaugurated the opening ceremony, according to a press release.

Alamgir Hossain Dhali, president of National Housing Finance, Shital Chandra Saha, executive vice-president and head of operations, Mahbubur Rashid Al-Amin, vice-president and head of business division, Suraiya Yeasmin, Head of Motijheel Branch, and Sirajul Islam, vice-president of Aftabnagar Society, were present at the ceremony.

IMF releases

FROM PAGE B4

The IMF board on Wednesday endorsed a staff-level agreement reached with Colombo in March to release the third tranche of a four-year $2.9 billion bailout.

The board welcomed Sri Lanka's efforts to reach debt restructure deals, but said the country must swiftly finalize agreements with bilateral lenders, private creditors and the Export-Import Bank of China.

"Directors stressed the importance of seeking comparable, transparent, and timely completion of restructurings with external private creditors consistent with program targets," the IMF said in a statement.

Beijing accounts for around 10 percent of the island's total foreign debt.

China had agreed "in principle" to restructure Sri Lanka's debt in December, but neither Colombo nor Beijing had given details and the two are yet to strike a deal.

President Ranil Wickremesinghe has raised sales and personal income taxes, cut energy subsidies and pushed reforms and austerity measures in line with the IMF rescue deal.

Sri Lanka's annual debt servicing is officially estimated at $6.0 billion with external debt, including government guaranteed borrowings, at $41.5 billion at the end of 2023, according to treasury data.

Renata ships medicine to UK

STAR BUSINESS REPORT

Renata has shipped the first consignment of Terbinafine 250 mg tablets, worth £1.5 lakh to the UK market. The product is being supplied directly from its factory located in Rajendrapur, Gazipur.

The product will be commercialised under a facility of Renata (UK). This facility is approved by the UK's Medicines and Healthcare products Regulatory Agency (MHRA).

Terbinafine, an allylamine antifungal, is widely used for the treatment of onychomycosis of the toenail or fingernail due to dermatophytes.

The global Terbinafine market was valued at US $614 million in 2023.

This product is also available in Bangladesh under the brand name Terbimax.

Renata, through its subsidiary Renata (UK), entered the United Kingdom in 2018. Presently, several products are commercialised, with agreements in place with five distribution partners.

Stocks of Renata declined 0.75 percent to Tk 618 at Dhaka Stock Exchange yesterday.

Supportive pillars of economy have become weak

Former BB governor Salehuddin Ahmed says at post-budget talk

STAR BUSINESS REPORT

Almost all the entities that help prop up the economy, such as banks, the stock market and regulatory bodies, have turned weak in Bangladesh over the last 50 years, said former Bangladesh Bank (BB) governor Salehuddin Ahmed yesterday.

This is why policies and plans, such as the national budget, cannot be implemented properly, he said.

The most important task at this moment is to reduce expenses of the government as it formulated a big budget of Tk 7.97 lakh crore for the next fiscal year, Ahmed said.

There is no need for new big physical infrastructures now. Instead, it is important to take care of the existing ones to serve the people, he said.

For instance, there are many cases where patients passed away in hospitals as diagnostic tests could not be carried out on time as equipment was out of order, he added.

Salehuddin was addressing a post-budget discussion organised by the Economic Reporters' Forum (ERF) at its office in Dhaka.

The country needs to make itself more attractive for more foreign direct investment and the government should make the budget friendly towards people and businesses, he said.

Fahmida Khatun, executive director of the Centre for Policy Dialogue (CPD), said the government targeted to increase private investment to Tk 3.43 lakh crore in a single year.

The government has targeted to take the private sector investment to 27 percent of the GDP next year from 23 percent although it has been hovering between 20 to 23 percent for the past decade, she said.

The inflow of private sector investment is likely to be affected because of the higher government bank borrowing to finance the budget deficit, she said.

The crowding out effect may occur in terms of private investment, she added.

Almost all indicators of the economy's health are in the negative. In such a situation, it is almost impossible to bring down inflation to the expected level. General inflation is now 9.78 percent and food inflation nearly 13 percent, Fahmida also said.

The economy has been gradually turning into one that is dependent on loans from both domestic and international sources, the CPD executive director also said.

Mohammad Ali Khokon, president of the Bangladesh Textile Mills Association, said the factories often have to suspend production because of the energy crisis.

