

Star BUSINESS

The proposed budget for fiscal year 2024-25 has enough measures to rein in inflation which has been persistently rising, agricultural economists said

Story on B4



Dollar hits Tk 118 on interbank market, the highest ever

SOHEL PARVEZ

Every US dollar went for Tk 118 on the interbank platform of Bangladesh yesterday, the highest since the central bank loosened its grip on the exchange rate by letting market dynamics determine the prices.

Banks on the preceding day bought each US dollar for Tk 117.95, according to data from the Bangladesh Bank (BB).

"This reflects a shortage of the greenback in the market. But the positive development is that market demand and supply are determining the price," said a top banker who works at a private bank.

The BB introduced crawling peg on May 8, allowing for limited fluctuations of the exchange rate within a predefined range. As such, it shifted away from its previous practice under which banks announced rates of the greenback periodically.

The central bank move aims to contain

The positive development is that market demand and supply are determining the price, said a top banker

the volatility in the forex market amid declining reserves.

The central bank launched the crawling peg for the spot purchase and sale of the US dollar with the mid-rate at Tk 117 per dollar and asked banks to buy and sell the American currency freely around the mid-rate.

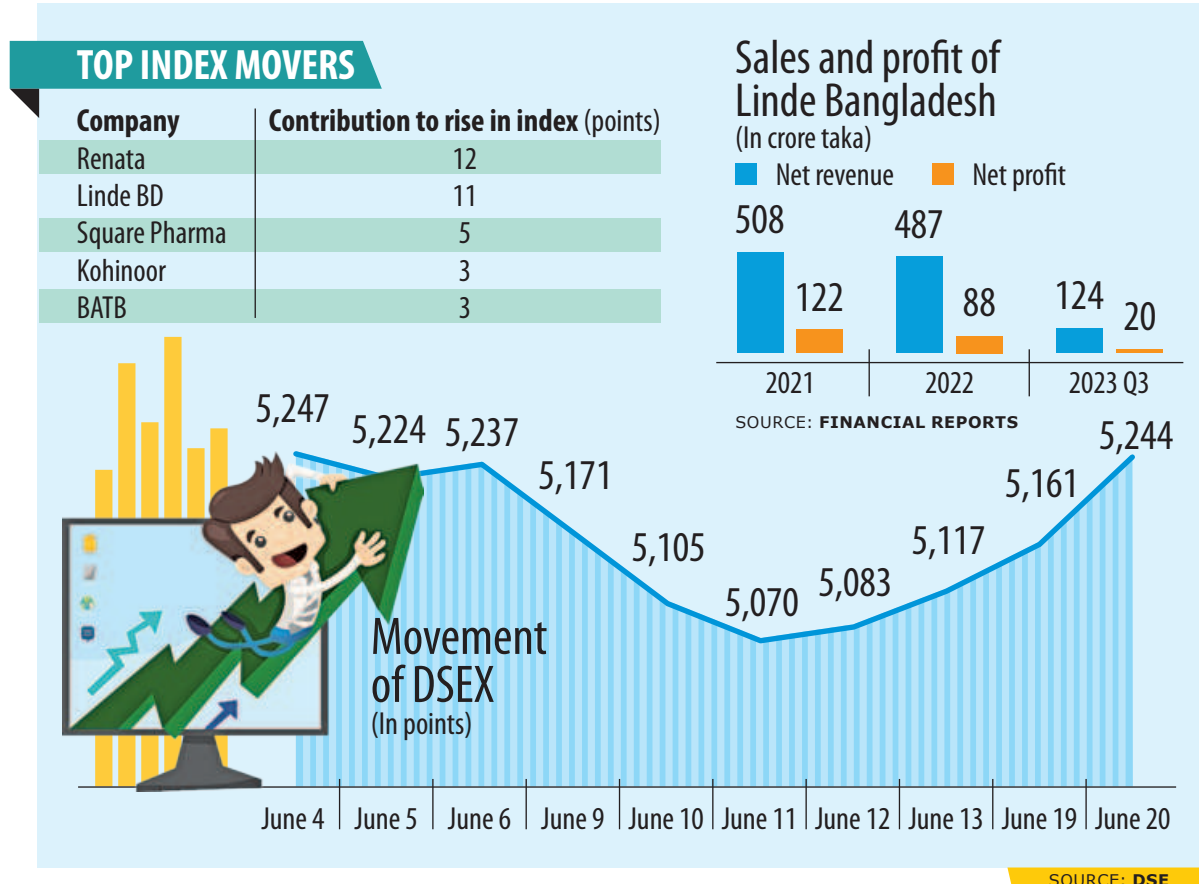
Purchases started to be made at Tk 116.46 on the first day after the launch of the crawling peg system.

The sales rate in the interbank transactions was Tk 117.5 per US dollar. Since then, the volatility in the forex market reduced but the taka weakened against the greenback steadily.

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Linde, Renata surge, sending Dhaka stocks to two-month high

Linde Bangladesh rises 43%, Renata 7.49%



AHSAN HABIB and MD FAZLUR RAHMAN

Stocks in Bangladesh climbed 1.6 percent yesterday, driven by a surge in the prices of some blue-chip companies such as Renata PLC and Linde Bangladesh.

The DSEX, the broad index of the Dhaka Stock Exchange, jumped 82.75 points to close the day at 5,244. With this, the key index rose for the fourth consecutive trading session.

The 1.6-percent spike is the highest single-day increase since April 28.

Linde and Renata shares were high in demand on the largest stock market of Bangladesh after their corporate disclosures drove prices higher, thus contributing to the hike in the benchmark index.

Linde rocketed 43 percent to Tk 1,409 after its board declared a 1,540 percent interim dividend for January-October of 2023.

Renata rose 7.49 percent days after its disclosure of the first shipment of drugs to the highly regulated market

in the United Kingdom.

Both companies together contributed 24 points to the DSEX, according to LankaBangla Securities. Square Pharmaceuticals, Kohinoor Chemicals, and British American Tobacco Bangladesh collectively added 11 points.

"Linde had a major impact on

In recent months, multinational companies and sound stocks suffered owing to the lingering macroeconomic challenges and the US dollar crisis. As a result, they have become cheap.

The DS30, the index that represents the blue-chip firms, 1.7 percent to 1,875. Similarly, the DSES, the index that comprises Shariah-compliant companies, climbed 2.21 percent to 1,146.

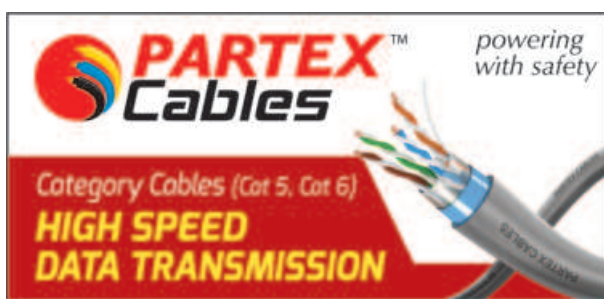
A top official of a brokerage firm said most general investors were in a buying mood yesterday as the market started to rise after a massive fall in recent weeks.

Turnover, which indicates the volume of shares traded during the session, stood at Tk 452 crore, up 83.79 percent from a session earlier.

Of the issues that traded on the Dhaka bourse, 288 advanced, 55 closed lower, and 50 did not see any price swing.

