

Star BUSINESS

Bangladesh can increase its economic output by nearly 40 percent by closing the gender gap and increasing women's participation in economy, IMF says



Story on B4

WEEKLY INTERVIEW



Shaheen Ahamed

'High inflation to impact this year's rawhide collection'

SUKANTA HALDER

Inflation staying persistently high at over 9 percent for the past two years will lead to a lower number of animals being slaughtered this Eid-ul-Azha, the peak season for collecting rawhides, according to Bangladesh Tanners Association (BTA).

Given the scenario, traders have lowered their target for rawhide purchase. The BTA has set a target to procure 80 lakh pieces of rawhide this year, 10 lakh lower than that in the year prior, said Shaheen Ahamed, chairman of the association.

"Due to high inflation, the number of sacrificial animals will be 15 to 20 percent lower than during the last Eid-ul-Azha," Ahamed said in an interview with The Daily Star.

"Animal prices are also high. Because common people do not have as much money this year, a target to collect 80 lakh pieces of rawhides has been set," he said.

The modest target was set despite a record number of sacrificial animals being put up for sale this Eid-ul-Azha due to a surplus in supply as many were left unsold during last year's Eid, he said. There were over 1.25 crore sacrificial animals in 2023, but the number has crossed 1.29 crore this year, as per data from the Department of Livestock Services.

Ahamed added that sales of leather products had decreased considerably in the local market due to high inflation.

READ MORE ON B3

Banks' surging investments in bills, bonds shrink loanable funds

MD MEHEDI HASAN

Banks in Bangladesh are increasing their investments in Treasury bills and bonds to net higher profits from the rising interest rate, a development that has squeezed the availability of loans for borrowers.

This has forced a section of banks to continuously secure liquidity support from the Bangladesh Bank to meet their day-to-day fund requirements.

The government has used the bills and bonds to borrow Tk 78,117 crore from banks between July 1 and May 29 this fiscal year, up 337 percent from Tk 17,883 crore during the same period a year ago, central bank data BB showed.

The escalated borrowing through bills and bonds came after the central bank stopped lending to the government since such injection of funds into the economy fuels inflation, which has stayed above 9 percent for nearly two years and shows no signs of cooling.

The government plans to borrow Tk 137,500 crore from banks to finance the deficit in the proposed budget for 2024-25.

Banks are also more interested in investing in bills and bonds than lending to the private sector because of the rising interest rate. Government instruments are also secure whereas loans can turn sour.

"Therefore, banks are keener about Treasury bills and bonds and a major portion of their surplus liquidity has been invested in the tools," a central banker said.

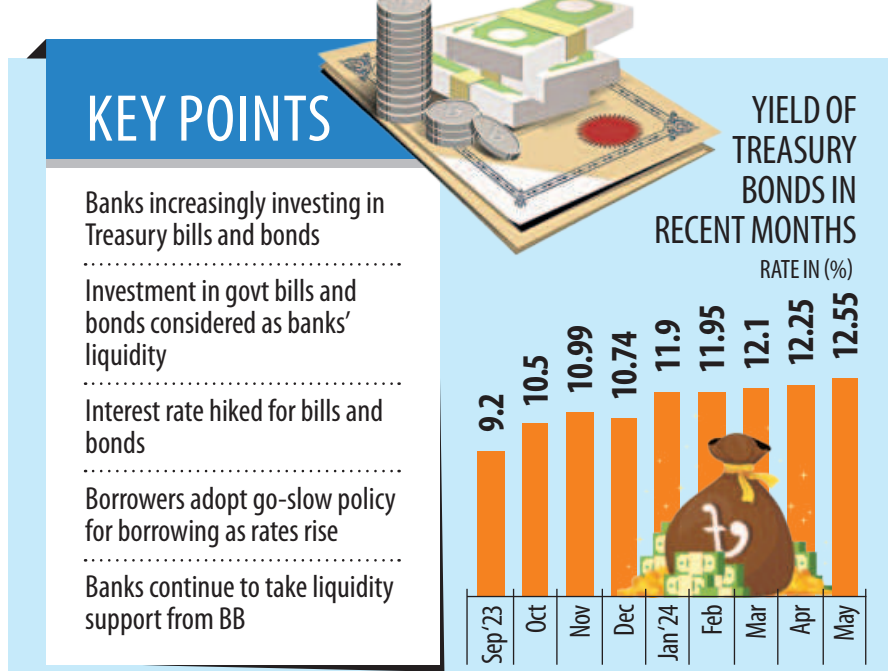
The interest rate of Treasury bills now ranges from 11.60 percent to 12 percent whereas it was 6.75 percent to 7.75 percent in June last year. The interest rate of bonds recently jumped to a 15-year high of 12.75 percent.

Bills have short-term maturities while bonds have long maturities.

Owing to the higher investments by banks in government securities, excess liquidity, which includes cash and cash-equivalent assets, including Treasury bills and bonds, has risen in the banking system.

Excess liquidity stood at Tk 1,76,205 crore at the end of April, up 5 percent from Tk 1,66,825 crore a month earlier, central bank data showed.

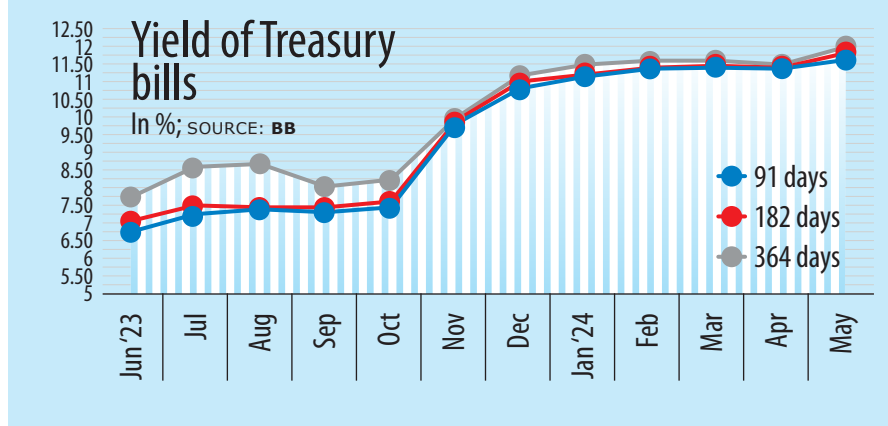
A senior banker said although bills and bonds are considered liquid assets, they can't be turned into cash instantly



INVESTMENT IN SECURITIES

Banks invested Tk 78,117cr in govt securities till May 29 this fiscal year

Banks invested Tk 17,883cr in govt securities till May 29 last fiscal year



because the secondary market is yet to become vibrant. Thus, the volume of surplus liquidity reported by the BB is not the actual liquid asset situation.

