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.

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.

Given the current strain on the foreign reserves and escalating debt service obligation, there are growing concerns about future debt sustainability.

"If we can't handle the reserve crisis, it will further trigger inflationary pressures," he said.

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, Binayak Sen, director general of Bangladesh Institute of Development Studies, 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 at the programme.

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.

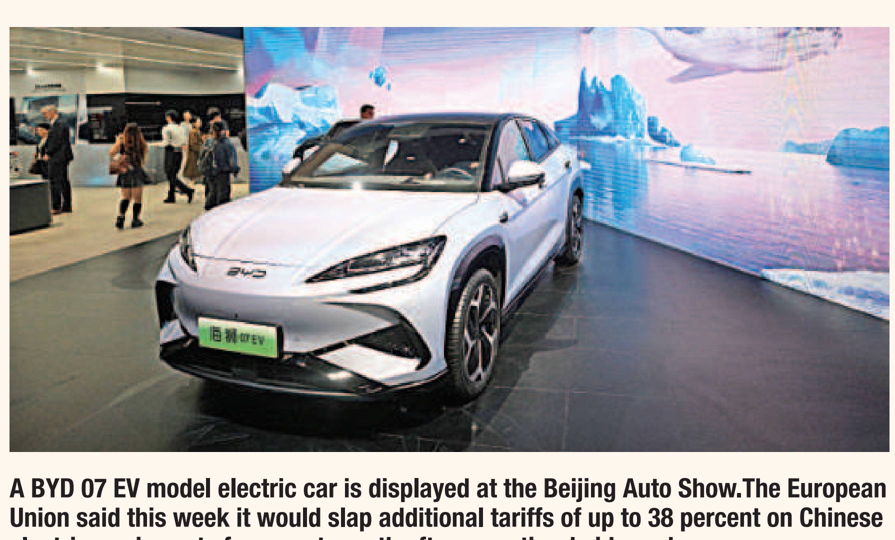
Here's why the Chinese electric vehicle market has raised hackles among European policymakers -- and how Beijing might respond:

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.



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

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.

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.