Moreover, a 15 percent VAT on investments in special economic zones (SEZs) is discouraging entrepreneurs from investing in them, he said.

Furthermore, the government is yet to ensure water supply to the SEZs, which is delaying the setting up of factories and mills in those areas, he said.

Monzur Hossain, research director of the Bangladesh Institute of Development Studies, said the government should rethink whether to continue subsidies on the energy sector as hiking the prices of petroleum products four times in a year may have a negative impact on the transportation and industrial sector and heighten the cost of doing business.

It is not right to reduce subsidies by simply increasing energy prices, he said, adding that the coming year was not the time for economic growth but rather a period when the government should focus more on macroeconomic stability.

AK Enamul Haque, a professor of economics at East West University, said all undisclosed money is not earned through corruption.

Many people do not submit documents for other reasons, such as not having enough time, but their money was earned in an honest way, he said.

Reforms are very good strategies and the country may not get a good amount of investment if the current situation continues, he added.

ERF President Mohammad Refayet Ullah Mirdha chaired the discussion while Syful Islam, executive member of the ERF, moderated it.

Dollar gains

REUTERS, *London/Singapore*

The dollar edged up on Thursday, recovering some of the previous day's losses after the Federal Reserve forecast just one rate cut this year, although softer-than-expected US inflation tempered some of those gains.

The yen remained under heavy pressure ahead of a Bank of Japan meeting on Friday and traders prepared for more volatility in the currency.

Price action in the currency market was relatively subdued on Thursday, compared with the previous day, when the dollar fell almost 1 percent at one point in the immediate wake of the release of the consumer price index (CPI) data, before ending the day with a 0.5 percent loss - still its largest in two weeks. US consumer prices were unchanged in May from April, against market expectations of a 0.1% rise.

"I feel it was a bit overdone, the reaction that CPI. It was almost a relief that it wasn't worse. And that's what sparked such a strong knee-jerk reaction," City Index market strategist Fiona Cincotta said.

STOCKS

DSEX ▲	CASPI ▼
0.68%	0.04%
5,117.81	14,547.24

COMMODITIES

Gold ▼	Oil ▼
$2,315.06 (per ounce)	$78.19 (per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.29%	▼ 0.40%	▲ 0.59%	▼ 0.28%
76,825.46	38,720.47	3,316.85	3,028.92

Forex reserves

FROM PAGE B1

Central bank officials say the forex reserves are on the rise thanks to several reasons, including the crawling peg.

On May 8, the banking regulator introduced the Crawling Peg Mid-Rate to facilitate the purchases and sales of foreign currencies, allowing banks to trade US dollars freely at around Tk 117.

On Tuesday, the highest interbank exchange rate stood at Tk 118 per dollar.

Bankers are charging importers more than Tk 118 per USD. It is also offering the same rate to remitters, industry insiders said.

The relaxed rules governing offshore banking have been another reason behind the pick-up in the reserves, they added.

In March this year, parliament passed the Offshore Banking Act 2024 to give a boost to the country's desperate efforts to improve the US dollar supply.

The reserves have been declining sharply since the beginning of the Russia-Ukraine war as the conflict sent the prices of commodities such as oil and gas higher, hurting import-dependent nations such as Bangladesh.

However, mismanagement in the forex market, frequent policy changes by the central bank, and the gap between the official exchange rate and the unofficial one are also to blame. Since August 2021, forex reserves have fallen by $24 billion.

Speaking to The Daily Star yesterday, Monzur Hossain, a research director of the Bangladesh Institute of Development Studies, described the accumulation of more than half a billion dollar to the reserves in the span of a week and the impending $1.65 billion loans from the IMF and the WB as a good piece of news for the country.

He, however, added it would be too early to say whether the current forex crisis has eased.

He explained Bangladesh's financial account has been in negative territory for long. The deficit will have to be narrowed by taking foreign loans or attracting foreign direct investments, said the economist.

"If we can reduce the financial account deficit, it will be good news for the country."

The private sector's short-term foreign debt made a turnaround for the first time in more than a year in April. However, the FDI flow dropped 14 percent year-on-year last year, central bank data showed.

Hossain said the crawling peg would narrow the US dollar rate between the formal market and the informal market and bring more foreign currencies into the official channel.