"This is evidenced by the liquidity stress confronting several banks."

Banks have collectively obtained around Tk 20,000 crore from the central bank through repo (repurchase agreement) and assured liquidity support tools in the past six months.

Mirza Elias Uddin Ahmed, managing director of Jamuna Bank, said although

the surplus liquidity has increased, many banks are still taking liquidity support from the central bank.

"There is a liquidity mismatch in the banking sector. Some Islamic banks have been experiencing a liquidity crisis for more than one year. This has impacted the overall banking sector."

Another factor that has made banks cautious when it comes to lending is unbridled bad loans: default loans hit an all-time high of Tk 182,295 crore in March.

READ MORE ON B3

EID VACATION Private ICDs face an influx of export containers

DWAIPAYAN BARUA, Ctg

The private inland container depots (ICDs) in Chattogram are overwhelmed by a rising number of export containers due to the advance dispatch of cargoes by exporters ahead of the Eid vacation in garment factories.

Some of the apparel manufacturers have already closed their production units for Eid-ul-Azha while some will shut their doors today.

Around 10 days ago, readymade garment factories from across the country started sending export cargoes to the 21 private ICDs, one or two weeks ahead of the scheduled shipment dates.

This trend is seen every year before Eid vacations, but this year a few more factors have led to extra pressure and acute container congestion in the ICDs, stakeholders opined.

The factors include the increased flow of export cargoes in recent months, the impact of the cargo backlog created after the two-day operational closure in Chattogram port due to cyclone Remal last month, and delays in vessel arrival due to congestion in transshipment ports in Singapore and Malaysia, they said.

A transport crisis hit the business zone when fares of trucks and covered vans doubled and vehicles started waiting for two or three additional days for unloading of cargoes at the ICDs.

Until Saturday afternoon, some 15,553 TEUs (twenty-foot equivalent units) of export containers were lying at the 21 ICDs, much higher than the 8,000 TEUs on any regular day, according to the Bangladesh Inland Container Depots Association.

The number of total containers, including export, import and empty, crossed 78,000. The 21 ICDs together have the capacity to store 90,000 such containers.

READ MORE ON B3

STOCKS		WEEK-ON WEEK
DSEX	2.28%	5,117.81
CASPI	2.67%	14,547.24

COMMODITIES		AS OF FRIDAY
Gold	\$2,333.01	(per ounce)
Oil	\$78.48	(per barrel)

ASIAN MARKETS				FRIDAY CLOSINGS
MUMBAI	TOKYO	SINGAPORE	SHANGHAI	
0.24%	0.24%	0.81%	0.12%	
76,992.77	38,814.56	3,297.55	3,032.63	

Eight state firms had Tk 183cr default loans until Feb

STAR BUSINESS REPORT

Eight state-owned enterprises (SOEs) of Bangladesh had a combined default loan of Tk 183.62 crore in February, official figures showed.

At this time last year, the volume of default loans held by the SOEs was Tk 184.76 crore.

The latest figures were disclosed in the Bangladesh Economic Review 2024, which was released by the Ministry of Finance on June 6.

Among the eight SOEs, Bangladesh Jute Mills Corporation defaulted on the highest amount of loans of Tk 131.3 crore. This is around nine times higher than the Tk 14.76 crore in 2020.

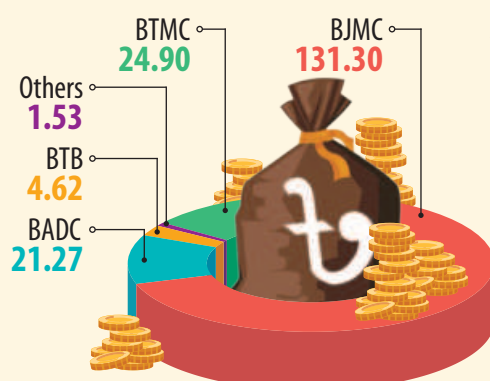
The second-highest bad loan of Tk 24.9 crore was with Bangladesh Textile Mills Corporation (BTMC). In 2019-2020, BTMC had a default loan of Tk 20.49 crore.

Bangladesh Agricultural Development Corporation (BADC) had a bad loan of Tk 21.27 crore, the third highest.

Bangladesh Tea Board had a bad loan of Tk 4.62 crore, Bangladesh

Default loans of state enterprises

(In crore taka)



SOURCE: FINANCE MINISTRY

Chemical Industries Corporation Tk 74 lakh, Bangladesh Road Transport Corporation Tk 57 lakh, Trading Corporation of Bangladesh Tk 20 lakh, and Bangladesh Sugar and Food Industries Corporation Tk 2 lakh.

READ MORE ON B3

State enterprises' loan rising, so is govt guarantee

JAGARAN CHAKMA

The government needs to provide guarantees against an increasing amount of loans of state-owned enterprises every fiscal year, especially for power generation, fertiliser and fuel imports, and aircraft purchases.

The government provides these "sovereign guarantees" against loans negotiated by various state-owned financial and non-financial enterprises, states the finance ministry's Medium-term Macroeconomic Policy Statement for 2024-25 to 2026-27.

Meant to aid the implementation of public policies and programmes, the sovereign guarantees are mostly issued to entities operating in commercial aviation, power and public commodity sectors, and fertiliser plants, according to the statement.

If the entities fail to repay their loans on time, the guarantees could be invoked and the liabilities would be passed on to the government, which inevitably would have future fiscal implications, it added.

