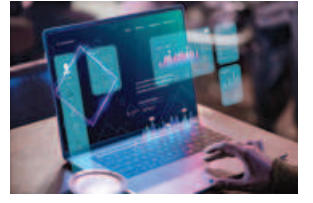


# Star BUSINESS

Bangladesh's IT exports declined in July-March of the current financial year, highlighting the struggle to gain a foothold in the global technology sector.



Story on B4

## FY25 budget won't ensure energy sustainability: CPD

### STAR BUSINESS REPORT

The budget for the next fiscal year may not be able to end the chronic gas shortage, cut import reliance and guarantee credible supply of electricity as it has fallen short of taking up sufficient measures needed to ensure energy sustainability, the Centre for Policy Dialogue (CPD) said yesterday.

Instead, it encourages anti-sustainability measures by backing coal-based power generation and setting overly ambitious power demand targets, it said.

The observations are the outcome of a CPD study on the power and energy sector. The findings were presented at an event styled "Power

natural gas (LNG). However, when LNG prices surged globally, the government was compelled to cut its purchase in order to save foreign exchanges, dealing a massive blow to factories.

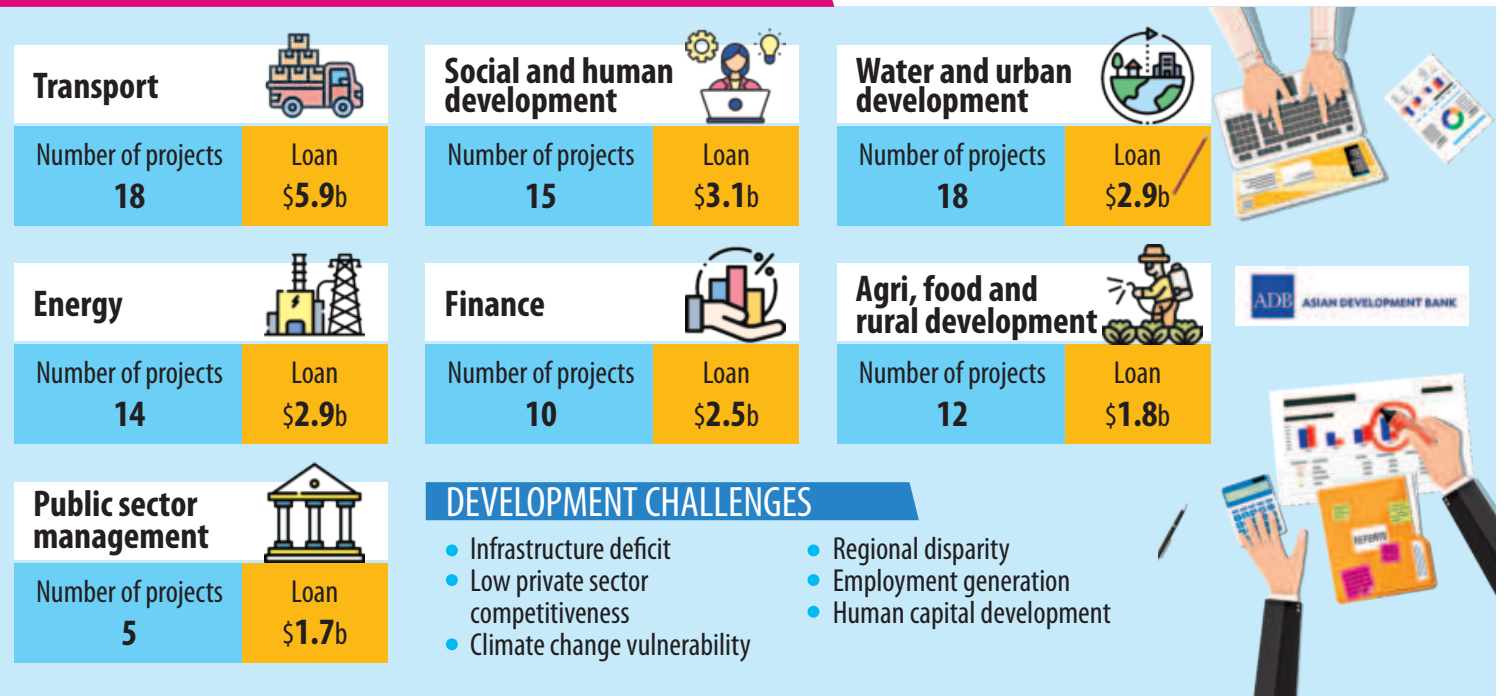
Furthermore, despite sitting on a huge stockpile of coal, it is buying the fuel from external markets to run the coal-fired power plants.

"This budget is not the kind of budget needed for sustainable energy and energy transition," said CPD Research Director Khondaker Golam Moazzem while presenting a keynote paper.

"We think a big change is needed in the budget where energy transition and energy sustainability issues will be given more importance. This is

## ADB to lend \$20.8b to Bangladesh in four years

### PROJECTS AND FINANCING PLAN OF ADB



### TUHIN SHUBHRA ADHIKARY

The Asian Development Bank (ADB) is expected to provide \$20.8 billion in loans to Bangladesh in the next four years as the country looks to accelerate economic growth and attain the upper-middle-income status in less than a decade.

The amount is 42.3 percent higher than the \$12 billion the country received in the previous four years, documents from the Manila-based lender showed.

Of the expected financing, \$16.4 billion, or 78.85 percent of the total, will be extended as ordinary capital resources (OCR) loan, since the country's capacity to pay back has gone up.

The interest rate for the OCR portion is near market-based. The rest of the loan will be concessional.

The loans at near-market terms have a repayment period of 25 years and a grace period of five years. The interest rate is SOFR plus 0.75 percent.

The Secured Overnight Financing Rate (SOFR), which is replacing the London Interbank Offer Rate (LIBOR), was 5.32 percent on Thursday, data from the Federal Reserve of Bank of New York showed.

The concessional loans have the same repayment schedule, but the interest rate is fixed at 2 percent.