Linde Bangladesh announced the higher dividend although its profit took a beating from a

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the market as it has drawn investor attention to the blue-chip stocks and multinational companies," said Emran Hasan, managing director at Investit Asset Management Limited.

"It was a catalyst."

In the Bangladesh market, he explained, trade is driven by a cluster or sector. Therefore, MNCs and blue-chip stocks fared well on the back of Linde's record dividend.

Leather losing its shine in exports

REFAYET ULLAH MIRDHA

Rising local value addition, poor compliance with international standards, and buyers shifting to other countries have thwarted exports of leather, which was once among Bangladesh's three main export items.

The relocation of tanneries from Hazaribagh in Dhaka to the Savar Tannery Industrial Estate (STIE) in 2017 and the severe fallout of the Covid-19 pandemic and Russia-Ukraine war are other major reasons for declining leather exports.

In the face of such challenges, leather exports have declined by more than half over the past decade.

In fiscal year 2022-23, leather exports amounted to \$123.44 million, down sharply from \$397.54 million in FY14, according to data from the Export Promotion Bureau (EPB).

In the July-May period of the outgoing fiscal year, leather exports stood at \$125.72 million, EPB data showed.

The rise in value addition means the number of factories, be it for domestic or export purposes, has increased, thereby increasing domestic consumption of tanned leather.

The significant rise in consumption of tanned leather and subsequent value addition can also be gauged from Bangladesh's exports of leather and leather goods.

In FY15, exports of leather and leather goods amounted to \$1.13 billion and it has stayed above the billion-dollar mark for the past decade.

In FY23, exports of leather and leather

Md Saiful Islam, former president of the Leathergoods and Footwear Manufacturers & Exporters Association of Bangladesh.

But its share has now declined to nearly 13 percent, which indicates that local value addition has increased, he said.

Moreover, poor compliance with environmental standards in tanneries and the tannery estate at Savar is a major reason for lower exports of leather. Those factors also lead to lower prices from international buyers, Islam told The Daily Star over the phone.

Md Shakawat Ullah, general secretary of Bangladesh Tanners Association (BTA), echoed those sentiments.

He said local exporters cannot sell tanned hides to renowned international retailers in Europe, North America or other major destinations due to poor compliance at the STIE.

The poor compliance has barred tanners from obtaining a Leather Working Group (LWG) certification, a vital recognition for doing business, he said.

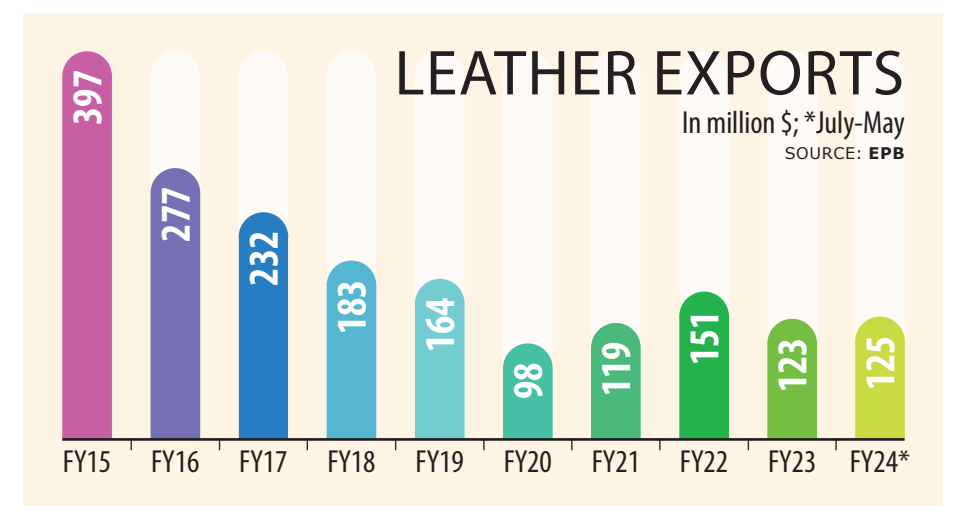
As a result, local exporters are having to send 65 percent of the tanned leather to China, which pays nearly 60 percent lower compared to international prices, he added.

Apart from China, some leather is shipped to India and a few other countries, he added.

Furthermore, around 15 percent of tanned leather is used by local leather and leather goods companies.

The BTA general secretary also said three to four tanners are currently eligible to obtain the LWG certification.

However, because of poor compliance



goods brought in \$961.49 million.

Exports of jute, tea and leather, once considered the most valuable products of Bangladesh, have been fading either due to loss of competitiveness globally or owing to rising consumption in domestic markets.

For instance, in the case of tea, the consumption in the domestic market increased over the years. At the same time, jute has failed to grab a bigger share as it competes with low-priced plastic.

Even 25 years ago, leather contributed more than 75 percent of the total exports of leather and leather goods, according to

at the central effluent treatment plant (CEPT) at the STIE, those four tanneries are unable to secure it, he said.

Md Diljahan Bhuiyan, senior vice-chairman of Bangladesh Finished Leather, Leathergoods and Footwear Exporters' Association, said leather exports may decline even further because many buyers have shifted to other countries due to the relocation of tanneries from Hazaribagh.

Many tanneries are not operating because of some challenges. Before the introduction of the LWG certification in 2005, some countries like Italy used to import leather from Bangladesh, he added.

Both inbound, outbound FDIs drop for Bangladesh

UNCTAD's World Investment Report shows

MD FAZLUR RAHMAN

Both inbound and outbound foreign direct investment in Bangladesh declined in 2023 as global FDI fell amid an economic slowdown and rising geopolitical tensions.

The inflow of FDI to Bangladesh stood at \$3 billion last year, down nearly 14 percent year-on-year from \$3.48 billion. Still, last year's receipts were the second-highest in South Asia, data from the UN Trade and Development (UNCTAD) showed yesterday.

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India's FDI plummeted to \$28.16 billion against \$49.38 billion in 2022. The inflow stood at \$712 million for Sri Lanka, down from \$884 million a year prior.

The Maldives received \$1.42 billion against \$1.5 billion in 2022.

Pakistan, Nepal, and Bhutan, however, posted a positive growth. For example, Pakistan wooed FDI worth \$1.82 billion, which was \$1.46 billion a year earlier. Nepal attracted \$74 million in 2023 against \$65 million in 2022.

FDI from Bangladesh dropped 43

percent year-on-year to \$30 million last year.

The outbound FDI stood at \$53 million a year prior, the World Investment Report showed. The outflow was \$23 million in 2018, \$28 million in 2019, \$12 million in 2020, and \$92 million in 2021.

According to the UN agency, global FDI fell 2 percent to \$1.3 trillion in 2023 amid an economic slowdown and rising geopolitical tensions.

But the report highlights that the decline exceeds 10 percent when excluding the large swings in investment flows in a few European conduit economies.

The downturn in project finance affected sustainable development, with new funding for Sustainable Development Goals (SDGs) sectors dropping over 10 percent, particularly in agrifood and water. This hampers efforts to achieve the 2030 Agenda and calls for urgent policy action to revamp sustainable development finance.

The report emphasises that business facilitation and digital government solutions can address low investment by creating a transparent and streamlined environment.

It highlights significant growth in online services and information portals, saying such tools also support broader digital government development, benefiting developing nations in particular.