The exchange rate that has been fixed through the crawling peg is close to the actual exchange rate, the economist added.

Oceangoing vessels

FROM PAGE B1

Meanwhile, TK Group expanded its footprint in the shipping sector as its subsidiary, Samuda Shipping, purchased an oil tanker, MT Samuda, for over Tk 150 crore with the aim of reducing the cost of transporting edible oil.

Lastly, bulk carrier Royal Arkam was procured by Vanguard Maritime.

Until 2018, there were only 36 Bangladesh-flagged oceangoing vessels.

Private investors started showing renewed interest in purchasing ships after the National Board of Revenue (NBR) reinstated a VAT exemption in 2018 in a bid to accelerate the shipping industry's growth.

The new Bangladesh Flag Vessels (Protection of Interest) Act was enacted in 2019, giving preference to Bangladeshi-flagged vessels at local ports, allowing 50 percent of goods to be carried by them.

Meherul Karim, chief executive officer of SR Shipping, a subsidiary of Chattogram-based KSRM Group, said policy support from the government as well as a global fall in prices of second-hand ships near the early stages of the pandemic encouraged local entrepreneurs to make investments and seize the opportunity.

As such, the group purchased four vessels in 2020.

However, KSRM Group faced challenging times when one of their recently purchased ships, MV Abdullah, was abducted by Somali pirates in March. It was released a month later following the payment of a huge amount as ransom.

Despite facing such a shock, the group is investing to purchase more ships.

Karim held the prevailing favourable global shipping market responsible for continued investment. He also said they are in the process of scrapping four of their old ships, so they are buying ships to replace the old ones.

Bangladesh Ocean Going Ship Owners' Association President Azam J Chowdhury said a tax exemption on income earned by oceangoing vessels carrying the Bangladeshi flag until 2030 attracted investment in the sector over the last few years.

Praising the government and NBR for such policy support, Chowdhury said it is high time to invest in the sector.

Chowdhury, also managing director of MJL Bangladesh, informed that his firm is investing US $150 million to purchase a huge crude oil carrier with a capacity of 115,000 deadweight tonnage (DWT) and an 11,000 cubic metre capacity LPG carrier.

The two will be added to the MJL fleet by 2026, he added.

Among other measures, the NBR also reduced the advance income tax (AIT) on vessel imports to 1 percent for FY22 from 2 percent in FY21.

Given the favourable policy support from the government, a total of 67 Bangladesh-flagged vessels were registered between 2019 and 2023.

Private sector's

FROM PAGE B1

The reserves declined nearly $6 billion in January and May this year, with the private sector accounting for a $4.5 billion slip alone, said Mansur referring to a study.

Since the beginning of 2023, their borrowing decreased almost every month as the interest rate for foreign loans climbed in the international market. In 2022, the debt stood at $16.42 billion, and it fell to $11.79 billion.

Previously, the interest rate for foreign loans ranged from 1 percent to 2 percent. It has now jumped to 8-9 percent.

On the other hand, the interest rate in Bangladesh was 7 percent to 8 percent before June last year. Since the interest rate was freed, it has gone past 14 percent and could go up further.

Short-term private sector borrowing from foreign sources increased 5.45 percent to $1.88 billion in April from a month prior, BB data showed. This was way lower than seen in the past two years: it totalled $25.79 billion in 2023 and $37.25 billion in 2022.

Currently, central banks around the world are either cutting interest rates or have kept them on hold, a positive development for the countries that saw investors pulling their money out of Asian countries in late 2021.

Recently, the European Central Bank reduced interest rates, the first rate cut in nearly five years. The central banks of Canada, Switzerland, and Sweden have also decreased interest rates to reduce borrowing costs.

The US Federal Reserve is expected to cut its key interest rate in September and once more this year.

Nilufer Zafarullah, chairperson of Midland Bank, and other officials are seen during the bank's 11th AGM at Kurmitola Golf Club in Dhaka. PHOTO: MIDLAND BANK

Midland bank approves 5% cash dividend

STAR BUSINESS DESK

Midland Bank approved a 5 percent cash dividend for the year 2023 at its 11th annual general meeting (AGM) held at the Kurmitola Golf Club in the capital yesterday.