The ADB has set a loan pipeline for 92

projects in seven sectors from 2024 to 2027, the documents related to its country programme showed.

The projects included Mass Rapid Transit (MRT) Line 5 (Southern Route); SASEC (South Asia Subregional Economic Cooperation) Dhaka-Chattoogram Highway Improvement Project; SASEC South Corridor Improvement Project (Faridpur-Barishal Highway); and Dhaka Power System Expansion and Strengthening Project.

The Economic Relations Division will hold a meeting with the ministries and divisions today to finalise the projects under the pipeline.

While there is no specific allocation for regular OCR loans, the ADB expects to commit around \$16.4 billion between 2024 and 2027, subject to the readiness of the proposed projects.

It expects to commit around \$2.3 billion for 2024, \$4.2 billion for 2025, \$4.9 billion for 2026, and \$5 billion for 2027.

As per its pipeline, the ADB will provide \$1.8 billion for 2024-2027 for 12 projects in the agriculture, food, nature and rural development sector; \$2.9 billion for 14 projects in the energy sector; and \$2.5 billion for 10 projects in the finance sector.

Some \$3.1 billion will be given to 15 projects in the human and social development sector, \$1.7 billion for five projects in the public sector management and governance sector, \$5.9

billion for 18 projects in the transport sector, and \$2.9 billion for 18 projects in the water and urban development sector.

The projects are in response to the bottlenecks confronting Bangladesh.

The main development challenges that Bangladesh faces include infrastructure deficit, low private sector competitiveness, climate change vulnerability, and regional disparity, said the ADB.

It is also experiencing challenges in the areas of employment generation, human capital development, social protection, and governance, it said.

Responding to these challenges and aligning with the government's growth plans, the ADB's country partnership strategy (CPS) 2021-2025 aims to boost competitiveness, employment, and private sector development, promote green growth and climate resilience, and strengthen human capital and social protection.

Currently, the government is preparing the Ninth Five-Year Plan to successfully graduate from the group of the least-developed countries in 2026 and attain the upper-middle-income country status by 2031.

The ADB said the public sector management and governance sector programme will address the economy's fundamental development challenges by mobilising domestic resources,

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### RECOMMENDATIONS

- ▶ Stop funding for any new fossil fuel-based power plants
- ▶ Enhance allocation for drilling more gas wells
- ▶ Extend tax holidays from 5 years to 10 years for renewables-based power plants
- ▶ Budget for power and energy sector needs to be structured from energy sustainability and energy transition point of view

### OBSERVATIONS

- ▶ The target set for drilling 48 wells by 2025 cannot be met unless the priority is shifted from LNG import to domestic gas exploration
- ▶ Relying heavily on imported LNG could make Bangladesh more vulnerable

and Energy Sector in the National Budget FY2025: Can the Proposed Measures Address the Challenges?" at the BRAC Centre Inn in Dhaka.

The budget was present at a time when Bangladesh is struggling to produce

enough gas from local fields to meet domestic demand despite significant hydrocarbon potentials, both onshore and offshore.

In recent years, as a result, it has been forced to turn to international markets to buy expensive liquefied

because without proper planning, allocation, implementation and monitoring, energy sustainability and energy transition will not be achieved."

Moazzem described the government's decision of not

READ MORE ON B3



## BB monetary policy likely in the 3rd week of July

### STAR BUSINESS REPORT

Bangladesh Bank (BB) is likely to make public the monetary policy for the first half of fiscal year 2024-25 in the third week of July, aiming to bring down inflation which has persistently remained high.

Inflation in Bangladesh has been hovering at over 9 percent since March last year and the central bank's existing tight monetary policy stance is yet to help cool down consumer prices.

The BB is preparing to announce the new monetary policy sometime between July 15 and July 20, said a member of the monetary policy committee.

As a part of the preparations, the monetary policy department of the BB will start holding meetings with stakeholders and economists from July 7.

The monetary policy department set a meeting with central bank officials of the executive director grade and above on July 7 to avail opinions on the preparation of the new monetary policy.

Then, they will hold meetings with other stakeholders and economists until July 15.

The central bank has taken a series of initiatives to tackle ongoing economic challenges, especially to rein in skyrocketing inflation, all but to no avail.

READ MORE ON B3

## What's in the budget to boost private investment?

### TARGETS AND ACHIEVEMENTS

- Private sector investment target set at **27.34%** of GDP for FY25
- Estimated private investment is **23.51%** of GDP in outgoing fiscal year
- On an average, private sector investment was **24.19%** of GDP in the last 6 years
- As per the 8th Five Year Plan, the overall investment target is **36.59%** of GDP in 2025

### CHALLENGES FOR ACHIEVING THE TARGETS

- High bank interest rate
- Price hike of dollar
- Rising cost of doing business
- High inflation rate

### JAGARAN CHAKMA

The government's target in the proposed budget for 2024-25 on increasing private sector investment is ambitious and will be difficult to achieve, said businesspeople and experts citing high bank interest rates and a shortage of US dollars.

Finance Minister Abul Hassan Mahmood Ali aims to take private sector investment to 27.34 percent of the GDP in the upcoming fiscal year, up from an estimated 23.51 percent in the current year.

The last six years' average was 24.19 percent, which is 3.15 percentage points lower than the target, according to the Bangladesh Bureau of Statistics.

According to businesspeople, opening letters of credit for importing raw materials and capital machinery was still a challenge alongside accommodating an increase in

associated prices due to a hike in the price of the US dollar against the taka.

Against this backdrop, making big investments is a big gamble, they said.

The banking sector last month returned to a market-driven interest rate regime with the rate reaching as high as 14 percent. The foreign currency reserves stood at \$19.52 billion, as of June 20. Meanwhile, inflation has been persistently high, reaching 9.81 percent last May.

"Now businesses are faced with different drawbacks, including a high cost of business due to high bank interest rates and appreciation of the US dollar," said Ahsan Khan Chowdhury, chairman and chief executive officer of Pran-RFL Group.