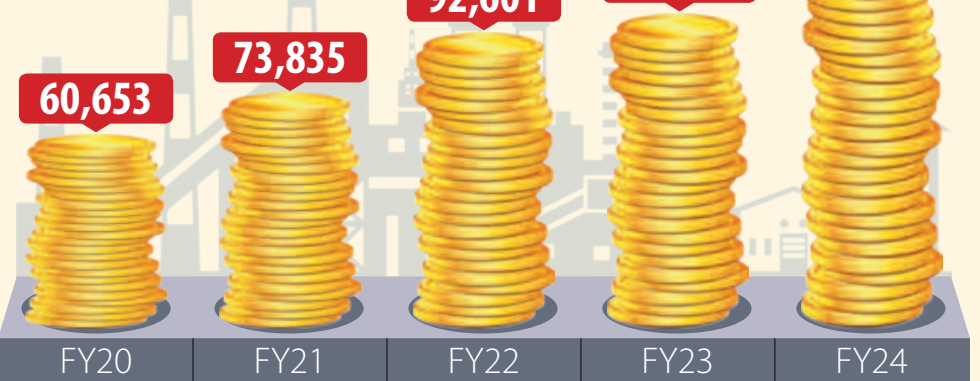
As of the current fiscal year of 2023-24, sovereign guarantees were backing Tk 117,094 crore in loans, according to budget documents of the finance ministry.

In the last fiscal year of 2022-23, it was Tk 98,591 crore whereas it was Tk 92,601 crore in fiscal year 2021-22.

Govt guarantee against loans of state enterprises

In crore taka; As of June

SOURCE: FINANCE MINISTRY



The amount has been increasing by around 19 percent on average every year.

State-owned power agencies now have the highest amount of loans -- Tk 53,596.26 crore.

Bangladesh Agricultural Development Corporation accounted for Tk 18,985.48 crore, all availed for importing fertilisers.

Besides, the loan against Ghorashal-Palash Urea Fertiliser Factory, which was

inaugurated in Narsingdi in November last year, stands at Tk 10,113 crore.

Biman Bangladesh Airlines had loans to the tune of Tk 8,543.45 crore, the energy sector Tk 7,660.18 crore and the Trading Corporation of Bangladesh Tk 2,432.11 crore.

One of the ways in which state-owned enterprises were correlated with the government's fiscal position, as per a partial

READ MORE ON B3

EID MUBARAK

Prime Bank

Procedural issues delaying Sri Lanka debt deal: IMF

AFP, Colombo

Sri Lanka's planned foreign debt restructure after an unprecedented economic crisis has been delayed by "procedural issues" in negotiations with bilateral creditors including China, the International Monetary Fund said Friday.

The Washington-based lender of last resort this week gave Sri Lanka the latest tranche of a rescue package designed to help repair the island nation's ruined finances after a 2022 government default.

President Ranil Wickremesinghe had originally promised the restructure would be finalised before the latest \$336 million disbursement, but discussions with creditors have yet to yield a deal.

"There is agreement on the substance of the financial and legal terms," IMF Sri Lanka mission chief Peter Breuer told reporters in Colombo.

"It is procedural issues that need to be resolved, and we anticipate that this will happen very soon."

Sri Lanka defaulted on its \$46 billion 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 mismanaging the island nation into its worst-ever economic crisis.

Prime Bank signs payroll banking agreement with ABR-MASAFI Group



Faisal Rahman, additional managing director of Prime Bank, Md Nazeem A Choudhury, deputy managing director, and Mohammad Saiful Huda Chowdhury, managing director of ABR-MASAFI Group, are seen along with other officials of both the organisations at Prime Bank's corporate office in Dhaka.

PHOTO: PRIME BANK

STAR BUSINESS DESK

Prime Bank PLC recently signed a payroll banking agreement with ABR-MASAFI Group.

Faisal Rahman, additional managing director of Prime Bank, Md Nazeem A Choudhury, deputy managing director, and Mohammad Saiful Huda Chowdhury, managing director of ABR-MASAFI

Group, took part in the signing ceremony at the bank's corporate office in the capital's Gulshan.

Under the agreement, employees of ABR-MASAFI Group will enjoy preferential banking services, including credit card and loan facilities from Prime Bank.

They will also enjoy PrimePay, a digital portal that allows seamless automated salary payments as well as corporate

payments round the clock, according to a press release.

Md Asif Bin Idrish, head of commercial banking of Prime Bank, Anup Kanti Das, head of payroll banking, Md Anwar Hossain, Head of Accounts, and Mohammad Obaidul Islam, Head of Commercial of ABR-MASAFI Group, and senior officials from both organisations were also present during the signing ceremony.

Gold set for first weekly gain

REUTERS

Gold prices rose over 1 percent on Friday and were on track for their first weekly gain in four, as signs of slowing inflation in the US raised hopes of a rate cut later this year and a stock selloff across Europe also lent support.

Spot gold was up about 1.3 percent at \$2,332.55 per ounce by 1:55 p.m. ET (1755 GMT). Bullion gained 1.8 percent for the week.

US gold futures settled 1.3 percent lower at \$2,349.1.

In wider financial markets, European stock indexes dropped as French assets took a beating due to the country's political turmoil. Cautious mood prevailed on Wall Street, with investors pausing after strong gains in the S&P 500 and the Nasdaq indexes.

"That combination of weaker equities, and some interest rate declines (in Fed funds futures pricing), are reigniting interest in gold, despite the fact that the Federal Reserve has moved the dots at its FOMC meeting," said Bart Melek, head of commodity strategies at TD Securities.

Traders raised their bets to price in about 52 basis points (bps) of cuts (or two quarter-point cuts) by December-end after softer inflation data this week.

That was an increase from 37 bps last Friday, when a stronger-than-expected jobs report doused early rate cut hopes, according to LSEG's interest rate probability tool, IRPR.

Lower rates tend to boost appeal for non-yielding bullion by making it a more attractive investment, compared with other assets such as Treasury bonds.

Data this week showed consumer prices were unchanged in May for the first time in nearly two years, while producer prices unexpectedly fell.

The Nasdaq eked out its fifth straight record closing high on Friday, as gains in tech-related stocks helped keep the streak alive.