Despite Eid-ul-Azha, broiler chicken prices rise in Dhaka

SUKANTA HALDER

Prices of broiler chicken had decreased after Eid-ul-Azha last year, apparently due to the increased availability of beef and goat meat, but this year the situation is different in Dhaka.

The price of broiler chicken, one of the most common sources of protein for low- and middle-income groups in the country, has increased by 5.71 percent from that last week, presumably due to a lack of supply against demand.

Broiler chicken was selling for Tk 180 to Tk 190 per kilogramme in the kitchen markets of Dhaka yesterday, three days past Eid, according to the Trading Corporation of Bangladesh (TCB). It was Tk 170 to Tk 180 a week ago.

In contrast, in 2023, broiler chicken was selling for Tk 190 to Tk 200 per kg three days after Eid-ul-Azha was observed on June 29.

Seven days prior to that Eid, it was selling at Tk 190 to Tk 210 per kg, meaning the price had dropped by 2.50 percent.

Monir Hossain, a retailer at Karwan Bazar, one of the largest kitchen markets in the capital, said the demand for broiler chickens is usually low before and after Eid-ul-Azha. So, the price also decreases.

However, there is a gap in supply and demand this year owing to which the price is a little high in the wholesale market, he added.

At the same market, customer Monirul Islam said the increase in prices of broiler chicken after Eid-ul-Azha was quite surprising.

Traders said the demand for broiler chicken is usually low during Eid-ul-Azha as there is a greater availability of beef and goat meat following the sacrifice of the animals in great



numbers.

For this reason, farmers reduce production of broiler chicken centring sales during and after Eid-ul-Azha, they said.

Besides farmers had incurred a lot of losses during recent heatwaves, when many chickens died while others fell sick. Fearing further losses, many farmers moved away from raising day-old chicks.

This created a gap in supply and demand, leading to a price increase.

On June 5, Mahbubur Rahman, president of the Breeders Association of Bangladesh, told The Daily Star that prices of day-old chicks had been falling since early May, when each sold for Tk 60 to Tk 70.

Nowadays, each day-old chick is being sold for Tk 28 to Tk 32.

Ahead of Eid-ul-Azha, demand for chickens usually falls as the religious festival centres on the sacrifice of cattle and goats. Due to this, the demand for one-day-old chicks has also decreased considerably, he added.

Contacted, Sumon Howlader, president of Bangladesh Poultry Association, yesterday said the demand for broiler chicken is low during Eid-ul-Azha and so farmers reduce production focusing this period.

But this year the gap between demand and supply has increased and the price has also increased due to various reasons including recent heatwaves, he said.

Commercial Bank of Ceylon, ACI Motors strike deal on EMI facilities

STAR BUSINESS DESK

The Commercial Bank of Ceylon recently signed a memorandum of understanding (MoU) with ACI Motors, an automobile company and a subsidiary of ACI Limited, to offer EMI facilities on Yamaha Motorcycles using CBC-Visa credit cards.

Kasun Herath, deputy chief executive officer and chief operating officer of the bank, and Pradip Kar Chowdhury, executive director for finance and planning and chief finance officer of the automobile company, penned the MoU at the ACI Centre in Dhaka, according to a press release.

Other senior officials from both companies were also present.



Pradip Kar Chowdhury, executive director for finance and planning and chief finance officer of ACI Motors, and Kasun Herath, deputy chief executive officer and chief operating officer of Commercial Bank of Ceylon, pose for photographs after signing a memorandum of understanding at the ACI Centre in Dhaka recently.

PHOTO: COMMERCIAL BANK OF CEYLON

Rupee falls to record low

REUTERS, Mumbai

The Indian rupee fell to a record low on Thursday, pressured by likely outflows and strong dollar demand from local importers.

The currency declined to a lifetime low of 83.6650 against the US dollar in the latter half of the trading session and ended at a record closing low of 83.6525. It had closed at 83.4550 in the previous session.

A stronger dollar, along with weakness in the Chinese yuan, also hurt the rupee, traders said.

Its decline below the previous all-time low of 83.5750 triggered stop-losses, exacerbating the fall, a trader at a foreign bank said.

The rupee has been hovering around record lows for weeks despite strong growth in the Indian economy, pressured by equity outflows and importers' dollar demand.

"Corporate outflows have been further adding to rupee weakness. Bond inflows are expected to provide some relief in the coming week," Kunal Sodhani, vice president at Shinhan Bank, said.

While foreigners have sold a net of \$2.6 billion of local equities so far in 2024, inflows into the debt markets have been strong at \$7.5 billion ahead of India's inclusion in the JPMorgan Emerging Market bond index at the end of June.

India's central bank, however, has held the rupee in a tight band, preventing sharp appreciation amid inflows and tempering depreciation during times of outflows.

That support was largely absent on Thursday, allowing the currency to fall, three traders said.

"Some offers (on USD/INR) were present from state-run banks but they were not aggressive," a second foreign exchange trader at a foreign bank said.

The rupee's weakness was in sync with Asian currencies.

The offshore Chinese yuan was down 0.1 percent at 7.28, its weakest level since November 2023. The dollar index was up 0.2 percent at 105.4 while US bond yields ticked higher.

The Indian currency's record low won't "be a matter of concern till it is holding above 83.80," Sajal Gupta, executive director and head of forex and commodities at Nuvama Institutional said.

Any further depreciation is expected to be "quite gradual", Gupta said.



Salahuddin Mahmud, managing director (additional charge) of SME Foundation, and AKM Shahnawaj, acting managing director of Dhaka Bank, shake hands and exchange signed documents of an agreement at a hotel in Dhaka recently.

PHOTO: DHAKA BANK

Dhaka Bank, SME Foundation team up to boost CMSME business

STAR BUSINESS DESK

Dhaka Bank teamed up with the SME Foundation to provide loans to cottage, micro, small and medium enterprises (CMSMEs) under their revolving loan facility amounting to Tk 450 crore with funds from the government's stimulus package and its own sources.

Dhaka Bank and SME Foundation recently signed an agreement in this regard at a hotel in the capital, according to a press release.

AKM Shahnawaj, acting managing director of the bank, and Salahuddin Mahmud, managing director (additional charge) of the foundation, penned the deal on behalf of their organisations.

Under this programme, the SME Foundation will provide Tk 450 crore to participating banks and non-bank financial institutions (NBFIs) to be disbursed among entrepreneurs at a subsidised rate of 6 percent.

Md Masudur Rahman, chairman of the foundation, presided over the agreement signing ceremony, where Zakia Sultana, senior secretary of the ministry of industries, and Md Abdur Rahman Khan, secretary of the financial institutions division of the ministry of finance, were present.

Md Mahbubur Rahman Palash, head of MSME and emerging business division of the bank, and senior officials of different banks and NBFIs were also present.

Midland Bank celebrates 11 years of operations

STAR BUSINESS DESK

Midland Bank celebrated its 11th founding anniversary yesterday.

Md Ahsan-uz Zaman, managing director and chief executive officer of the bank, inaugurated the celebrations at the bank's head office in the capital's Gulshan.

He also inaugurated a new product on the occasion.

In his speech, Zaman conveyed best wishes and thanks to everyone for the bank's successful journey and said: "We are at the forefront of innovation in services and products and today, we are pleased to announce the introduction of MDB Digital Secured Credit Card."