"As a result, coming up with investments will be a very big challenge," he said.

He said the present reality

READ MORE ON B3



## BANGLADESH'S HIGHEST CREDIT RATING

# AAA

## 14 CONSECUTIVE YEARS

Long Term: "AAA" and Short Term: "ST-1" Outlook - Stable

Credit Rating Information and Services Limited (CRISL)  
Reaffirmed Long Term "AAA" and Short Term "ST-1" Credit Rating of  
Commercial Bank of Ceylon PLC

COMMERCIAL BANK OF CEYLON PLC  
Continuing the Journey in Bangladesh for 20 Years & Beyond  
within the Legacy over 100 Years

16734 www.combank.net.bd

## Japan's inflation ticks up to 2.5% in May

AFP, Tokyo

The pace of Japanese inflation accelerated in May partly due to higher energy bills, government data showed Friday, as analysts speculate on the timing of the Bank of Japan's next rate hike.

The Consumer Price Index (CPI) — which excludes volatile fresh food prices — rose 2.5 percent year-on-year, compared with the 2.2 percent logged in April by the internal affairs ministry.

The ministry said that “energy, including electricity and gas bills, contributed” to the acceleration, which was slightly lower than market expectations of 2.6 percent.

While the United States and other major economies have battled sky-high inflation in recent years, price rises in Japan have been less extreme.

The Bank of Japan is targeting sustainable, demand-driven inflation of two percent. While the CPI has been above this target since April 2022, the central bank has warned it was due to unstable factors such as the war in Ukraine.

Recently, however, the BoJ has taken cautious steps away from its long-standing ultra-loose monetary policies.

# Bank Asia declares 15% cash dividend

STAR BUSINESS DESK

Bank Asia announced a 15 percent cash dividend for the year that ended on December 31, 2023.

The announcement came at the bank's 25th annual general meeting (AGM), which was held virtually yesterday.

Romo Rouf Chowdhury, chairman of the bank, presided over the meeting, the bank said in a press release.

Mohd Safwan Choudhury and Zakia Rouf Chowdhury, vice chairmen of the bank, Rumea A Hossain, chairman of the board executive committee, and MA Baqui Khalily, chairman of the board audit committee and board risk management committee, were present.

Farhana Haq, Enam Chowdhury, Ashraf Haq Chowdhury, Md Abul Quasem, Helal Ahmed Chowdhury and Nafees Khundker, directors of the bank, and Sohail RK Hussain, managing director, attended the event.

The shareholders expressed their satisfaction with the overall performance of the bank and approved the accounts for the year 2023.

SM Anisuzzaman, company secretary of the bank, along with other senior officials and a large number of shareholders joined the AGM.



Romo Rouf Chowdhury, chairman of Bank Asia, presides over the bank's 25th annual general meeting, which was held virtually yesterday. The meeting announced a 15 percent cash dividend for 2023. PHOTO: BANK ASIA

## Germany urges China to shift from coal power

REUTERS, Hangzhou

German Economy Minister Robert Habeck said on Sunday that China was indispensable to achieving global climate goals and must find a safe alternative to coal, which accounted for nearly 60 percent of China's electricity supply in 2023.

Officials told Habeck that China was expanding coal production for security reasons, the minister told reporters in the southern city of Hangzhou, the day after meeting Chinese officials in Beijing.

“China also imports large amounts of gas and oil and China has already seen what has happened in Europe and Germany in the last two years,” he added, referring to the energy crisis triggered by Russia's full-scale invasion of Ukraine.

He said cooperation with China must be strengthened, adding: “Without China it would not be possible to meet the climate targets globally”.

“You don't have to teach them that CO2 emissions are bad for the climate. They've got that,” Habeck said, adding that it should be possible to achieve the same level of security with fewer coal-fired power plants.

Later, Habeck told students at the university of Zhejiang that the difficulty lay in integrating variable forms of energy such as wind and solar into a system built to work on more predictable fuels, adding: “That is basically my work.”

He said that doubling capacities was “the old way” of doing it, but not the most efficient.

China is expanding its coal production but also installed almost 350 gigawatts (GW) of new renewable energy capacity in 2023, more than half the global total.

Habeck said extension of the power grid and use of batteries to store energy could reduce the number of traditionally fuelled power plants needed to meet China's needs, adding that economic growth and climate action were not opposites.

“Transforming the economy to a climate-neutral one is not only good for the climate but creates new opportunities for wealth and growth,” Habeck said.

# Midland Bank launches ‘MDB digital secured credit card’

STAR BUSINESS DESK

Midland Bank (MDB) recently launched a new financial service named “MDB Digital Secured Credit Card” for its customers.

Md Ahsan-uz Zaman, managing director and CEO of the bank, unveiled the card at the bank's head office in the capital's Gulshan, said a press release.

Zaman in his speech expressed gratitude to the officials of the bank for implementing this technology-based service.

“MDB has always been active in implementing technology-based solutions. The bank offers multiple customised solutions to its valued customers to meet their varied needs,” he said.

“This digitised version of MDB secured credit card is the newest addition under the technological advancement of the bank.”

The bank's customers will be able to apply for and obtain a secured credit card against their DPS/FDR through MDB's mobile app “midland online”.

Among others, Md Zahid Hossain, deputy managing director of the bank, Nazmul Huda Sarkar, chief technology officer, Md Rashed Akter, head of retail distribution division, and Md Abed-Ur-Rahman, head of cards, were also present.



Md Ahsan-uz Zaman, managing director and CEO of Midland Bank, poses for photographs after inaugurating “MDB Digital Secured Credit Card” at the bank's head office in the capital's Gulshan recently. PHOTO: MIDLAND BANK

PRICES OF KEY ESSENTIALS IN DHAKA CITY			
	PRICE (JUNE 23, 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	4.00 ↑	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 150-Tk 155	3.39 ↑	-10.82 ↓
Potato (kg)	Tk 55-Tk 60	11.65 ↑	57.53 ↑
Onion (kg)	Tk 85-Tk 90	20.69 ↑	29.63 ↑
Egg (4 pcs)	Tk 50-Tk 54	6.12 ↑	11.83 ↑

SOURCE: TCB



Tarique Afzal, managing director of AB Bank, cuts a ribbon to inaugurate a sub-branch on Pulhat Road under Dinajpur Municipality yesterday. PHOTO: AB BANK

## AB Bank opens sub-branch in Dinajpur

STAR BUSINESS DESK

AB Bank opened a sub-branch on Pulhat Road under Dinajpur municipality yesterday.