However, the US Federal Reserve's median "dot plot" released after its two-day policy meeting - where it kept interest rates steady - showed the policymakers projecting just one quarter-point cut.

"It's still not a done deal here. There could be continued pull below \$2,300 in the near term as the market reassesses the dots," Melek added.

Standard Chartered holds event to encourage more trade with Korea

STAR BUSINESS DESK

Stakeholders from the private sector, think-tanks and government came together to discuss actions that can be taken to promote and drive Korean business activity in Bangladesh at a dialogue which was recently organised in Dhaka.

Standard Chartered Bangladesh (SCB), the Embassy of the Republic of Korea to Bangladesh, the Bangladesh Investment Development Authority (Bida), Bangladesh Bank, and Korea-Bangladesh Chamber of Commerce & Industries organised the event on the topic "Thrive in Bangladesh: Actionable insights and solutions for Korean businesses", according to a press release.

The event focused on driving collaboration and facilitating the development of infrastructure, trade, investment flow, and sustainable finance.

The dialogue addressed the concerns that Korean investors have with the goal of improving the business climate in



PHOTO: STANDARD CHARTERED BANGLADESH

Naser Ezaz Bijoy, chief executive officer of Standard Chartered Bangladesh, and Park Young-sik, ambassador of the Republic of Korea to Bangladesh, pose for photographs along with other officials and businesspeople at a dialogue in Dhaka.

Bangladesh. Naser Ezaz Bijoy, chief executive officer of SCB, said: "As the fourth largest source of foreign direct investment for Bangladesh, South Korea makes significant contributions, particularly in trade, investment, landmark infrastructure projects, and manufacturing."

Park Young-sik, ambassador of the

Republic of Korea to Bangladesh, stated: "While Bangladesh offers competitive labour costs, technology is increasingly important. To attract foreign investors, Bangladesh must improve its business climate."

Mohsina Yasmin, executive member (Investment Promotion) of Bida, said that investors were using Bida's online

one-stop service portal, which offers 124 services from 41 agencies.

Samsoo Kim, director general, Korea Trade-Investment Promotion Agency, said: "To attract more Korean investment in manufacturing, it is crucial to simplify public laws, streamline accounting and tax processes, and ensure consistent tax regulation application."



Shams Abdullah Muhaimin, deputy managing director of Prime Bank, and M Tanvir Siddique, chief executive officer of B-Trac Solutions, pose for photographs at the bank's corporate office in the capital's Gulshan.

PHOTO: PRIME BANK

Prime Bank inks deal with B-Trac Solutions for safe transportation of working women

STAR BUSINESS DESK

Prime Bank PLC has signed a deal with B-Trac Solutions Ltd recently to ensure safe transportation of working women.

Shams Abdullah Muhaimin, deputy managing director of Prime Bank, and M Tanvir Siddique, chief executive officer of B-Trac Solutions, signed the agreement on behalf of their organisations at the bank's corporate office in Gulshan, according to a press release.

Under the agreement, B-Trac Solutions will offer a mobile application, named "NIRAPATH", which will help to ensure safe trips for women entrepreneurs and corporate women.

Shailla Abedin, head of women banking and affluent segment of Prime Bank, Siraz Uddin, head of sales of B-Trac Solutions, and other officials from both organisations were also present.

Major brands join forces

FROM PAGE B4

To help accelerate progress and bridge these gaps, the Future Supplier Initiative aims to reduce the cost for suppliers by working with fashion brands to decrease the cost of capital for loans that can accelerate decarbonisation.

Alongside financial incentives, technical support will be provided to help suppliers identify and implement low-carbon technologies and solutions.

Baselining and monitoring emission reductions will also be conducted to demonstrate the impact of projects financed and implemented by the initiative.

The initiative seeks to identifying common factory units, interventions and costs and match projects with the highest potential for impact.

"At Bestseller, we are working intensively to improve our climate footprint," said Anders Holch Povlsen, owner and CEO of Bestseller.

"We have largely managed to tackle our direct emissions, but it is clear that emissions in our value chain require ambitious efforts on a scale that calls for innovative, joint solutions," he said.

"Gap Inc is committed to bridging the climate gap by collaborating with our supply chain partners to reduce emissions," pledged Richard Dickson, president and CEO of Gap Inc.

Daniel Ervér, CEO of H&M Group, said, "At H&M Group, we want to lead the way within our industry and decarbonising our supply chain is one of the most important keys to further reducing our emissions."

"The Future Supplier Initiative shows that solutions are readily available and come with proven impact, but it requires commitments from brands and investors that are willing to invest," he said.

"We encourage others to join our efforts to tackle our industry's negative climate impact," Ervér added.

BRAC Bank signs deal with WeGro Technologies to provide financing to farmers

STAR BUSINESS DESK

BRAC Bank has signed an agreement with WeGro Technologies Ltd to facilitate financing for smallholder farmers across Bangladesh.

This deal aims to provide affordable loans to farmers, empowering them to enhance their agricultural projects and contribute to the country's agricultural development, according to a press release.

WeGro Technologies operates across 29 zones in Bangladesh. Since its inception in 2021, it has connected institutional financiers with over 5,000 farmers.

The agreement was signed at an event at BRAC Bank's head office in Dhaka recently. Syed Abdul Momen, deputy managing

director and head of SME Banking of BRAC Bank, Indrajit Sur, head of Emerging Corporate, Nazrul Islam, head of Small Business (South), and Mohammed Jakirul Islam, head of SME Strategy, Innovation and New Business, were present on the bank's behalf.

From WeGro, Mahmudur Rahman, chief executive officer, Md Alvi Rahman, chief operating officer, Monjurul Mannan, finance lead, Ilham Hasan Chowdhury, business partner, Strategy & FP&A, were present.

Syed Abdul Momen expressed optimism about the partnership, saying: "This collaboration with WeGro will help us reach more farmers, ensuring they have access to affordable financing and opportunities for growth."



Syed Abdul Momen, deputy managing director of BRAC Bank, and Mahmudur Rahman, CEO of WeGro Technologies, pose for photographs at the bank's head office in Dhaka.