"Our customers will now be able to



Md Ahsan-uz Zaman, managing director and chief executive officer of Midland Bank, and other officials take part in a "dua session" while celebrating the bank's 11 years of operations at its head office in Gulshan yesterday.

PHOTO: MIDLAND BANK

apply and obtain a Secured Credit Card anywhere anytime through MDB's mobile digitally against their DPS/FDR from app 'midland online'."

He said that Midland Bank has always been a pioneer in implementing technology-based solutions. The bank offers multiple customised solutions to its customers.

Digitised Secured Credit Cards do not require any branch visits or paperwork.

Zaman added: "As we roll-out MDB Digital Secured Credit Cards, we are moving towards becoming more digitally oriented with access virtually for everyone from anywhere."

Senior management members and divisional heads of the bank attended the programme.

All branches, sub-branches and agent banking centres of the bank organised separate anniversary celebrations across the country.

PRICES OF KEY ESSENTIALS IN DHAKA CITY			
	PRICE (JUNE 20, 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	-0.68 ↑	-13.16 ↓
Potato (kg)	Tk 55-Tk 60	11.65 ↑	57.53 ↑
Onion (kg)	Tk 85-Tk 90	25 ↑	20.69 ↑
Egg (4 pcs)	Tk 52-Tk 54	8.16 ↑	13.98 ↑

SOURCE: TCB

UK inflation drops to 2% target for first time since 2021

REUTERS, London

British inflation returned to its 2 percent target for the first time in nearly three years in May, but strong underlying price pressures all but rule out a pre-election interest rate cut.

While Prime Minister Rishi Sunak welcomed the fall in headline inflation in May, it has likely come too late to turn around his fortunes in British elections on July 4 or to prompt a Bank of England rate cut on Thursday.

Office for National Statistics data showed services price inflation, which the BoE thinks gives a better picture of medium-term inflation risks, was 5.7 percent. That was down from 5.9 percent in April, but higher than the 5.5 percent economists had forecast in a Reuters poll or the 5.3 percent predicted by the BoE last month.

Sterling rose modestly against the dollar and the euro after the data, but British government bonds underperformed as investors bet the BoE would delay following the lead of the European Central Bank, which cut rates earlier this month.

"Services CPI continues to print to the upside (which) we think removes any lingering risk that the Monetary Policy Committee might announce a cut to Bank Rate tomorrow," said Cathal Kennedy, senior UK economist at RBC Capital Markets.

The drop in annual consumer price inflation from April's 2.3 percent reading - in line with economists' expectations - took it to its lowest since July 2021 and marks a sharp decline from the 41-year high of 11.1 percent in October 2022.

The fall has been sharper than in the euro zone or the United States, where consumer price inflation in

May was 2.6 percent and 3.3 percent respectively, belying concerns a year ago that British inflation was proving unusually sticky.

Inflation first began to pick up in most Western economies in the second half of 2021 due to bottlenecks from the Covid-19 pandemic, then surged after Russia's full-scale invasion of Ukraine in February 2022 caused natural gas prices to soar.

Consumer prices in Britain are up more than 20 percent over the past three years, squeezing living standards and contributing to the unpopularity of Sunak's Conservatives, who are around 20 points behind the opposition Labour Party in opinion polls.

Sunak said that the drop in inflation since he took over from his Conservative predecessor Liz Truss - whose fiscal policy triggered a surge in government borrowing costs - was evidence that his economic policies were working.

"Let's not put all that progress at risk with Labour," he added in a video clip.

Labour's Rachel Reeves, who looks set to be Britain's next finance minister after the election, said reelecting the Conservatives would bring "five more years of chaos".

NO EARLY RATE CUT
The BoE has said a return of inflation to its target is not enough on its own for it to start cutting interest rates.

"Rate-setters will still need to weigh the fall in headline inflation against signs that domestic price pressures, such as elevated pay growth, are proving slower to come down," Martin Sartorius, principal economist at the Confederation of British Industry, said.

ECB policymaker backs more rate cuts this year

REUTERS, Frankfurt

European Central Bank policymaker Klaas Knot on Thursday backed market expectations for one or two more interest rate cuts this year as inflation appeared to be headed towards the ECB's 2 percent target.

The ECB began undoing its steepest ever streak of rate hikes earlier this month but left options open as to what it would do next, also in light of stronger-than-expected inflation and wages data in recent weeks.

Knot stressed inflation was still

seen hitting the ECB target next year, even if the road to 2 percent was likely to be bumpy and services inflation remained high.

"We can continue to slowly but surely lift our foot off the brake," Knot, the Dutch central bank governor, told an event in Milan.

"You could say the score is one-nil - we have taken the lead," he said in a speech peppered with soccer references.

Knot said the "just under three" cuts priced in by financial markets for 2024 were "broadly in line" with the optimal policy path calculated by staff at his central bank.

India economic inequality to persist

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"The present government has created an economic system that shrunk the middle-income group considerably. The poor are on public dole ... the rich are on public cross-subsidy using crony capitalism," said Saibal Kar, professor of industrial economics at the Center for Studies in Social Sciences.

"The economic and social freedoms are low owing to repressive public policies. This has to change. Unless it changes, inequality will rise further."

SKILLS NEEDED, NOT JUST JOBS
Asked to rate the quality of India's economic growth over the past 10 years, a near-80 percent majority of economists surveyed, 42 of 53, said it was not inclusive, with 17 saying not at all. Eight said fairly inclusive and three said inclusive.

And yet 60 percent, 32 of 53, said India would maintain or exceed the current solid GDP growth rate over the next five years. The rest said it will fall short.

While the Modi government has set a target of turning India

into a developed economy by 2047, several experts in the survey said the government should first improve workers' skills, create more jobs and focus on inclusive growth.

In December, the government's chief economic adviser said the subsidised grain distribution, as well as spending on education and health had helped to distribute income more equally.

During the election campaign, a government document showed Modi wanted to focus on 70 areas of improvement including workforce skills and vocational training.

Over 90 percent of experts polled, 49 of 54, who answered a separate question said unemployment would be the biggest economic challenge for the government over the next five years.

The unemployment rate was at 7.0 percent in May, according to the Center for Monitoring Indian Economy, a think tank, up from around 6 percent before the pandemic.

"Most countries that have experienced more rapid growth did

EU sanctions target Russian gas for first time

FROM PAGE B4

goods to Russia. The EU is keen to stop the flow of dual-use technology such as washing machine chips that could be used by Russia for military purposes.

An EU diplomat said Germany had asked for an impact assessment, and the measure could be included at a later date.

The package also tightens measures against the shadow fleet moving Russian oil outside the price cap on Russian crude set by the Group of Seven (G7) nations. EU countries added tankers to the list of sanctioned entities as well as at least two Russian-owned ships moving

military equipment from North Korea, diplomats said.

Moscow and Pyongyang have grown closer since Russia's February 2022 full-scale invasion of Ukraine. This week, the two countries agreed to provide immediate military assistance if either faces armed aggression in a pact reached after Russian President Vladimir Putin visited Pyongyang.

Overall, 47 new entities and 69 individuals were added to the EU sanctions list, bringing the total to 2,200. The package is expected to be formally approved when EU foreign ministers meet on Monday, diplomats said.