Tarique Afzal, managing director of the bank, inaugurated the sub-branch as chief guest, the bank said in a press release.

High officials of the bank and local dignitaries, among others, were also present on the occasion.

## IT exports decline

FROM PAGE B4

As a result, we are losing potential markets and business opportunities.”

Industry people said Bangladesh is poised to miss its target to export IT products worth \$5 billion by 2025.

“Our revenue hasn't decreased, but revenue growth has slowed,” said Raisul Kabir, CEO of Brain Station 23, one of the largest software companies in Bangladesh.

Securing contracts has become more challenging and competitive due to a recession-like situation in the global software market, he said.

“However, this is the second consecutive year that growth has slowed, but I believe this slowdown will end soon,” he added.

Mashroor said another reason for the low exports is that most export-oriented IT firms in Bangladesh are small.

There are fewer than 50 export-oriented IT companies that have at least 100 employees, while there is no firm with more than 1,000 staff members, he said.

“In India, there are over a hundred export-oriented companies that are employing more than 50,000 engineers. Since Bangladeshi companies are small in size, they don't win big orders that can give them large revenue.”

“If we want to hit the \$5 billion target, we need to have a minimum of 100 companies employing more than 1,000 engineers.”

## Beyond Nvidia

FROM PAGE B4

Groq CEO Jonathan Ross told AFP that Nvidia won't be the best at everything, even if they are uncontested for generative AI training.

“Nvidia and (its CEO) Jensen Huang are like Michael Jordan... the greatest of all time in basketball. But inference is baseball, and we try and forget the time where Michael Jordan tried to play baseball and wasn't very good at it,” he said.

Another opportunity will come from highly specialized AI that will

provide expertise and know-how based on proprietary data which won't be co-opted by voracious big tech.

“Open AI and Google aren't going to build a structural engineer. They're not going to build products like a primary care doctor or a mental health therapist,” said Khosla.

Profiting from highly specialized data is the basis of Cohere, another of Silicon Valley's hottest startups that pitches specifically-made models to businesses that are skittish about AI veering out of their control.

## Cash is leaving

FROM PAGE B4

Foreigners who had returned to the market since February, after quitting in 2023, have turned sellers to this month, pulling out 33 billion yuan (\$4.54 billion) via the northbound leg of the Stock Connect Scheme.

Domestic investors have used the southbound leg to pump 129 billion yuan into Hong Kong.

Analysts say investors have several reasons to pause and reflect, not just about how far the People's Bank of China will ease rates, but also on the

approaching July plenum of China's Communist Party to shape economic and fiscal policy.

Chi Lo, senior market strategist for Asia-Pacific at BNP Paribas Asset Management, said foreign funds, though now positioned neutral on Chinese stocks, are turning positive.

“Beijing is likely to keep the easing measures more progressive than they were in the 18 months, in my view, and the plenum will likely reiterate that policy direction,” Lo said.

# Exim Bank opens relocated Chattogram EPZ branch

STAR BUSINESS DESK

Exim Bank recently opened its relocated Chattogram EPZ (CEPZ) branch.

Mohammad Feroz Hossain, managing director and CEO of the bank, inaugurated the branch as chief guest at the Commercial Complex of Chattogram Export Processing Zone in the port city, the bank said in a press release.

Hossain said Exim Bank always prioritises the needs of customers, and this is why, the CEPZ branch has been shifted to the new location.

Md Zoshim Uddin Bhuiyan, deputy managing director of the bank, SM Abu Zaker, additional deputy managing director, Sheikh Md Abdun Noor, acting executive director of Chattogram EPZ, and Mustafa Mahmud, managing director of JMS Group, were present.

Among others, Anisur Rahman Chowdhury, regional manager for Chattogram of the bank, and Sanjib Chatterjee, head of corporate affairs, branding division and marketing division, were also present.



Mohammad Feroz Hossain, managing director and CEO of Exim Bank, cuts a ribbon to inaugurate the bank's relocated Chattogram EPZ branch in the port city recently. PHOTO: EXIM BANK



Farmers of Ilisha union of Bhola sadar upazila sort and stack betel leaves according to size and quality for sale to wholesalers. The tedious task requires extra hands or agricultural produce handlers who are paid Tk 600 for a day's work. The photo was taken at the Bottola Bazar next to the Barishal-Bhola highway recently. PHOTO: MONIR UDDIN ANIK

## Take steps to overcome barriers to private investment

### States Bangladesh Business Climate Index 2024

STAR BUSINESS REPORT

Bangladesh needs to overcome barriers to increasing private investment, as year-on-year private sector credit growth fell short of the government target of 11 percent for this month, according to Bangladesh Business Climate Index 2024.

In December 2023, it experienced a slightly lower year-on-year growth of 10.2 percent, compared to its growth rate of 10.9 percent in December 2022, it said.

The index was released by the Metropolitan Chamber of Commerce and Industry (MCCI) and Policy Exchange Bangladesh (PEB) in Dhaka recently.

The growth rate was primarily influenced by higher domestic and international commodity prices, coupled with a notable depreciation of the Bangladeshi taka against the US dollar, they said in a report.

Despite that, Bangladesh performed fairly well compared to many other emerging and developing Asian economies, it added.

Bangladesh is acknowledged as a burgeoning investment hub, said the report.

Foreign direct investment (FDI) remains limited and predominantly focused on traditional sectors such as garments and textiles, oil and gas, energy and power, financial services and pharmaceuticals, it said.