Nilufer Zafarullah, chairperson of the bank, was present at the AGM, alongside Md Ahsan-uz Zaman, managing director and CEO, Md Zahid Hossain, deputy managing director, Khalid Mohammad Sharif, company secretary, and Zahirul Islam, chief financial officer, according to a press release.

NBFI deposits rise, but account numbers fall

STAR BUSINESS REPORT

Deposits at non-bank financial institutions (NBFIs) have increased slightly thanks to flexible interest rates but the number of deposit accounts have dropped sharply, indicating a lack of trust.

The deposits at the NBFIs stood at Tk 44,304 crore in the first quarter of this year, up from Tk 43,698 crore in the same quarter of last year, as per the latest data from Bangladesh Bank.

This means the deposit growth was around 1.38 percent.

Industry insiders said the deposits have increased as reputed NBFIs are being able to draw customers for an interest rate hike.

Both banks and NBFIs are offering high interest rates on their deposit products after the withdrawal of an interest rate cap in June last year.

On the other hand, the number of deposit accounts stood at 4,27,341 during the January-March period of this year, down from 4,86,554 in the same period of last year, the BB data showed.

This means that the number of deposit accounts has dropped by 59,213 or 12.16 percent.

Some depositors are withdrawing their funds from the NBFIs, centring some media reports over the sector's loan irregularities and scams, that is why the number of deposit accounts are decreasing, said industry people.

Md Golam Sarwar Bhuiyan, managing director of the Industrial and Infrastructure Development Finance Company, recently told The Daily Star that the number of deposit accounts has fallen because depositors are withdrawing entire funds to meet their needs for essential foods amid high inflation.

Inflation has stayed at over 9 percent since March last year.

Till March this year, loans and advances in the sector stood at Tk 74,529 crore, up from Tk 71,239 crore a year ago, as per central bank data.

In Bangladesh, there are 35 NBFIs, including three state-run institutions. Collectively, they have 308 branches.

IMF releases Sri Lanka loan despite restructure delays

AFP, *Washington*

The International Monetary Fund released $336 million as part of a bailout loan instalment for Sri Lanka despite delays in the crucial restructuring of its foreign debt, including to China, the Washington-based lender said Wednesday.

The South Asian nation was starting to recover, but the economy was "still vulnerable and the path to debt sustainability remains knife-edged," the IMF said after its latest review.

Sri Lanka defaulted on its external debt in April 2022 after the country ran out of foreign exchange to finance even essential imports such as food, fuel and medicine.

Months of protests forced then president Gotabaya Rajapaksa to step down after being accused of corruption and mismanagement and pushing the island into its worst economic crisis.

READ MORE ON B2

Jackfruits put on sale in Kadamtali area of Chattogram city. Grown in the three hill districts of Bandarban, Khagrachhari and Rangamati, the national fruit of Bangladesh was collected by wholesalers for sale from Tk 20 to Tk 400 per piece. The photo was taken around a week ago. PHOTO: RAJIB RAIHAN

Economist questions growth and inflation targets for FY25

STAR BUSINESS REPORT

It may not be possible to simultaneously achieve both high growth and ensure macroeconomic stability as outlined in the proposed budget for the upcoming fiscal year, an expert said yesterday.

Economist MA Razzaque said the policy intent in the finance minister's budget speech was clear in identifying the challenges, particularly in emphasising the need to contain inflation.

"There is no denying that Bangladesh has consistently achieved robust GDP growth for a long time. However, in light of the pressing need to address macroeconomic challenges, the strategy of stimulating economic activity through increased public spending presents a complex dilemma," he said.

He was presenting the keynote paper at a seminar, titled "FY25 Budget: An Assessment", organised by Research and Policy Integration for Development (RAPID) at the Jatiya Press Club in the capital.

Razzaque, chairman of RAPID, said some of the proposed measures suggest there is an aim to balance the dual objectives of managing growth and development ambitions while reinforcing stabilisation efforts.

However, in the end, it appears that, much like in previous years, the policy approach to those problems remains insufficient and lacks the decisive action needed to address the issues effectively, he said.

Razzaque also said that the budget deficit proposed for FY25 remained largely unchanged from FY24 at 4.6 percent of GDP.

So, even though there is a renewed emphasis on addressing rising price levels, there is no policy intent to reduce the budget deficit, which is known to be an important factor in inflation management, he added.