Global tensions hit investments

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Flows to Africa meanwhile slumped three percent, to \$53 billion.

But UNCTAD highlighted that the continent was attracting "a growing share of global mega projects, with six valued at more than \$5 billion".

The largest greenfield announcement for any country in 2023 was a green hydrogen project in Mauritania, expected to generate \$34 billion in investment, the agency said, pointing out that was "several multiples of the country's gross domestic product".

As for foreign direct investment flows to developed countries, they were heavily impacted by the financial transactions of multinational enterprises, UNCTAD said.

This was "partly due to efforts to implement a global minimum tax rate on the profits of these corporations", it said.

Inflows to most parts of Europe and North America were down by 14 percent and five percent respectively, the report showed.

Dollar rises, pound drops

REUTERS, London

The dollar climbed on Thursday, while the Swiss franc dropped, and the pound dipped as a busy day of central bank meetings kept currency traders alert.

The dollar index, which tracks the currency against six peers, was last up 0.28 percent at 105.49 after a volatile 10 days that has seen mixed signals from the US economy and European markets rocked by French political uncertainty.

Helping the US currency climb was a drop in the Swiss franc after the Swiss National Bank lowered interest rates to 1.25 percent, following on from a cut in March.

The dollar climbed 0.64 percent to 0.8901 francs as the Swiss currency fell from around a three-month high in the wake of the rate cut, which came with forecasts predicting a further fall in inflation to 1.1 percent in 2025.

"Given the appreciation of the franc in the context of the French political turbulence, we had expected a dovish message, but not a cut," said Christian Schulz, deputy chief European economist at Citi.

"This cut could be premature if French politics stabilise and weakens the franc," he said. The franc is seen as a safe haven and had risen over the last week.

Sterling slipped on Thursday ahead of a Bank of England (BoE) interest rate decision at 1100 GMT at which the central bank is expected to hold borrowing costs at a 16-year high of 5.25 percent.

The pound was down 0.14 percent on Thursday at \$1.2701, but up from a one-month low of \$1.2658 on Friday.

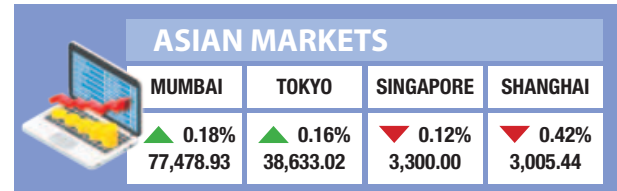
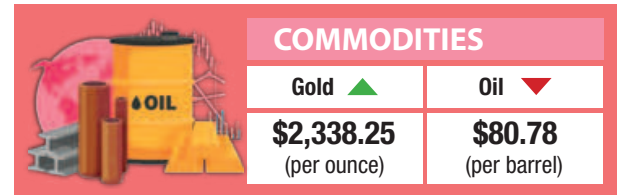
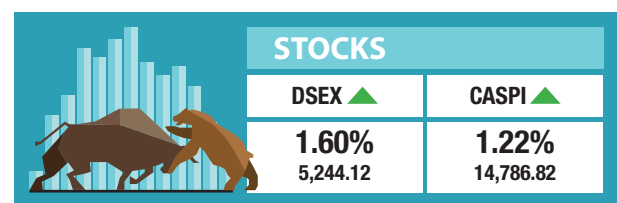
"The FX focus today switches to central bank meetings in Europe," said Chris Turner, global head of markets at lender ING. "We think that the risks of a dovish Bank of England are underpriced," he said, using a term that typically means policymakers support interest rate cuts.

Elsewhere, the Norwegian crown rose to a four-month high against the euro after the Norges Bank held rates at a 16-year high of 4.25 percent.

The euro fell to its lowest since late January against the crown at 11.286, down around 0.6 percent.

Volatility in currency markets has picked up over the last 10 days as political uncertainty in Europe has combined with the long-standing guessing game about central bank rate cuts to cause investors new problems.

The US dollar rallied last week while the euro tumbled to its lowest since May 1 as markets fretted that French President Emmanuel Macron's gamble to call parliamentary elections could pave the way for the high-spending far right or far left to come to power.



German recovery gaining strength

Researchers say

AFP, Frankfurt

Leading researchers on Thursday said they were now more optimistic about this year's outlook for the German economy, as lower inflation boosts private consumption and global trade picks up.

The Ifo institute upgraded its forecast for Europe's top economy to 0.4 percent growth this year, from 0.2 percent previously.

"New hope is currently emerging," said Timo Wollmershauser, head of forecasts at Ifo.

"The German economy is slowly working its way out of the crisis. The second half of 2024 is expected to be significantly better than the first half."

Germany has battled through a prolonged period of economic weakness, weighed down by soaring inflation, a manufacturing slowdown and cooling demand from key trading partners like China.

Germany was the only major advanced economy to contract in 2023 but the first green shoots of the recovery are taking hold, experts say.

"During the remainder of the year, the purchasing power of private households is likely to grow stronger" as inflation falls back further, Ifo said in its statement.

Bank of England keeps key interest rate at 16-year high

AFP, London

The Bank of England on Thursday kept its key interest rate at a 16-year high despite slowing UK inflation, opting against a cut before Britain's general election next month.

While annual inflation slowed in May to a near three-year low of 2.0 percent, matching the central bank's target, the BoE had been expected to keep the rate at 5.25 percent ahead of the national vote on July 4.

"It's good news that inflation has returned to... target," Bank of England governor Andrew Bailey said following the regular policy meeting.

"We need to be sure that inflation will stay low and that's why we've decided to hold rates at 5.25 percent for now."

Analysts said there was strong chance that the BoE would cut at its next meeting in August following a series of hikes that have helped bring down UK inflation from the highest level in more than four decades.

Prospects of a looming decrease weighed on the British pound, while London's top-tier FTSE 100 stocks index rose in early afternoon trading.