The FDI is a powerful tool for developing the Bangladesh economy and can significantly contribute to achieving the country's socioeconomic objectives, including poverty reduction goals, the report added.

The inflow of foreign capital strengthens the domestic investment base, stimulates economic activities, creates employment opportunities, and brings along technological advancements and managerial expertise, which can have a transformative effect on local industries, it said.

The inflow of private investment and FDI is hampered by various factors, which have prevented the country from keeping pace with many of its comparator nations, according to the MCCI and the PEB.

The FDI flowing into various sectors of Bangladesh offers valuable perspectives on the nation's economic terrain and highlights the industries drawing notable investments, they said.

# Dhaka stocks rise for fifth straight day

### Price spike in blue-chip stocks plays an important role

STAR BUSINESS REPORT

The major index of the Dhaka Stock Exchange (DSE) extended its gaining momentum as it surged for the fifth successive day yesterday largely thanks to a spike in the prices of the blue chip shares.

The shares of Renata, BSRM Steel, BAT Bangladesh, MJL, Gramenphone, Bangladesh Monospool Paper Manufacturing, Sea Pearl, Unilever Consumer Care, LafargeHolcim, and Prime Bank are among the blue chip stocks that rose significantly.

Renata dominated the pullers' index with a rise of 12.93 percent when BSRM Steel jumped 2.28 percent.

Yesterday, the market opened higher and touched the 5,300-point mark within half an hour.

The DSEX, the benchmark index of the

country's prime bourse, edged up 3.01 points, or 0.06 percent, to close the day at 5,247.

Similarly, the DSES, the index that represents the Shariah-based companies, rose 0.59 points, or 0.05 percent, to 1,146.

The DS30, the index that comprises best blue-chip firms, advanced 2.03 points, or 0.11 percent, to 1,877.5.

The market closed flat with an increase in turnover, according to the daily market update by UCB Stock Brokerage.

Turnover, which indicates the volume of shares traded during the session, increased 7.46 percent to Tk 486 crore compared to the last day's trading session.

The pharmaceuticals sector dominated the turnover chart accounting for 20.80 percent of the daily total market's turnover.

Among sectors, jute, engineering and paper and printing ended the day in the

positive territory while mutual fund, information technology (IT) and general insurance closed in negative territory.

Of the issues that changed hands on the DSE, 232 declined, 111 edged higher, and 55 did not see any movement.

**The DSEX, the benchmark index of the country's prime bourse, edged up 3.01 points, or 0.06 percent, to close the day at 5,247.**

Salvo Chemical Industry topped the gainers' chart, with a 10 percent gain.

Paper Processing & Packaging, Bangladesh Monospool Paper Manufacturing Company and Zahintex Industries made gains of 9.95 percent, 9.94 percent and 9.43 percent, respectively.

Sonali Aansh Industries, Wata Chemicals, Walton Hi-Tech Industries, and Sonali Paper & Board Mills were also on the gainers' list.

Northern Jute Manufacturing Company and Legacy Footwear shed the most, losing identical 2.99 percent each.

The two were followed by Stylecraft Limited and Crystal Insurance Company, both of whom lost 2.98 percent and 2.97 percent correspondingly.

JMI Syringes & Medical Devices, Paramony Insurance Company, Apex Tannery, Khan Brothers PP Woven Bag Industries, Miracle Industries, and Meghna Pet Industries also suffered losses.

Chittagong Stock Exchange (CSE) also saw the similar trend with its all share price index gaining 34.90 points, 0.24 percent, to settle at 14,821.72 when the Selective Categories Index increased 22.37 points, or 0.25 percent, to 8,921.94.

STOCKS	
DSEX ▲	CASPI ▲
0.05%	0.23%
5,247.13	14,821.71

COMMODITIES		AS OF FRIDAY
Gold ▼	Oil ▼	
\$2,320.79	\$80.60	
(per ounce)	(per barrel)	

## UK retail sales rebound

REUTERS, London

British retail sales jumped sharply last month after heavy rain kept shoppers away in April, official figures showed on Friday, in a minor boost for Prime Minister Rishi Sunak ahead of the July 4 election.

Sales volumes rose 2.9 percent in May, up from a revised 1.8 percent fall in April, the Office for National

Statistics said.

Economists polled by Reuters had on average forecast sales volumes would increase by 1.5 percent in May.

Compared to a year ago, May's sales volumes were 1.3 percent higher, after a revised 2.3 percent fall in April, but remained 0.5 percent below their level in February 2020 before the COVID-19 pandemic.

## ADB to lend \$20.8b

FROM PAGE B1

promoting economic diversification, trade openness and investment, encouraging green growth, and strengthening institutions and governance, with a focus on digitalisation.

The transport sector's lending will pursue "transformative pathways to shifts to low carbon transport and decarbonised systems", said the ADB.

The support for the agriculture, food, nature and rural development sector will look to manage climate change and disaster risks, improve rural access to market and rural livelihoods and productivity, and

strengthen institutional capacities.

The ADB said the country is navigating several macroeconomic challenges, including low revenue mobilisation and foreign exchange reserves, elevated inflation, low direct investment, and heightened banking sector vulnerabilities.

To address these issues, the government is taking proactive measures such as the implementation of a formula-based petroleum fuel price adjustment mechanism, realignment of the exchange rate, liberalisation of retail interest rate, and revenue-based fiscal consolidation, the development lender added.

## BB monetary policy

FROM PAGE B1

On a 12 month average during June 2023 and May 2024, the inflation rate was 9.73 percent, much higher than the BB's target of 7.5 percent for the outgoing fiscal year of 2023-24.

The government has set a goal to contain the consumer price hike at 6.5 percent for fiscal year 2024-25.

The banking regulator raised the policy rate several times since May 2022 to increase the cost of money.

In May the BB raised the policy rate by 50 basis points to 8.5 percent to rein in runaway inflation.

In the same month, the central bank relaxed the bank interest rate and US dollar exchange rate as per

the prescription of the International Monetary Fund.

Central bank officials said the banking regulator was likely to hike the policy rate further to tame inflation.