PHOTO: BRAC BANK

PRICES OF KEY ESSENTIALS IN DHAKA CITY			
	PRICE (JUNE 15, 2024)	% CHANGES FROM A MONTH AGO	% CHANGE FROM A YEAR AGO
Fine rice (kg)	Tk 68-Tk 78	7.35 ↑	8.15 ↑
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 ↓	-14.41 ↓
Potato (kg)	Tk 55-Tk 60	11.65 ↑	59.72 ↑
Onion (kg)	Tk 80-Tk 90	21.43 ↑	17.24 ↑
Egg (4 pcs)	Tk 53-Tk 54	9.18 ↑	15.05 ↑

SOURCE: TCB



Govt's annual food distribution

In lakh tonnes; *Revised **Plan



Govt trims food distribution target for FY25 amid high inflation

SOHEL PARVEZ

The government has lowered the distribution target for food grains for the upcoming fiscal year of 2024-25, which economists say is an illogical decision since food inflation has soared above 10 percent in the past two months.

For FY25, the government plans to distribute 30.3 lakh tonnes of rice and wheat among poor and low-income people through cash and non-cash programmes apart from distribution among public sector employees.

The quantity of the planned distribution is 10 percent lower than the revised distribution plan of 33.56 lakh tonnes for the outgoing fiscal year of 2023-24.

The food distribution plan is also below the original allocation for the outgoing fiscal year, according to the finance ministry.

"This is unwarranted given the persistent high prices of essentials, particularly of food," said the Centre for Policy Dialogue (CPD) in its analysis of the proposed budgetary measures for FY25.

Inflation has remained persistently high, hovering over 9 percent for two years, while the Consumer Price Index rose to 9.89 percent in May from 9.74 percent in April.

The think-tank said the total allocation for food support-related social safety net programmes has decreased nearly one percent to Tk 17,363 crore in FY25 from the revised allocation of Tk 17,483 crore in FY24.

For instance, the government has reduced allocations for the Open Market Sales (OMS) and Food Friendly Programme (FFW) by 4 percent to Tk 5,362 crore in FY25 compared to the revised allocation of Tk 5,491 crore of this fiscal year,

according to the CPD.

The CPD said the food subsidy has been cut by 20 percent for the next fiscal year starting from July.

Quazi Shahabuddin, a former director-general of the Bangladesh

The quantity of the planned distribution is 10 percent lower than the revised distribution plan of 33.56 lakh tonnes for the outgoing fiscal year of 2023-24.

Institute of Development Studies (BIDS), said the government should expand food distribution as prices are high.

"The reduction of the food distribution target does not seem logical. Instead of cutting it, the government should expand food distribution programmes like OMS to

cushion poor people from high food inflation," he said.

Mohammad Yunus, research director of BIDS, said the government should provide cash support to the poor and vulnerable which is equivalent to at least the distribution cut.

Mohammad Jahangir Alam, a professor of agribusiness and marketing at Bangladesh Agricultural University, said it has been seen in the past that the government's food distribution increases in the revised budget.

"So, I think we will see higher food distribution later," he said.

Md Habibur Rahman Hosaini, additional secretary to the procurement & supply wing at the food ministry, also said allocations for food distribution for the current fiscal year were lower than this year's revised budget.

"If needed, we will increase allocations," he added.

Almost all garment factories clear salary, bonus Industrial Police say

STAR BUSINESS REPORT

Almost all garment and textile factories cleared salary payments for their workers and provided festival bonuses marking Eid-ul-Azha yesterday, said Industrial Police.

Also, workers have already started off on their journeys to their village homes as factories are following the government's rules for allocating holidays.

It is true that almost all the factories have paid the salaries and bonuses as of yesterday, but a very small number of factories made a partial salary payment, said Nazma Akter, president of Sammito Garment Srarnik Federation.

Md Towhidur Rahman, president of Bangladesh Garment Workers Federation, echoed Akter's sentiments.

Rahman added that no worker has been laid off ahead of Eid-ul-Azha this year.

Md Nasir Uddin, vice-president of the Bangladesh Garment Manufacturers and Exporters Association, said the factories paid salaries and bonuses timely. He added that there was no untoward incident till yesterday.

In a statement, Industrial Police also said no untoward incident was reported as factory owners paid the salaries and bonuses timely.

India's wholesale prices rise 2.61% in May

REUTERS, New Delhi

India's wholesale prices rose 2.61 percent in May, the most in more than a year, mainly driven by food items, government data showed on Friday.

May inflation was higher than the 2.5 percent expected by economists polled by Reuters and up from 1.26 percent in April.

Food prices rose 7.4 percent on year compared with an increase of 5.52 percent in April, while prices of vegetables were up 32.42 percent on year against a 27.94 percent rise in the previous month.

Manufactured product prices rose 0.78 percent year on year against a 0.42 percent drop in the previous month. Fuel and power prices rose 1.35 percent compared with a 1.38 percent rise in April.

WPI inflation for March was revised to 0.26 percent from 0.53 percent earlier.

India's retail inflation rate eased slightly in May to 4.75 percent, partly helped by a fall in fuel prices although food prices remained elevated, government data showed on Wednesday.

Food inflation is worrying and that will put pressure on retail food inflation, said Paras Jasrai, an economist at India Ratings & Research. The retail food inflation is expected to be above 8 percent in June, he said. Food inflation could decline if forecasts of a normal monsoon play out.

Well-distributed rainfall would be crucial to support the timely onset of summer crop sowing across Indian states, said Aditi Nayar, an economist at ICRA.

US import prices drop for first time in 5 months

REUTERS, Washington

US import prices fell for the first time in five months in May amid lower prices for energy products, providing another boost to the domestic inflation outlook.

The unexpectedly benign report from the Labor Department on Friday combined with data this week showing tame inflation readings last month to keep a September interest rate cut from the Federal Reserve on the table.

Signs that inflation is subsiding have, however, failed to lift spirits among Americans, with a survey on Friday showing consumer sentiment dropping to a seven-month low in June. The US central bank on Wednesday pushed out the start of rate cuts to perhaps as late as December, with policymakers projecting only a single quarter-percentage-point reduction for this year.

