Oil prices steady

REUTERS, *London*

Oil prices were broadly steady on Thursday as investors took profits from earlier gains fuelled by larger than expected declines in US crude stocks.

Brent futures dipped 13 cents, or 0.2 percent, to $84.95 a barrel by 1120 GMT and US West Texas Intermediate (WTI) crude was down 6 cents, or 0.1 percent, at $82.79. Both had registered gains in the previous session.

"Profit-taking is reasonable ahead of the US jobless claims data, which will shape investors' view on (interest) rate cuts this afternoon," said Tamas Varga of oil broker PVM.

Crude inventories in the United States, the world's largest oil consumer, fell by 4.9 million barrels last week, data from the US Energy Information Administration showed on Wednesday. That exceeds a decline of 30,000 barrels forecast by analysts in a Reuters poll and a drop of 4.4 million barrels in an American Petroleum Institute report.

Crude inventories in the United States, fell by 4.9 million barrels last week, data from the US Energy Information Administration showed on Wednesday.

"Healthy demand signals from the US outweigh concerns from modest Chinese growth last week," said Priyanka Sachdeva, senior market analyst at Phillip Nova.

"Hopes of a Fed easing (of interest rates), which can boost economic growth, and current summer travel in the US are ensuring enough traction in oil demand from the world's largest economy."

The prospects of cuts to interest rates in both the US and Europe over the coming months helped to support the market.

Federal Reserve officials said on Wednesday that the US central bank is closer to cutting rates given inflation's improved trajectory and a labour market in better balance, possibly setting the stage for a reduction in September.

US economic activity expanded at a slight to modest pace from late May through early July with firms expecting slower growth ahead.

The European Central Bank, meanwhile, is all but certain to keep interest

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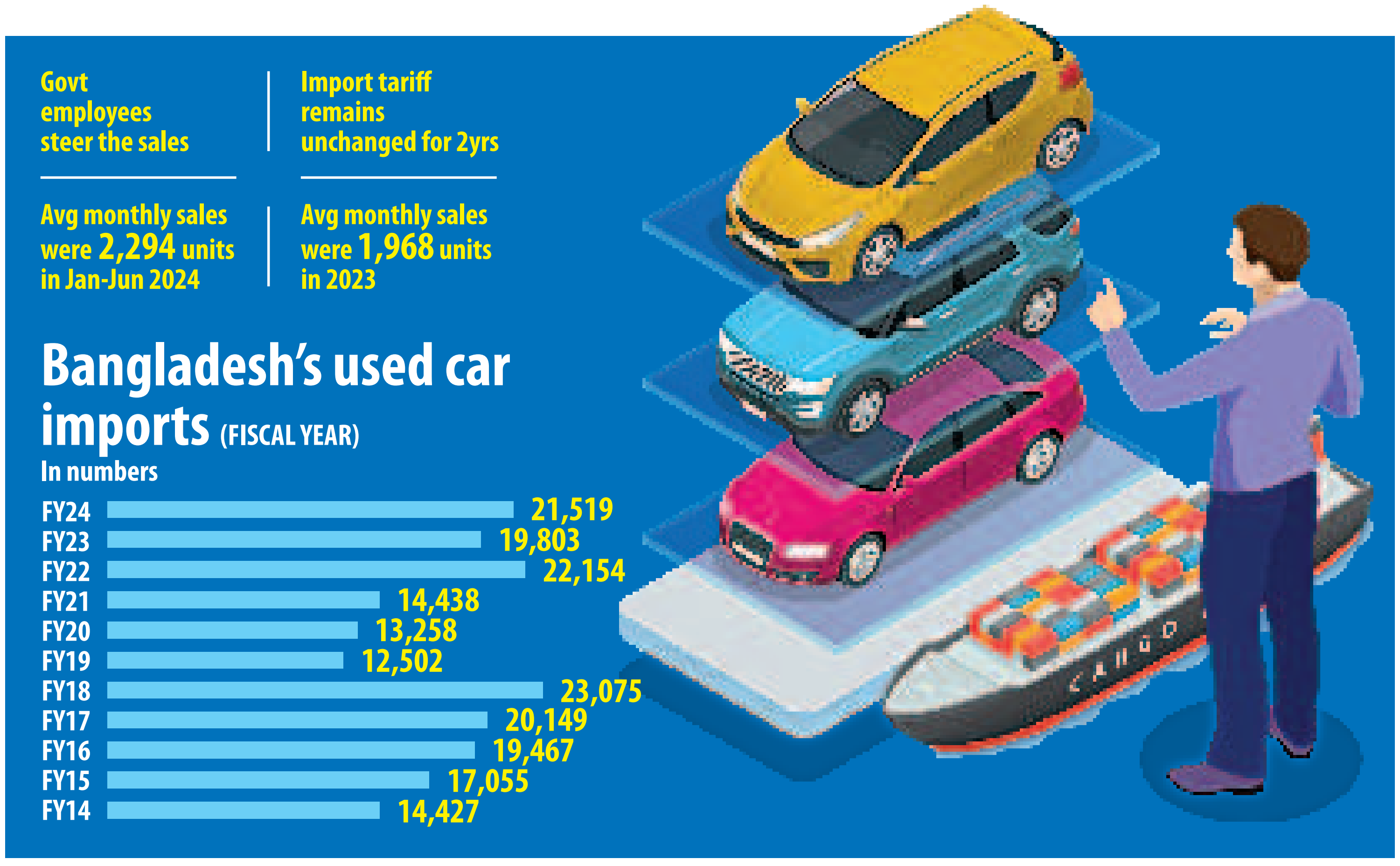