Industry insiders said the BB was still injecting money into some weak banks, for which, despite the presence of a tight monetary policy, it has not been possible to cool down inflation.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, at a discussion recently said the policy rates should be increased further from the current 8.5 percent to at least 10 percent without further delay to curb high inflation.

## FY25 budget won't ensure

FROM PAGE B1

allocating fresh funds for fossil fuels as positive. "The budget should reiterate the government's commitment to phase out old, dated, and expensive fuel-based plants."

Moazzem highlighted six major challenges confronting the power and energy sector: rising generation capacity; continuous load shedding; slow progress of transmission and distribution system projects; less attention given towards renewable energy expansion; inability to import energy; and continuous financial loss of public entities.

He, however, said a reduction in budgetary allocation for the gas sector is not rational. "There is no alternative to domestic gas exploration to increase fuel supply and reduce load-shedding."

The integration of renewable energy into the grid has a lot to do with the upgradation of transmission and distribution systems, he said.

The CPD also pointed out the subsidy going to the power sector, which received Tk 40,000 crore for 2024-25, accounting for 37 percent of the subsidy segment. Most of the allocation will be spent on paying capacity charges.

Stating that the subsidy is not a sustainable solution, Moazzem said relying heavily on imported LNG could make Bangladesh more vulnerable to changes in global prices.

A subsidy allocation of Tk 7,000 crore in LNG imports has been proposed in FY25, which is up from Tk 6,000 crore in the outgoing fiscal year.

"Rather than enhancing LNG import, the fund should be allocated for domestic gas exploration," the economist said.

He said some important issues that required distinctive fiscal measures have not been addressed in the budget.

These include fossil fuel phase-out, the retirement of rental and quick rental power plants, ending capacity payments, and incentivising renewable energy.

A special allocation of Tk 100 crore has been proposed by the finance minister to encourage the development and use of renewable energy.

"Though the amount is small, the initiative is appreciated since it will accelerate the breaking of carbon lock-in in the country," Moazzem said.

Prof M Shamsul Alam, energy adviser of the Consumers Association of Bangladesh, alleged that the Bangladesh Energy Regulatory Commission has failed to set fair energy prices.

He alleged that everybody knows about the corruption in the Bangladesh Petroleum Corporation, but no effective steps were taken to stop it.

Mohammad Tamim, a professor of the chemical and materials engineering department of the Bangladesh University of Engineering and Technology, stressed the need for a long-term energy policy and strong regulatory authority.

"The existing energy policy was formulated in 1996 but no amendment has been made yet. A good policy ensures a strong regulatory authority."

AK Azad, a lawmaker and an industrialist, said it is becoming difficult to run factories due to a spike in gas prices on the one hand and continuous load-shedding on the other hand.

Mohammad Hussain, director-general of the power cell of the Power Division, said if the country had adequate primary energy, the issues of over-capacity, capacity payments, and the financial losses incurred by state-run entities might not have come into discussion.

He also recognised that it would be better if the allocation in the energy sector goes up.

Mohammad Alauddin, rector of the Bangladesh Power Management Institute, welcomed the first-ever separate allocation for the development of renewable energy.

He called for lowering taxes and duties to encourage the private sector to produce more solar power.

## What's in the budget

FROM PAGE B1

necessitated devising ways to continue running business operations rather than going for expansion through fresh investments.

Considering this, it is quite difficult for the business community to bring in big investments, he said.

He suggested focusing on labour-intensive industries at this moment to create employment opportunities.

Local investors do not have sufficient money at hand to make investments and they should lay emphasis on bringing in foreign direct investment (FDI) through joint ventures, he said.

Such joint venture investments are most likely to facilitate the government's plan on achieving the private investment to GDP target, he said.

Asif Ibrahim, chairman of Chittagong Stock Exchange, said, in order to achieve the target, the government could focus on improving infrastructure, streamlining regulations, offering incentives, promoting FDI and investing in education and skills development.

Besides, it needs to ensure political stability, promote innovation and entrepreneurship, and develop the capital market, he said.

These efforts can create a lucrative environment for private investors and contribute to economic growth and development, said Ibrahim.

Unfortunately, investors still face red tape and delays in obtaining licences and necessary utility connections and impediments over logistics, he said.

According to him, there is a lack of coordination among the agencies responsible for facilitating the ease of doing business.

These hurdles need to be overcome to take private sector investment to 27.34 percent of the GDP for FY25, he suggested.

Ashraf Ahmed, president of the Dhaka Chamber of Commerce and Industry, said the proposed budget focused on containing inflation, while the latest monetary policy statement

was contractionary in nature, which were constraints for investment.

As private sector credit growth, public investment, balance of payments and FDI remain low, it is unlikely that employment and investment will see significant growth in the coming days, he said.

In fact, persistence of a high bank interest rate and low liquidity from a crowding out effect could even trigger an economic meltdown, he said.

"Unless our policy stances shift after December 2024, it will be difficult to achieve the investment target," said Ahmed.

Ferdous Ara Begum, chief executive officer of Business Initiative Leading Development, said it would not be possible to reach the private sector investment target if policies were not consistent and friendly towards investment.

She said the investment targets for the private sector have been almost static for long.

In the budget for FY2024-25, the target has been increased to 27.34 percent while it was reduced to 23.51 percent in the outgoing fiscal year from 24.18 percent in FY2022-23, she said.

According to her, even though public sector investment had increased, it could not support private sector investment.

In the government's 8th Five Year Plan, the investment target is 36.59 percent of the GDP in 2025, which is still a far cry, she said.

She said policy consistency for investment was the prime requirement. The policy continuity for the investors in economic zones and hi-tech parks could contribute a significant amount of investment while creating new employment opportunities, she said.

She also pointed out that investors are facing problems in availing gas connections and electricity while subsidies for electricity and gas were going to be withdrawn in phases as per the suggestions of the International Monetary Fund.