"Fed officials did not see what they were hoping for in the inflation

trend when they met earlier this week, but the winds of change are coming for those bearish inflation outlooks," said Christopher Rupkey, chief economist at FWDBONDS.

"We would not rule out a first rate cut in September. The decline in imported goods prices will surely be welcomed by inflation-weary consumers."

Import prices dropped 0.4 percent last month after an unrevised 0.9 percent surge in April, the Labor Department's Bureau of Labor Statistics said. That was the first decline in import prices since December. Economists polled by Reuters had expected import prices, which exclude tariffs, to edge up 0.1 percent.

In the 12 months through May, import prices increased 1.1 percent, matching April's rise. Imported fuel prices dropped 2 percent in May after advancing 4.1 percent in April. There were sharp decreases in the prices of crude petroleum and natural gas.

Private ICDs face an influx

FROM PAGE B1

Until Saturday noon, over 4,000 trucks and covered vans carrying export goods from Dhaka and other parts of the country were seen waiting in queues to enter different ICDs.

Around 90 percent of the country's total export cargoes shipped through Chattogram port are stuffed into containers in these ICDs before being sent to the port.

The remaining 10 percent are sent from the Kamalapur ICD as well as directly from export processing zones.

Nasir Uddin Chowdhury, chairman of the standing committee on port and shipping of Bangladesh Garment Manufacturers and Exporters Association, said most garment factories will remain closed for a week or more for the Eid-ul-Azha festival.

So, they plan to send their export cargoes to the ICDs before the vacation starts in order to ensure timely shipment during the vacation.

He admitted that the number of export cargoes has risen since May.

The covered vans are facing additional delays because of a lack of labourers at the ICDs to handle the containers, forcing exporters to bear the extra cost of overstay, he said.

Refuting the allegation, Ruhul Amin Sikder, secretary general of the Bangladesh Inland Container

Depots Association, said ICDs face an unusual increase in export cargoes before Eid vacations and they are working round the clock to cope with the pressure.

He said a number of export containers which are ready for shipment cannot be timely sent to the port due to delayed arrivals of vessels, which is further choking the ICDs.

Moreover, there are shortage of empty containers required for stuffing the export cargoes, mainly due to a container backlog at transshipment ports resulting from the Red Sea crisis.

Muntasir Rubayat, a leader of the Bangladesh Shipping Agents Association, said there is a delay in the arrival of feeder vessels due to a two-three day berthing delay in Singapore and Malaysia.

There is a shortage of empty containers as mother vessels are taking almost a month of additional time to make the round trip between the transshipment ports and Europe as they are forced to reroute through the Cape of Good Hope in Africa as they are avoiding passage through the Red Sea, he said.

However, executives of different leading ICDs said the pressure already started receding from Saturday and the situation would improve within the next few days.

High inflation

FROM PAGE B1

The same applied to the international market, he said.

"These are fashionable products. Given the situation, people will buy fashionable products only after buying essential products. That's normal. Because of this, both buyers and traders are in a tight situation," he said.

The economic situation of countries which collect leather from Bangladesh is also not good. They are also going through high inflationary pressure and various economic crises. So, they have reduced order quantities, he said.

Due to these reasons, the target of rawhide collection has been reduced this year, he added.

During the July-May period of the current fiscal year, exports of leather goods totalled \$961 million, marking a decline of 14.17 percent compared to the corresponding period in the previous fiscal year.

On June 3, the government set the

price of salt-cured cowhides at Tk 55-60 per square foot (sqft) in the capital and Tk 50-55 per sqft outside the capital.

Last year, the price was Tk 50-55 per sqft in Dhaka and Tk 47-52 per sqft outside the capital.

"Even three to four years ago, we did not buy so many rawhides. But it was found that middlemen make profits of over Tk 300 per piece, which affects the market," Ahamed said, adding that tannery owners were interested in buying rawhides in order to keep the market stable.

"We now directly contact madrasas and orphanages in advance. Later we give them the price of the rawhides according to the market price," he said.

Tanners will get about Tk 270 crore in loans from banks to procure and preserve rawhides during the upcoming Eid-ul-Adha.

Last year, traders sought loans of around Tk 500 crore but received Tk 259 crore.

Banks' surging investments

FROM PAGE B1

The demand for fresh loans has also declined as there has been a slowdown in the economy for the past two years owing to the lingering impacts of the coronavirus pandemic and the Russia-Ukraine war.

Recently, borrowers have adopted a go-slow approach in expanding their footprint amid the climbing interest rate.

Customers enjoyed a maximum 9 percent lending rate between April 2020 and June last year after the central bank introduced the ceiling to keep the cost of funds lower with a view to spurring industrialisation. However, amid lingering inflation, it was forced to scrap the cap in July last year, and on May 8, it even left the interest rate in

the hands of the market.

Sector-wise surplus liquidity
The surplus liquidity in the banking sector has been rising gradually since November. The amount stood at Tk 1,40,979 crore in the month.

In April this year, private commercial lenders, excluding shariah-compliant banks, had the highest excess liquidity of Tk 84,758 crore.

State-run banks were sitting on Tk 52,733 crore surplus liquidity while foreign banks had Tk 37,396 crore.

Islamic banks had the highest volume of additional cash as of 2021. However, in the subsequent years, they started to face a huge liquidity crisis because of alleged loan irregularities at half a dozen shariah-based banks.

Eight state firms had Tk 183cr default loans

FROM PAGE B1

There are 49 state-owned non-financial enterprises in the country.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, suggested the government privatise SOEs to make them profitable.

"This is because it is not possible to turn them into profit-generating entities due to a lack of operational skills among management."

The government runs these enterprises by giving subsidies and repaying loans with money coming from taxpayers, he said.

Speaking to The Daily Star last week, AB Mirza Azizul Islam, a former adviser to a caretaker government, recommended ensuring accountability at the SOEs so that they can make profits while giving services to the people.

State enterprises' loan

FROM PAGE B1

analysis, was that their loans exposed the state to potential financial loss, said the finance ministry statement.