Reconditioned vehicle import rises defying inflation, dollar crisis

The sector has been experiencing an upward trend since FY23

JAGARAN CHAKMA

Import and sale of reconditioned vehicles have increased in Bangladesh at a time when the country is suffering from high inflationary pressure and foreign currency crisis.

Businesses imported 19,803 reconditioned vehicles in fiscal year 2022-23, which grew 8.6 percent year-on-year to 21,519 units in fiscal year 2023-24, according to the Bangladesh Reconditioned Vehicles Importers and Dealers Association (Barvida).

Importers mainly bring in reconditioned sedans, microbuses and sport utility vehicles to Bangladesh from Japan.

Sales and import of such vehicles have been low during the election years between 2014 and 2018 but the sector started showing an upward trend in fiscal year 2022-23.

Bangladesh Road Transport Authority (BRTA) also saw a 16.5 percent year-on-year rise in the number of vehicles being registered last fiscal year.

Some 2,294 vehicles got registered every month in the six months to June 2024 whereas the monthly average was hovering around 1,968 in 2023, according to the BRTA data.

All these took place in Bangladesh when annual inflation rose to a 12-year high of 9.73 percent last fiscal year, the highest since fiscal year 2011-12, according to the Bangladesh Bureau of Statistics.

The import of cars increased slightly last fiscal year although it was mandatory to keep a 100 percent margin for opening letters of credit, said Mohammed Shahidul Islam, secretary general of Barvida.

"It is interesting to see such a rise in demand and import of these vehicles amid ongoing economic crisis and high inflationary pressure," he said.

Even, the prices of imported cars have also increased by around 30-35 percent depending on the model and engine capacity due to the appreciation of the greenback against the Bangladeshi currency in the last two years, he said.

Islam said the demand for cars increased because of the absence of a standard public transport facility in urban areas.

The government did not increase import duty on used vehicle import in the last two national budgets, which might have also played a vital role in fuelling the number of such cars in Bangladesh, said Md Habib Ullah Dawn, president of Barvida.

The duty on imported reconditioned cars has been hovering between 132 percent and 500 percent depending on their capacity in the last two years.

According to Mohammed Shahidul Islam, Dhaka city alone needs at least 4,000 buses to replace the unfit ones that are currently running in the city.

The government earned Tk 4,114.61 crore in import duties from the reconditioned car sellers last fiscal year, which was Tk 3,816.92 crore in the previous year, Islam said.

The ongoing inflation and economic crisis did not hit the rich and affluent class and that is why the demand for luxury items like cars remained the same, said Selim Raihan, executive director of the South Asian Network on Economic Modeling (Sanem).

Moreover, high inflation is a blessing for a section of people of the society, particularly the businesspeople, as it creates a scope for them to earn quick bucks, he said.

The rise in demand for such high-priced items also made it crystal clear that corruption is going on in full swing, Raihan said.

People are purchasing cars at any cost by taking auto loans from banks to ensure safe travels for their family members, said the Barvida president.

People are even putting highest priority on vehicles instead of buying an apartment as they consider cars are safer than public transport at present, he said.

According to him, the demand for reconditioned and new cars will increase in the future as the purchasing power of a section people are increasing in the country although the people with fixed income are facing difficulties in fighting the inflation.

Quota system: a storm in a teacup

MAHTAB UDDIN AHMED

In the last one week, Bangladesh has been in the grip of student unrest over the quota system, rendering discussions over its merits and demerits a household phenomenon. Steering away from political discussions, this assessment attempts to evaluate the socio-economic impact of the quota system on our government's vision of a Smart Bangladesh.

During the last decade or so, Bangladesh has made commendable macroeconomic progress, including GDP growth and poverty reduction. However, declining foreign exchange reserves, high inflation, and a weak banking system highlight issues like high business costs, corruption, brain drain, and youth unemployment.