"Then there is the fundamental question of whether it is possible to achieve the high growth rate set for FY25 at 6.75 percent with the current inflation level of 10 percent," Razzaque said, adding that the proposed budget set the target to reduce inflation to 6.5 percent.

He said restoring economic stability is intrinsically linked with the government's ability to mobilise sufficient revenue.

But despite setting ambitious tax collection targets annually, those goals often remain elusive.

Binayak Sen, director-general of the Bangladesh Institute of Development Studies, said the government has adjusted policies based on global and local conditions.

He pointed out that the foreign exchange regime has been made almost market-based, and the interest rate control has been withdrawn.

However, Sen expressed disappointment over the universal pension scheme, saying that there was a problem from both the demand and supply sides.

"The government should think about it."

In the proposed budget for the upcoming fiscal year, an ambitious revenue collection target of Tk 541,000 crore has been set, which is 13.2 percent higher than that in the revised budget of FY24, Razzaque said.

Additionally, the National Board of Revenue (NBR) has been tasked with collecting about 89 percent of the total revenue.

But that may not be achievable, according to Razzaque, especially since the tax authority could meet only 63 percent of its revenue collection target in FY24.

Speaking about the budget deficit, he said the annual development programme (ADP) spending had been fully financed through the budget deficit in recent years, with reliance on both domestic and external borrowing.

As external borrowing has been a critical source of financiering for the fiscal deficit, outstanding external debt has surged, recently surpassing $100 billion, which would be alarming in any normal situation.

Razzaque added that the government could have tried to contain inflation by reducing the fiscal deficit and should also have increased the allocation of open market sales programmes a little.

"Overall, our challenges have been identified. But policy direction still remains unclear. We could have made the fiscal policy more consistent, especially the monetary policy," he remarked.

"We have to overcome these challenges before our LDC graduation. We need to stabilise the economy. Otherwise, we cannot prepare for LDC graduation."

Mashiur Rahman, economic affairs adviser to the prime minister, M Abu Eusuf, executive director of RAPID, Ashraf Ahmed, president of the Dhaka Chamber of Commerce & Industry, and Shams Mahmud, director of Bangladesh Garment Manufacturers and Exporters Association, also spoke.

Nailing the first impressions

MAHTAB UDDIN AHMED

The magic of "love at first sight" can cast its spell with no warning. We often underestimate its mystical power to determine the course of our personal and professional lives, whether it happens during a job interview or when we meet the love of our life. Being lucky in both may sound rare, but we can make it a possibility if we apply some tricks with sincerity and dedication in both situations.

Impressing an interviewer is like catching the eye of someone special on campus or at a dinner party. Both demands make that charming first impression. You would not want to be caught in your Flintstone shirt in meeting a romantic interest, just like you would not want to appear in an interview dressed casually. You dress to impress and feel confident.

Additionally, finding common ground is essential to spark a connection, whether a shared culinary preference at a party or a mutual hobby in an interview. According to the Science of People, 95 percent of people believe that first impressions are crucial. About 40 percent form a first impression within just seven seconds of meeting someone. This rapid judgment highlights the necessity of being prepared and presenting yourself well.

In the case of a job interview or first engagement, first impressions are typically formed within the first 17 seconds and rely heavily on perceived competence and trustworthiness. In the highly competitive world we live in today, it is wiser to be mindful of influences that help create the best first impression possible.

Nowadays, with everything being presented online on platforms like LinkedIn and Instagram, a flawless online presence is crucial in forming initial impressions. Dressing appropriately for an interview not only gives you a visual edge but also indicates your keenness for the job. Hence, ideally, one should dress one step above the company's usual business casual attire. It is wiser to be overdressed than to be underdressed for any occasion.

Preparation for an interview can never be over-emphasised. Quick research on the interviewer to find commonalities can do wonders for building connections. Maintaining a confident posture by sitting straight and making consistent eye contact is highly recommended, while casual or arrogant body language is discouraged.

According to Science of People, around 55 percent of a communication's meaning is conveyed through nonverbal cues, such as body language and facial expressions. And 44 percent of people notice the eyes first when meeting someone. Therefore, maintaining good eye contact is crucial for suggesting honesty and attentiveness.