Moreover, the government has had to inject additional capital to keep many of the enterprises afloat, it said.

Economists suggest privatising loss-making entities instead of running them by spending taxpayer money.

As of February, 30 state-owned enterprises had Tk 65,089.48 crore in debt with state-owned commercial banks, read the Bangladesh Economic Review 2024.

Of the amount, Tk 183.62 crore has been classified.

Up until now there has been no default of loans backed by sovereign guarantees, said the finance ministry statement.

However, the government plans to amend the existing guidelines to streamline the process and further strengthen the debt repayment capacity of the state-owned

enterprises, it said.

Loan default of state-owned enterprises is a serious issue in terms of preserving the confidence and image of the country as it generally does not happen anywhere in the world, said M Masrur Reaz, chairman of Policy Exchange of Bangladesh.

When state-owned enterprises default on loans, the impact falls on the private sector and raises questions about the capability of the government, he said.

Most public enterprises are incurring losses, but the government does not shut those down on political grounds, said Ahsan H Mansur, executive director of the Policy Research Institute.

Instead, the government continues to run these enterprises by providing subsidies and repaying their loans by spending taxpayer money, he said.

According to him, the ultimate solution is to privatise the state-owned enterprises to avoid the liabilities of debt for years on end.

Major brands join forces to decarbonise Bangladesh's fashion industry

STAR BUSINESS REPORT

Some of the world's biggest fashion brands such as Gap Inc, H&M Group, Mango, and Bestseller have joined forces to participate in an initiative to decarbonise the fashion sector in Bangladesh.

The Future Supplier Initiative offers a collective financing model to support decarbonisation in the apparel sector, according to a statement from H&M.

It is facilitated by non-profit The Fashion Pact in partnership with brand and manufacturer platform Apparel Impact Institute, consultancy firm Guidehouse and Singaporean DBS Bank.

Decarbonisation is the process of reducing or eliminating carbon dioxide emissions from processes such as manufacturing.

Future Supplier Initiative estimates that 99 percent of total fashion brand emissions occur in the supply chain.

It aims to accelerate the transition to net zero by sharing the financial risks and responsibilities of transitioning to renewable energy sources in garment and textile factories alongside their suppliers.

Future Supplier Initiative estimates that 99 percent of total fashion brand emissions occur in the supply chain

The initiative is a brand-agnostic mechanism that will develop and finance projects to support both brands and suppliers to meet their "Science Based Targets" (SBTs) and stay within the 1.5 degree trajectory.

The 1.5-degree trajectory is a specific goal outlined in the context of global efforts to address climate change, with the aim being to limit global warming to an increase of no more than 1.5 degrees Celsius above pre-industrial levels.

To this end, a combination of technical support and financial incentives will be used to help overcome the barriers that prevent many factories from adopting electrification and renewable energy solutions.

"The cost of inaction on climate change is unaffordable," said Eva von Alvensleben, executive director and secretary general of The Fashion Pact, according to a statement from H&M on June 13.

"If the fashion sector is to meet its goals and transform its supply chain, we urgently need to address the gap between ambition and action," she said.

"No business alone can solve this challenge, but by sharing the costs, risks and responsibilities of the transition to renewable energy, we can build an ecosystem of solutions and kickstart a new era of change," she added.

The H&M statement added that achieving significant emission reductions would mean that suppliers may need to adopt a range of energy-efficient technologies and processes, as well as transitioning to renewable energy sources, often with lengthy payback periods that can take decades.

This deters many suppliers from embracing electrification and renewable energy solutions, hindering progress towards decarbonisation goals.

READ MORE ON B2



As women played an integral role in the development of the garment industry of Bangladesh and the country's growth success in recent decades, they should be empowered to play an active role in green transition, say economists.

PHOTO: STAR

GDP output may rise 40% if women's participation in economy widens

Two IMF economists say on Bangladesh

STAR BUSINESS REPORT

Bangladesh can increase its economic output by nearly 40 percent by closing the gender gap and increasing women's participation in the economy, according to the International Monetary Fund (IMF).

"Sizable gaps in women's economic empowerment undermine growth and exacerbate climate vulnerability in Bangladesh," said the multilateral agency in an article last week.

Per capita incomes in Bangladesh have risen seven-fold in the past three decades while poverty has been reduced to a fraction of former levels.

"Such progress has been driven in part by greater labour force participation by women, most notably in the garment industry, and has been accompanied by other meaningful improvements in women's empowerment," said the article jointly written by Jayendu De and Genet Zinabou.

"Our recent analysis, however, shows there is still large gaps between women and men. Notably, women's labour force participation is only half the rate of men." Jayendu De is the IMF resident representative in Bangladesh while Genet Zinabou is an economist in the fiscal affairs department.

The writeup, citing an IMF's previous research, said closing the gap could increase Bangladesh's economic output by nearly 40 percent.

"Women also remain less likely than men to obtain tertiary education, and they face greater barriers in accessing financial services. Remedying both factors could raise the entire economy's productivity."

The article said Bangladesh's extreme vulnerability to climate change and natural disasters makes the efforts to close gender gaps challenging.

"Climate shocks generally affect the

already poor and vulnerable the most. This means that Bangladeshi women, who on average have fewer resources than men, are likely to be disproportionately impacted."

It highlights several factors that render women uniquely exposed to the effects of climate change and natural disasters.

Women's employment is highly concentrated in agriculture and informal work and climate change directly affects agricultural production. Informal workers are often particularly vulnerable to climate shocks as they lack access to social insurance programmes.

Sizable gaps in women's economic empowerment undermine growth and exacerbate climate vulnerability in Bangladesh, IMF says

The article said both international and internal migration are important climate adaptation strategies. But these are availed mostly by men: men are 16 times more likely to be employed overseas than women, who tend to be primary caregivers for children and the elderly, leaving them less mobile and more likely to remain living in areas highly exposed to climate change.

Women carry the primary responsibility for collecting drinking water and cooking fuel. As warming temperatures, rising sea levels, deforestation and more frequent cyclones and droughts render these tasks more time-consuming, women's time poverty is expected to be exacerbated, the IMF warned.