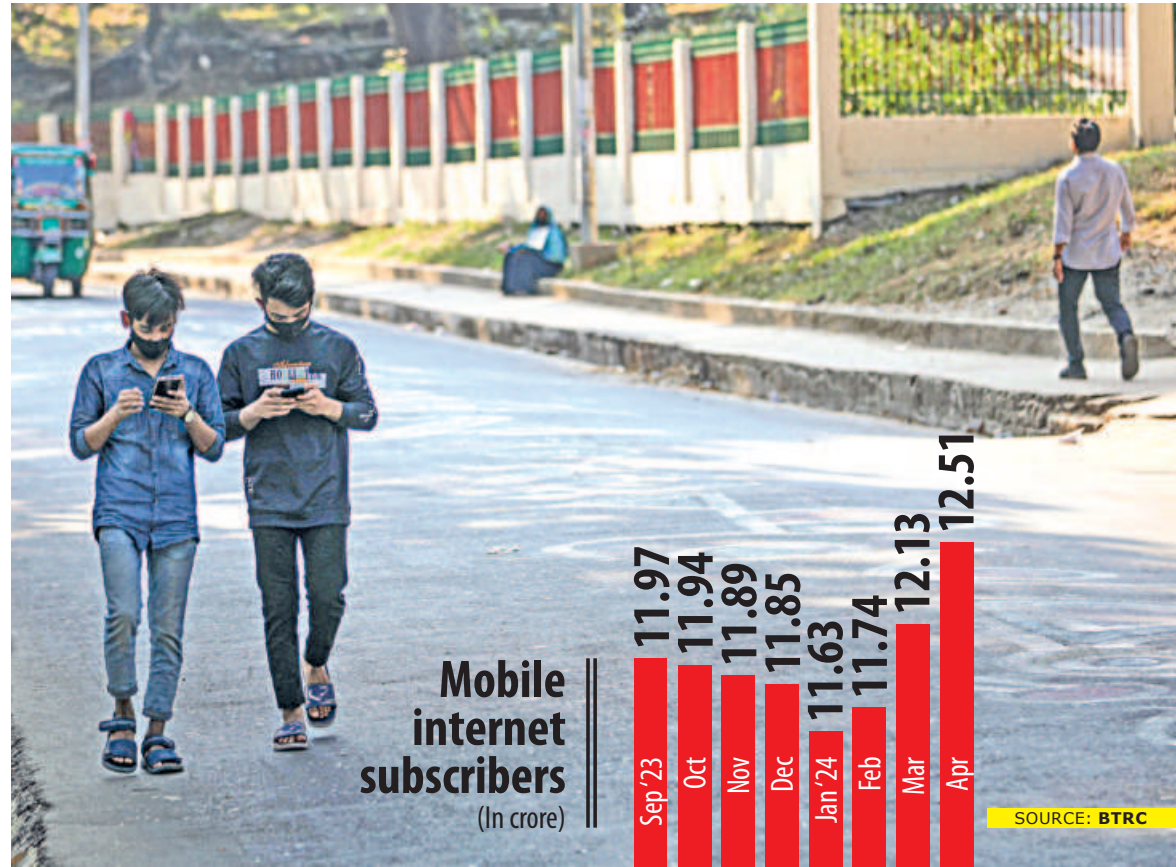
Shortly before the latest BoE announcement, the Swiss National Bank unveiled a second straight interest-rate cut, after becoming in March the first Western central bank to slash borrowing costs that had been raised to battle inflation. Norway froze rates Thursday.

Analysts had widely expected no change to the BoE rate owing to UK services inflation remaining well above two percent and with energy bills set to rise towards the end of the year.

Seven members of the bank's Monetary Policy Committee (MPC) voted to hold the rate steady, while two wanted a cut -- the same outcome as the last meeting in May.

The BoE noted that for some members who voted for no change this time around, the decision was "finely balanced".

Mobile internet subscriber numbers witness big jump



MAHMUDUL HASAN

The mobile internet subscriber base in Bangladesh witnessed a massive growth in April, increasing by 39 lakh, marking the biggest jump in recent years.

This is the second consecutive month that the number of mobile internet users saw a huge boost, with 36 lakh having been added to the subscriber base in March.

February also saw a moderate rise in the number.

The increase in April represents the largest jump in at least the past four years.

There were 12.51 crore mobile internet users in April, up from 12.12 crore in the preceding month, according to the latest data of Bangladesh Telecommunication Regulatory Commission (BTRC).

The total number of internet users, including those of broadband, stood at 13.86 crore in April, up from 13.47 crore in March.

However, the figures for the broadband segment have not been updated since the BTRC only provides quarterly data of

broadband internet users.

Although this marked the third consecutive month of growth for the overall internet user base in Bangladesh, the number declined for five straight months until January amid the regulator's bar on the sale of packages with short validity periods.

Persistent inflationary pressure also affected demand.

In its proposed budget for fiscal year 2024-25, the government imposed an additional 5 percent supplementary duty on mobile service usage. Additionally, VAT for SIM connections was hiked from Tk 200 to Tk 300.

"The internet consumer base has shifted to lower pricing tiers, leading to a continued decline in data revenue in recent months," said Shahed Alam, chief corporate and regulatory officer of Robi.

He added that most new internet users are secondary SIM subscribers exploring different operators for cheaper data services.

The 1.34 crore broadband subscribers now account for 9.7 percent of the country's total internet subscriber base. The rest avail mobile internet.

Despite the huge growth in the subscriber base in the past few months, officials of mobile network operators said there had not been a corresponding increase in revenue, indicating a disconnect between user base expansion and spending ability.

"People are not spending as much since they have tightened

their belts. This could be due to high inflation," said Taimur Rahman, chief corporate and regulatory affairs officer at Banglalink.

"And the recent hike in supplementary duty and VAT on SIMs will have further negative impacts on mobile internet usage," he added.

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"People are not spending as much since they have tightened

Electric car sales fall in Europe while hybrids rise

AFP, Paris

Sales of new electric cars crucial in the fight against climate change fell in Europe in May, car manufacturers announced Thursday, while the number of hybrid vehicles rose.

While the European Union plans to ban the sale of combustion-powered cars by 2035, electric car sales have been sluggish since the end of 2023, mainly due to a lack of affordable models.

Battery electric vehicles (EVs) declined from 13.8 percent of the market in May 2023 to 12.5 percent, according to monthly statistics published by the Automobile Manufacturers Association (ACEA).

New registrations of rechargeable plug-in hybrids also declined by 14.7 percent in May, now accounting for just 6.5 percent.

On the other hand, the market share of hybrid electric cars grew from a quarter to nearly 30 percent, while the combined share of fossil fuel-guzzling petrol and diesel cars fell to just under half.

In the main European markets, sales of battery electric cars rose only in France and Belgium.

They continued to fall in automobile powerhouse Germany, where purchase incentives were abolished at the end of 2023.

Linde, Renata surge

FROM PAGE B1

fall in sales, an elevated level of raw material prices, and a sharp depreciation of the taka.

The manufacturer of various types of industrial gas said its board had approved an interim dividend of Tk 154 per ordinary share for January-October. It comes shortly after the self-off declaration of the welding business.

"In our view, this is a possible one-off dividend, distributing the self-off proceeds by the company," said BRAC EPL Stock Brokerage Company in a note to clients.

Speaking to The Daily Star yesterday, Abu Mohammad Nisar, company secretary of Linde Bangladesh, said the company is yet to complete the audit for the full year, so it has announced the interim dividend.

If the interim dividend remains unchanged or goes up further when the company's financial year ends on December 31, it will be the highest payout for the shareholders in at least nine years, data from the DSE showed.

Profits slumped 66 percent year-on-year to Tk 26.25 crore in January-October. It stood at Tk 77.60 crore in the same period a year ago. Therefore, the earnings per share declined to Tk 17.25 from Tk 50.99.

"The EPS decreased due to the demerger of welding business, lower sales, and higher price of raw materials in the international market coupled with the recent forex movement," Linde Bangladesh said in a filing on the DSE yesterday.

The taka has lost its value by about 35 percent against the US dollar in the past two years, which has made imports costlier.

The net operating cash flow per share of Linde rose to Tk 29.50 from Tk 28.77 while the net asset value per share slipped to Tk 372.92 on October 31 last year from Tk 397.44 on December 31 in 2022.

Linde has been a key player in Bangladesh's industrial gas sector

MTB gets \$15m loan from Belgian company

AHSAN HABIB

The Belgian Investment Company for Developing Countries (BIO) has provided a \$15 million loan to Mutual Trust Bank (MTB) to expand its portfolio dedicated for micro, small and medium enterprises (MSMEs) alongside sustainable financing initiatives.

The loan will have a tenure of five years, including a one-year grace period, while the interest rate will be the Secured Overnight Financing Rate (SOFR) of 6 percent plus below 3 percent.