## EU, China open talks over EV tariffs

AFP, Brussels

EU and China trade chiefs held "candid and constructive" talks on Saturday over plans from Brussels to ramp up tariffs on Chinese electric cars, and the two sides will hold further consultations, the EU said.

The European Union warned this month that it would slap additional tariffs of up to 38 percent on Chinese electric car imports from July after an anti-subsidy probe, in a move that risks provoking a bitter trade war.

An EU spokesman said European trade commissioner Valdis Dombrovskis and China's Commerce Minister Wang Wentao "had a candid and constructive call on Saturday on the EU's anti-subsidy investigation into battery electric vehicles produced in China".

"The EU side emphasised that any negotiated outcome to its investigation must be effective in addressing the injurious subsidisation," spokesman Olof Gill said.

"The two sides will continue to engage at all levels in the coming weeks."

### The European Union warned this month that it would slap additional tariffs of up to 38 percent on Chinese electric car imports from July

China's commerce ministry wrote on X that the two sides "agreed to start consultations" during the call.

Brussels angered Beijing by launching the investigation last year in a bid to defend European manufacturers in the face of a surge of cheaper Chinese imports.

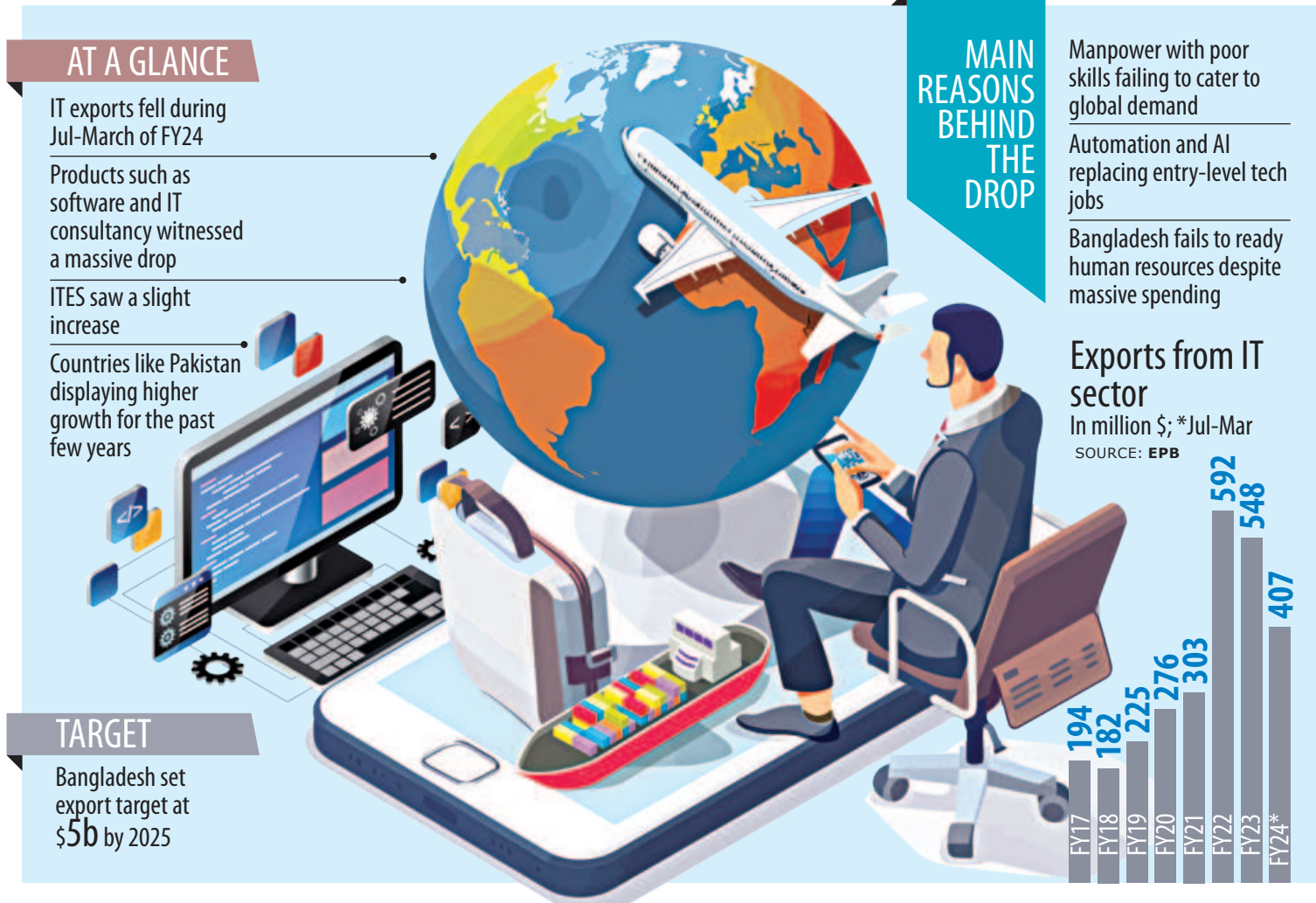
The European Commission has now proposed a provisional hike of tariffs on Chinese manufacturers: 17.4 percent for market major BYD, 20 percent for Geely and 38.1 percent for SAIC.

The EU said the amount depended on the level of state subsidies received by the firms.

Electric car producers in China that cooperated with the EU will face a tariff of 21 percent, while those that did not cooperate would be subject to a 38.1 percent duty.

This would be on top of the current import duty of 10 percent.

# IT exports decline in July-March



MAHMUDUL HASAN

Bangladesh's IT exports declined in July-March of the current financial year, highlighting the country's struggle to gain a foothold in the global information and communications technology sector.

According to data from the Export Promotion Bureau (EPB), earnings of IT firms dropped 2.33 percent to \$407.07 million in the first nine months of 2023-24. In the same period a year prior, shipments stood at \$416.79 million.

Software exports dropped by 25 percent to \$28.6 million and computer consultancy services plummeted 45 percent to \$14 million. Earnings from IT-enabled services, however, increased by 4.64 percent to \$361.30 million.