Bangladesh has already recognised the need to integrate gender perspectives in its 2009 Climate Change Strategy.

Following this, the government adopted the first Climate Change and Gender Action Plan 2013, which it updated in March 2024.

"Renewed efforts will be needed to ensure successful implementation of the plan and achieve simultaneous progress on climate action and gender equality," it added.

"To this end, policymakers should capitalise as much as possible on the synergies between women's empowerment, economic growth, and increased resilience to climate change."

The article said policies that support women's labour force participation deserve particular attention. These include increasing women's access to skills development and higher education, easing the pressure on women on unpaid care burdens by expanding affordable childcare and reducing informality.

De and Zinabou also suggest addressing those gender norms that discourage women from seeking formal jobs and higher pay.

"Boosting health and education spending would help empower women while raising labour productivity and making the whole population more resilient to climate change."

The article said persistent gaps between women and men in access to finance should be tackled by instilling confidence in formal finance, strengthening women's property rights, and carrying out financial literacy campaigns targeted at women.

"Women should not be considered mere beneficiaries of climate action. Rather, just as women played an integral role in the development of the garment industry and Bangladesh's growth success in recent decades, they should be empowered to play an active role in the country's green transition."

Can Bangladesh be a semiconductor hub?

MAMUN RASHID

The semiconductor manufacturing sector is well-known for its complexity, high stakes and intense corporate competition. Demand has always been driven by innovation, with every new technology changing the game.

Right now, artificial intelligence (AI) is leading the way in innovation and has the potential to catapult the semiconductor industry into a new growth trajectory. Specialised hardware, or semiconductors designed with AI in mind, will be essential for enabling AI applications. In the near future, the need for AI-specific chips will soar due to the expanding need for instant computing, seamless connectivity, and advanced sensing capabilities.

Asia has a market share of approximately 90 percent in chip assembly and testing, and more than 75 percent of the world's capacity for fabricating semiconductors is based here. Taiwan is a dominant force in the industry, holding a 68 percent market share and is home to numerous cutting-edge chip manufacturing facilities.

Nearly 90 percent of the cutting-edge chips for AI and quantum computing in use today are produced by TSMC, a well-known Taiwan manufacturer.

India has made significant progress with initiatives like "Make in India" and substantial investments in semiconductor plants, aiming to become a global hub. In the 2024 interim union budget, India substantially increased funding for semiconductor and display manufacturing support.

The Indian semiconductor market, valued at \$34.3 billion in 2023, is forecasted to surge to \$100.2 billion by 2032. Micron, a prominent American chip company, has pledged \$825 million for a facility in India, expecting to generate more than 300,000 jobs by 2026.



In the midst of the chip competition between China and the United States, Vietnam seeks to draw investment by bolstering its semiconductor industry through tax breaks and incentives. Grants and collaborative research with private firms such as FPT are planned.

Vietnam is home to Intel's main facility, but it also wants to draw in other companies like Samsung and Nvidia. By 2030, the government wants to train 50,000 engineers and added semiconductors to national development initiatives. The country may become a major player in the semiconductor supply chain.

Bangladesh is witnessing a nascent emergence of the semiconductor industry, which forms the foundation of contemporary electronics. It is venturing into the semiconductor space because of growing demand for electronics worldwide and a deliberate drive towards digitalisation. Currently, the industry is mainly focused on low-end assembly and testing rather than high-end semiconductor manufacturing.

The country must take care of its vital infrastructure requirements if it hopes to develop a competitive semiconductor industry. To create a workforce with the necessary skills and knowledge, technical education and training must be improved. This development can be facilitated through collaborations with leading global educational institutions and professionals.

Research centres specialising in semiconductor technology and grants for university and industry research serve as growth-promoting factors for research and development. It takes a significant financial commitment to build cutting-edge fabrication facilities, but this can be accomplished with public-private partnerships and incentives for foreign investment.

It is essential to establish a thorough supply chain that includes vendors of machinery, components, and raw materials. This ecosystem can be developed by supporting startups and encouraging relevant companies to enter this market.

Additionally, implementing policies that support the semiconductor industry like tax incentives, befitting regulations, and protection of intellectual property rights, can attract and retain investments.

The author is an economic analyst.



Slabs of tree trunks put up for sale for use as chopping blocks during the processing of carcasses following the sacrifice of animals marking Eid-ul-Azha. Each can cost anywhere from Tk 250 to Tk 300. The photo was taken at Karwan Bazar in the capital yesterday.

PHOTO: ANISUR RAHMAN

India to remain fastest-growing economy in Asia-Pacific: Moody's

ANN/THE STATESMAN

Credit rating agency Moody's said India is expected to remain the fastest-growing economy in the Asia-Pacific region in the second half of the year 2024.

The growth will be fuelled by the domestic demand growth, it said.

"India will remain the region's fastest-growing economy, sustaining last year's domestically driven momentum. We anticipate policy continuity after the general election, and a continued focus on infrastructure development and encouragement of private sector investment," the credit rating agency said.

On the banking front, the report further said the Indian banking system is on a positive outlook because of good economic growth and healthy corporate credit quality.

As regards the possibility of rate cuts in the region, it notes that the pace of monetary policy normalisation will be uneven across Asia-Pacific (APAC) and the region's central banks are unlikely to move before the US Federal Reserve, meaning cuts will not come until the second half of 2024 or early 2025.

"Volatile commodity prices elevate risks to this time scale, given most countries in

the region are net food and oil importers. The Bank of Japan will remain an outlier, but financial conditions will stay accommodative this year," the report added.

It further noted that India, Indonesia, and the Philippines were the key growth outperformers in the first half of the year 2024.

The report said the Indian banking system is on a positive outlook because of good economic growth and healthy corporate credit quality

They led the way and should continue to outperform pre-COVID growth numbers on the back of rising exports, local demand, and government spending on infrastructure, the report reads.

Recently, the National Statistical Office (NSO) of Ministry of Statistics and Programme Implementation (MoSPI) said India's GDP growth rate in the quarter ending March 31 grew by 7.8 percent.

These figures surpass the Reserve Bank of India's (RBI) estimate of 7 percent, according to projections made in its April monetary policy review.