BIO's first foreign currency transaction in Bangladesh, the loan showcases a shared commitment to creating measurable positive impacts on the economy and environment, according to a statement published on BIO's website last week.

"This collaboration is a remarkable journey that goes beyond financial transactions. Together, we are creating a partnership that fosters positive transformation," said Frédéric Vereecke, investment officer at BIO.

The project delivers a multitude of benefits for Bangladesh. By providing increased access to finance for MSMEs, this initiative will foster business growth and create new job opportunities, read the statement.

Furthermore, the promotion of sustainable financing practices will equip businesses with the tools they need to mitigate climate risks, it said.

This comprehensive approach also promotes financial inclusion, ensuring that underserved populations can participate in the formal economy, it said.

By providing increased access to finance for MSMEs, this initiative will foster business growth and create new job opportunities

Ultimately, this partnership contributes to the advancement of several UN Sustainable Development Goals (SDGs) in Bangladesh, fostering a more prosperous and sustainable future for the country, it added.

BIO also offers technical assistance to MTB to address gender equality within the bank's operations and lending practices. This comprehensive approach aims to ensure inclusive financial services that benefit all segments of the Bangladeshi economy, said the statement.

TSW Capital Services Private, one of the leading financial advisory firms headquartered in Mumbai, played a major role as transaction advisor for this funding.

"We are delighted to partner with BIO as we continue to empower businesses and fuel growth in Bangladesh," said Syed Mahbubur Rahman, managing director and CEO of MTB.

This financing represents a landmark for MTB's engagement with foreign development finance institutions and provides much-needed USD liquidity in a challenging foreign exchange landscape, he added.

for more than 50 years. Operating through 18 sales centres, it serves more than 35,000 customers.

Its products include liquid and gaseous oxygen and nitrogen, argon, acetylene, carbon dioxide, dry ice, refrigerant gases, lamp gas, and medical oxygen.

Linde has decided to divest its welding electrode business to ESAB Group, an American Swedish industrial company, by selling 13.82 crore shares of Linde Industries Private Ltd, a wholly-owned subsidiary of Linde Bangladesh.

Electrodes are the biggest contributor to Linde's revenue and its longstanding business, with 53.3 percent of its income originating from the segment in 2021-22.

It made a profit of Tk 122.58 crore in 2021 and Tk 88.33 crore in 2022, BRAC EPL's note added.

Dollar hits Tk 118

FROM PAGE B1

On May 30, the buying and selling rate was Tk 117.50 and Tk 117.90, respectively. The greenback further gained ground this month.

"It indicates there is a higher demand for the greenback. This is also a signal that the local currency is weakening," said a senior official of another private bank.

He expects that the central bank may review the crawling peg mid-rate in the face of the gradual weakening of the taka, which has lost its value by 35 percent in the past two years.

Bankers, however, said documented transactions are taking place following the introduction of the crawling peg. It, thus, reduces the scope for undocumented transactions and informal exchange rates.

"It is a positive development," said another banker.

Measures in budget will help contain inflation

Agricultural economists say

STAR BUSINESS REPORT

The proposed budget for fiscal year 2024-25 has enough measures to rein in inflation which has been persistently rising, agricultural economists said at a post-budget seminar yesterday.

"Many economists termed the budget as traditional and said that it would not help to contain inflation. But it is not correct. This is a bold and moderate budget," said Prof Shamsul Alam, an agricultural economist and former state minister for planning.

He made the comments while speaking as chief discussant at an event at Bangladesh Agricultural Research Council in the capital's Farmgate.

On June 6, Finance Minister Abul Hassan Mahmood Ali announced a Tk 797,000 crore budget.

According to the government's 8th Five-Year Plan, the budget was supposed to be Tk 2 lakh crore higher this time. But this year's budget has been kept small to control inflation, he said.

"Usually, the government proposes a big budget to keep people happy. But the government did not do it. That's why it's a bold budget," Prof Alam added.

Similarly, the government



PHOTO: STAR

Coordinated fiscal measures and contractionary monetary policy will address inflation, say experts.

has reduced its development budget and cut corporate taxes as well as the source tax on essential products.

The government also plans to impose taxes on cars imported by members of parliament, install electronic fiscal devices (EFDs), and make proof of return submissions compulsory for businesses while taking or renewing licences, he said.

Sajjadul Hasan, chairman of a Parliamentary Standing Committee on the Ministry of Civil Aviation and Tourism, urged Bangladesh Competition Commission to play a proactive role in monitoring the market.

Mohammad Jahangir Alam, a professor at Bangladesh Agricultural University, said the coordinated fiscal measures and contractionary monetary policy would address inflation.

However, the proposed reduction of import duties on various production materials and machinery, including agricultural inputs, may contribute to inflation, he said.

Ahasanul Islam Titu, state minister for commerce, lamented the lack of accurate data on estimations of agricultural production and urged economists to ensure adequate research on the

supply chain.

"We often face sudden crises of perishable goods as we don't know the exact amount of production. Many institutions and researchers give different projections," he said.

"But when I go to the warehouse, that is not reflected. If we could be informed earlier, we would know how much will be imported," he said.

The commerce ministry will set up around 10,000 permanent shops to sell essential commodities through the Trading Corporation of Bangladesh, according to Titu.

Speaking as chief guest, Finance Minister Ali said the World Bank is continuing to extend loans to Bangladesh as the global lender thinks the country is on the right track.

The minister was also critical of people who commented that the country would soon go bankrupt.

"How could one say that Bangladesh is going to be bankrupt or has gone bankrupt?" he asked.

He added, "We have proposed a people-friendly budget. Try to understand this. There is still time to revise the budget as it has not yet been passed."

The minister also urged critics to be careful and responsible when commenting on the economy.

Forex reserves rise by \$300m in a week

STAR BUSINESS REPORT

Bangladesh's foreign currency reserves went up by \$318 million in the span of a week to \$19.53 billion, central bank figures showed.

It was \$19.21 billion on June 12.

The latest upward movement of the reserves will give much-needed relief to the US dollar supply, which has squeezed sharply in the last couple of years amid higher outflows against inflows.

The rally might continue in the coming weeks as the country is set to receive \$1.65 billion from the International Monetary Fund (IMF) and the World Bank before the end of this month.

The IMF may release \$1.15 billion in the third instalment of its \$4.7 billion loan in the last week of June while the WB is going to provide \$500 million in budget support. This may send the reserves above \$21 billion.

The latest improvement in the forex reserves situation comes a month after the central bank relinquished its control over the rate-setting mechanism and introduced a more flexible exchange rate regime.

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.

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

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.

EU sanctions target Russian gas for first time

REUTERS, Brussels

European Union countries agreed on a 14th package of sanctions against Russia over its war in Ukraine, diplomats said on Thursday, including their first restrictions on Russian gas.

The package bans re-exports of Russian liquefied natural gas (LNG) in EU waters but stops short of banning imports as the bloc did in 2022 for Russian seaborne oil. Some EU countries still import pipeline gas from Russia via Ukraine.

However, gas market experts say the measure will have little impact as trans shipments of gas via EU ports to Asia represent only around 10 percent of total Russian LNG exports.

The package also sanctions three Russian LNG projects and includes a clause designed to allow Sweden and Finland to cancel Russian LNG contracts, diplomats said.