In addition, recent controversies in government recruitment raise concerns about the quota system's efficacy and relevance after more than five decades since the Liberation War. With only 44 percent of government jobs available based on merit, it has triggered hundreds of thousands of students to take to the streets in protest countrywide.

Our government envisions navigating the country to becoming a Smart Bangladesh by 2041. However, a quota system built on mediocrity may hinder this goal by compromising on skills and productivity, promoting corruption and brain drain, ultimately stunting economic agility and investor confidence that is essential for achieving a dynamic, innovative, and inclusive future.

The quota system in Bangladesh reserves 56 percent of government jobs for specific groups, including freedom fighters' descendants, women, ethnic minorities, and people with disabilities, promoting inclusivity. However, it has significant economic and governance implications.

Filling 56 percent of positions based on quotas rather than merit can lead to a lack of accountability and transparency, fostering complacency and corruption. This undermines efforts to create an agile and responsive economic environment, as individuals may feel less under pressure to perform optimally, knowing their placement was not based entirely on their capabilities.

The inefficiencies created by the quota system raise business costs. Inept government employees make administrative processes slow-moving, causing delays and higher operational costs. This discourages entrepreneurs and tarnishes Bangladesh's investment appeal. A quota system prioritising mediocrity over meritocracy dampens investor confidence, causing investments to favour countries like Vietnam and Indonesia over Bangladesh.

The existing quota system causes youth frustration and contributes to the brain drain and high youth unemployment rates. Talented individuals, frustrated by the lack of opportunities in the public sector, often seek employment abroad, where merit-based recruitment is more prevalent.

The youth, who represent a substantial portion of the population, face demotivation and disenfranchisement when they perceive the system to be biased. This results in a significant loss of potential human capital that could otherwise drive innovation and economic growth in the country.

Transitioning towards a more merit-focused system could yield several economic benefits. A merit-based system would promote greater accountability and responsibility among government employees, leading to greater diligence and dutifulness and reduced corrupt practices. With more competent and motivated individuals in government positions, the overall efficiency of public administration would improve.

Streamlined government processes and reduced red tape, driven by a capable workforce, can lower business costs and attract more investments. A merit-based system offers the youth fairer job opportunities, discouraging them from looking for better opportunities abroad.

While the quota system was designed to promote inclusivity, its current implementation poses significant challenges to economic efficiency and good governance. By transitioning to a more merit-focused approach, Bangladesh can address issues such as corruption, high investment costs, and lack of investor confidence and pave the way for a more robust and dynamic economic future.

The present demand of the students is deeply rooted in the socio-economic and political fabric of our country, and a middle ground may be the solution. It is important to ensure that our policies reflect our diversity, and that the quota system does not become a barrier to meritocracy but a bridge to equality.

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

US Fed flags expectations of 'slower growth'

AFP, *Washington*

Prospects for the US economy appear to be flagging with slower growth expected in the coming months, as November's presidential election and inflation contribute to uncertainty, the Federal Reserve said Wednesday.

There has been "slight to modest" growth in economic activity in most parts of the country over recent weeks, the central bank said in its "beige book" survey of economic conditions.

But a growing number of districts have reported "flat or declining activity," it said.

"Expectations for the future of the economy were for slower growth over the next six months due to uncertainty around the upcoming election, domestic policy, geopolitical conflict, and inflation," the Fed said.

The bank has been closely monitoring the world's biggest economy for signs of cooling, as it mulls the right time to start lowering interest rates.

The Fed has held rates at the highest level in over two decades in hopes of sustainably bringing inflation back toward its long term two-percent target.

A series of encouraging data recently, including a slower than expected inflation figure, have fueled optimism that the Fed can begin reducing rates in September.

For now, wages continue to grow in most areas according to the Fed's report, although demand for consumer and business loans was soft.

Employment ticked up as well, with most districts

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Shoppers stand in line for a Lululemon store as retailers compete to attract shoppers at Woodbury Common Premium Outlets in Central Valley, New York, US.There has been "slight to modest" growth in economic activity in most parts of the country over recent weeks, said the central bank.

PHOTO: REUTERS/FILE

US considers China chip crackdown

REUTERS

The US, facing pushback to its chip crackdown on China, has told its allies it is considering using the most severe trade restrictions available if companies continue giving the country access to advanced semiconductor technology, Bloomberg News reported on Tuesday.

These measures would be applied to companies such as Tokyo Electron and ASML Holding NV, the report added, citing people familiar with the discussions.

The US is weighing whether to impose a measure called the foreign direct product rule, or FDPR, the report said.

The provision, called the Foreign Direct Product Rule, or FDPR, was first introduced in 1959 to control trading of US technologies.

It essentially says that if a product was made using

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