It is also important to try and match the interviewer's energy level. Wearing a smile is like the icing on the cake, bringing positivity to the atmosphere. While in the waiting room before the interview, engaging in small conversations with other candidates or the receptionist can help appear friendly and warm up the vocal cords. Some companies may observe and assess your gestures from a camera.

Finally, just as you would not end a great conversation without planning a follow-up, a strong closing remark and a thank-you email are essential. By treating interviews with the same enthusiasm as a date, you are sure to make a lasting positive impression.

Just as in romantic expeditions, we strive to win with charm and wit. Impressing the boss requires a balance of professionalism and personality while sidestepping potential pitfalls. Both scenarios can lead to sleepless nights.

Ultimately, both demand that you put your best foot forward to avoid being a romantic or a professional casualty. First impressions are like first loves. They have an enduring and special place in your mind.

The author is founder and managing director of BuildCon Consultancies Ltd.

Germany warns of trade war over EU's China EV tariffs

AFP, *Berlin*

The EU's threat to hit Chinese electric cars with additional tariffs following an anti-subsidy probe risks a "trade war", Germany said Wednesday, as the country's auto giants warned the move would backfire.

"The European Commission's punitive tariffs hit German companies and their top products," German Transport Minister Volker Wissing said on X, formerly Twitter.

"Cars must become cheaper through more competition, open markets and significantly better business conditions in the EU, not through trade war and market isolation."

After launching an investigation last year, the EU Wednesday threatened to impose extra tariffs of up to 38 percent on Chinese electric car imports from next month, unless Brussels and Beijing can resolve the issue.

China is an important market for Germany's carmakers -- in particular Volkswagen, Europe's largest auto manufacturer -- and industry figures have lined up to warn that new tariffs could trigger retaliatory measures.

Chancellor Olaf Scholz himself in May noted that half of EVs imported from China were produced by Western manufacturers. After the announcement, Volkswagen said it rejected the imposition of the duties.

Why are Chinese electric cars in EU crosshairs?

AFP, *Beijing*

The European Union said this week it would slap additional tariffs of up to 38 percent on Chinese electric cars from next month after an anti-subsidy probe.

Here's why the Chinese electric vehicle market has raised hackles among European policymakers -- and how Beijing might respond:

China has spearheaded a targeted industrial strategy to boost its EV sector, pouring vast state funds into domestic firms as well as research and development.

Between 2014 and the end of 2022, the Chinese government said it had spent more than 200 billion yuan ($28 billion) on subsidies and tax breaks for EV purchases alone.

The approach has given Chinese firms a critical edge in the race to provide cheaper, more efficient EVs over leading US automakers, which have not always enjoyed such state largesse.

They have also been boosted by surging domestic demand: Of all new EVs sold globally in December last year, 69 percent were in China, according to the research firm Rystad Energy.

Exports are soaring. According to the Atlantic Council, Chinese sales of EVs abroad rose 70 percent in 2023, reaching $34.1 billion.

Almost 40 percent of those exports went to the European Union, making it the largest recipient of Chinese EVs.

The overwhelming market leader from China is BYD, which this year posted record annual profits for 2023 and has said it aims to be among the top five car companies in Europe.

A BYD 07 EV model electric car is displayed at the Beijing Auto Show.The European Union said this week it would slap additional tariffs of up to 38 percent on Chinese electric car imports from next month after an anti-subsidy probe. PHOTO: AFP/FILE

Last year, it became the first manufacturer to pass the five million milestone in terms of hybrids and all-electric vehicles produced, cumulatively -- crowning itself as "the world's leading manufacturer of new energy vehicles".

Among the other top Chinese EV makers exporting to Europe are SAIC, MG Motor and Polestar -- owned by Volvo and its Chinese parent firm Geely -- according to state media.

The surge in exports has allowed Chinese firms to rapidly increase their share of the EU market for EVs.

EU imports of EVs from China mushroomed from around 57,000 in 2020 to around 437,000 in 2023, the US-based Peterson Institute for International Economics said.

That rapid growth has alarmed the bloc, which has argued that Beijing's "unfair subsidisation" of the industry "is causing a threat of economic injury" to EU EV makers. On Wednesday, the EU proposed a provisional hike of tariffs on Chinese manufacturers: 17.4 percent for BYD, 20 percent for Geely and 38.1 percent for SAIC.