Belgium, which holds the rotating EU presidency until July 1, said on social media platform X that the package "maximises the impact of existing sanctions by closing loopholes".

"This hard-hitting package will further deny Russia access to key technologies. It will strip Russia of further energy revenues. And tackle (President Vladimir) Putin's shadow fleet and shadow banking network abroad," European Commission President Ursula von der Leyen said on X.

Countries debated the new measures for over a month and ultimately watered down one of the Commission's proposals, aimed at preventing even more circumvention, at Germany's prompting.

The dropped measure would have forced subsidiaries of EU companies in third countries to contractually prohibit the re-exports of their

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Oil stable above \$85

REUTERS, London

Brent oil futures were steady on Thursday, hovering slightly below seven-week highs as the market awaited US inventory data.

August Brent crude rose by 18 cents, or 0.21 percent, to \$85.25 a barrel by 1023 GMT.

US West Texas Intermediate (WTI) futures for July, which expire on Thursday, gained 3 cents, or 0.04 percent, to \$81.60.

There was no WTI settlement on Wednesday because of a US public holiday, which kept trading largely subdued. The more active August contract was up 1 cent at \$80.72.

Oil prices are likely to remain supported around current levels because of a growing geopolitical risk premium driven by conflict in the Middle East, said ActivTrades analyst Ricardo Evangelista.

Brent crude futures had edged higher in early trade on Thursday as the market digested news of Israeli tanks advancing into Gaza, raising concern over oil supplies from the region.

However, expectations of inventories build appears to be overshadowing fears of escalating geopolitical stress for now, said Priyanka Sachdeva, senior market analyst at Phillip Nova.

Bida identifies 814 vulnerable factories in 2nd phase

JAGARAN CHAKMA

The Bangladesh Investment Development Authority (Bida) has identified 814 more factories as risky under a countrywide initiative as the government looks to prevent avoidable fire incidents and other disasters.

These factories lack necessary fire safety measures and have vulnerable working conditions.

In the first phase, the state-run investment promotion agency named 106 factories in Dhaka, Chattogram, Narayanganj, and Gazipur as risky. The inspection ran between November 2021 and March 2022.

The move comes after more than 50 people died in a fire at the factory of Hashem Foods Ltd in July 2021. This prompted the Prime Minister's Office to form a 24-member national committee, headed by Salman F Rahman, private industry and investment adviser to the prime minister.

In the second phase, 108 teams consisting of officials of the departments of environment, fire service, the district administration, the Department of Inspection for Factories and Establishments (DIFE), and the Bida examined the

working conditions of 5,001 factories in all 64 districts between March and June last year.

The hosiery industry has been detected as the most vulnerable, with 35 factories out of the 62 inspected found to be highly vulnerable.

"The factories need to comply with fire safety and environmental standards immediately in order to protect their

The hosiery industry has been detected as the most vulnerable, with 35 factories out of the 62 inspected found to be highly vulnerable

workers from any health hazards," said Abhijit Chowdhury, the national coordinator of the factory inspection initiative.

The inspectors were moderately dissatisfied with 2006 factories because of their lower than expected safety standards, he said.

The Bida already handed over the final report on the second phase to the national committee. A presentation on the final report was also made before

the national committee at a meeting organised by the home affairs ministry on May 29.

The inspectors noticed faults in structural designs, fire safety measures, and power connection lines in the factories, which pose a risk to the workers, said Chowdhury, also an executive member of the Bida.

The national committee has instructed the inspection initiative to send letters to the owners of the vulnerable factories with a corrective action plan (CAP) within three months. The moderately vulnerable factories will be given a six-month CAP.

The initiative will hold a meeting tomorrow to send letters. The DIFE will start sending the letters by the end of June, he said.

The inspection initiative has recommended setting up separate zones for the hosiery industry to rehabilitate the vulnerable factories.

"Besides, we have suggested regular inspections of the factories and legal actions if any negligence is found," the Bida senior official said.

Under the third phase, the 58 teams will look at 2,900 labour-intensive heavy industries in 16 districts. The inspection is expected to start in July.

Global tensions hit investments again in 2023: UN

AFP, Geneva

Worldwide foreign direct investment fell for a second consecutive year in 2023 amid a global economic slowdown, coupled with swelling trade and geopolitical tensions, the United Nations said Thursday.

Foreign direct investment (FDI) fell by two percent to \$1.3 trillion last year, according to a fresh report from the UN Trade and Development agency.

But excluding a few exceptions, the report showed a far sharper decline of more than 10 percent in FDI for the second consecutive year, it cautioned.

UNCTAD said the prospects for FDI remained "challenging" in 2024 but highlighted some positive developments.

It cited the easing of financial conditions and concerted efforts towards investment facilitation, "a prominent feature of national policies and international agreements".

"We think that 2024 will be better," UNCTAD chief Rebeca Grynspan told reporters in Geneva.

"There are signs that there will be a modest growth 2024," she said.

"It's a modest growth, but it's a change of tendency, and so we are more optimistic towards 2024."

Falling direct investment hurts developing countries in particular, because it tends to be their largest external source of financing.

Last year, FDI flows to developing countries fell by seven percent, to \$867 billion, UNCTAD said, reflecting an eight-percent decrease to developing countries in Asia.

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India economic inequality to persist despite roaring GDP growth

REUTERS, Bengaluru

The Indian economy is likely to remain the fastest-growing major one in coming years, but a majority of independent economists and policy experts polled by Reuters are not confident it will make any difference in narrowing stark economic inequality.

Despite over 8 percent economic growth last fiscal year and a roaring stock market in Mumbai that is easily one of the world's most expensive, New Delhi still distributes free food grains to more than 800 million of its 1.4 billion people.

Prime Minister Narendra Modi, sworn in for a third term with the support of regional parties after a shock election where his Bharatiya Janata Party lost its sizeable majority in parliament, has retained most ministers from his second one.

Yet rising economic inequality - around its highest in decades - and high youth unemployment were widely reported as reasons for the electoral drubbing after securing sweeping victories in 2014 and 2019 on development and economic reform platforms.

A nearly 85 percent majority of



PHOTO: REUTERS/FILE

Customers buy fruits and vegetables at an open-air evening market in Ahmedabad.

development economists and policy experts, 43 out of 51, in a May 15-June 18 Reuters poll, said they were not confident economic inequality would significantly

reduce over the next five years, including 21 who said they had no confidence at all.

Only six said they were confident and two said very confident. These are separate

from private economists who regularly forecast economic data and interest rates.

"Acknowledging that it is a problem will be a good first step ... Currently, reduction of economic inequality is not a policy objective of decision-makers," said Reetika Khera, a development economist at the Indian Institute of Technology in New Delhi.

"Inequality is not something that will go away on its own ... it needs proactive government interventions."

Even for a developing economy, income inequality in India is too extreme, according to a March report from the World Inequality Lab.

"I don't think the inequality metrics are meaningful for India. The key issue is not inequality but how the bottom of the pyramid fares economically. This is not a function of how the top does," said Nagpurnanand Prabhala, finance professor at Johns Hopkins University.

India has the second-highest number of billionaires in Asia but has tens of millions who depend on the government's 100 days minimum guaranteed wage employment programme, digging wells, building roads, and filling potholes for about \$4 a day.

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