If the current IT export trend persists, the sector might see a drop in shipments for the second year in a row. In 2022-23, overseas sales from the industry fell for the first time in five years.

Industry people said the fact that the country has failed to produce big IT firms is an ominous sign for the government's export diversification efforts. Garment accounts for about 85 percent of Bangladesh's earnings from the external sector.

"The negative growth of software services gives a bad signal," said Fahim Mashroor, a former president of the Bangladesh Association of Software and Information Services (BASIS).

The export fall in July-March came although exporters are benefiting from a higher dollar rate, which has gained by 35 percent against the taka in the past two years. One explanation might be that exporters are not bringing in proceeds since the local currency is expected to weaken further amid the persistently lower level of foreign currency reserves.

"Although Bangladesh's software exports are declining, other countries like Pakistan have been displaying higher growth for the past few years," Mashroor added.

Pakistan's IT exports increased 25 percent year on year to \$2.93 billion in July-May of FY24 although the country is far behind Bangladesh in various economic and social indicators.

Syed Almas Kabir, another former BASIS president, said big changes in global IT outsourcing have contributed to the negative growth in the sector.

He explained the IT services Bangladesh exports require low skills but they are now being replaced by automation and artificial intelligence (AI).

"For example, we used to export large volumes in the 2D graphics and manual data entry segments, both of which can now be handled through robotic automation and AI. These factors have primarily contributed to the downturn in ICT exports," Kabir said.

### Earnings of IT firms dropped 2.33 percent to \$407.07 million in the first nine months of 2023-24

"Global companies now want to outsource high-level tasks. Therefore, unless we can build a workforce capable of handling such tasks, we will continue to lose contracts. Our workforce needs to learn sophisticated tasks such as 3D animation, blockchain, data analysis, and AI.

"Unless these changes are made, exports will continue to decline."

The IT entrepreneur added if broadband is not extended to remote areas and the curriculum is not updated, the export earnings would not receive a boost.

The grim scenario of Bangladesh's IT exports comes despite the government spending thousands of crores of taka on IT infrastructure and skill development projects over the past decade and a half.

Asked if these initiatives have created skilled manpower capable of competing globally, Kabir said: "Unfortunately, not."

He said there are good intentions at the top level of the government to make Bangladesh an ICT powerhouse, but failures have occurred in implementation.

"Suppose 100 youngsters have taken part in a three-month training course in any area of ICT. There should be a third-party audit to assess how much they have learned. But we see no such things."

"Since the government is spending heavily for the ICT sector's development, it is crucial to evaluate if the expenditure is fruitful and being done the right way."

Rashad Kabir, managing director of Dream71 Bangladesh Ltd, a software firm, does not think the export slowdown is unusual.

"It was anticipated about a year ago. The primary cause is the worldwide economic slowdown and an unprecedented level of inflation for a longer period."

Following significant workforce reductions in 2022 and 2023, the tech layoff wave is still going strong in 2024 globally, which indicates that the business growth of technology companies is weak.

Since the main export area for the IT companies of Bangladesh is resource outsourcing, their revenue stream has been impacted.

Local IT companies mainly work with startups because they tend to outsource for cheaper prices. Due to the global economic slowdown, startups are also facing difficulties in raising funds. Consequently, they have stopped upgrading or developing new tech products.

A lack of skilled human resources in the areas of advanced technologies like AI, data science and blockchain is another reason for the decrease in exports.

"The worldwide demand for IT resources has shifted from traditional technologies to advanced technologies," Rashad added.

"But due to various reasons, Bangladesh has not been able to produce enough skilled human resources for modern technologies."

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## Elon Musk's \$56b pay: Tesla, critics clash over how to resolve legal dispute

REUTERS, Wilmington

Tesla and opponents of Elon Musk's compensation clashed on Friday over ways to resolve the legal quagmire that has engulfed the CEO's \$56 billion pay package and billions of dollars in potential legal fees generated by the case.

Tesla said in a court filing that a Delaware judge should recognize a vote by Tesla shareholders in favor of the pay package and reverse her January ruling that voided the compensation.

In response, shareholder attorneys said the vote to ratify Musk's pay has no legal effect and the only way for Tesla to challenge the January ruling is to appeal to the Delaware Supreme Court.

The shareholder attorneys said that before Tesla can appeal, Chancellor Kathaleen McCormick has to determine the legal fee that the company should be ordered to pay them for winning the case.

They had previously asked for 29 million shares of Tesla stock, which is worth more than \$5 billion. But on Friday they said Tesla could as an alternative pay at least \$1.1 billion in cash, which would be justified by the court's precedent, although they described that as "unfairly low."

Tesla and the legal team for Richard Tornetta, the shareholder who sued over the pay package, have been wrestling over the best way to resolve the case and compensate the company's chief executive.

Musk said earlier this year that unless he had a larger stake in Tesla he would prefer to build some products outside the company, creating uncertainty about his future while Tesla is struggling with slower sales and stiffer competition.



PHOTO: REUTERS/FILE

Tesla CEO Elon Musk and his security detail depart the company's local office in Washington.

Tesla's investors voted on June 13 in favor of the package of stock options. Many investors said they felt Musk should be rewarded because the value of the company increased more than 10 times after the pay package was originally agreed in 2018.

Tesla urged the judge to put aside the fee dispute and determine the impact of the shareholder vote, which in turn could drastically reduce the legal fee. It said that it plans to make a motion to reverse the January ruling and that it should now win the case.

The company has argued that by having the pay package reviewed by an independent board member and reapproved by shareholders it fixed McCormick's finding that Musk dominated the pay negotiations and that shareholders lacked key information in the 2018 vote.

Tornetta's legal team has rejected that approach. They argued the board process for proposing a ratification vote was flawed, the law was misused by Tesla and the shareholder vote was coerced by Musk's threats to take potential products from Tesla.

The shareholder lawyers want a decision on their legal fee as the next step in the case.

When the company achieved the last milestone in the pay package, it was worth \$56 billion, according to Tesla. The package is worth around \$48 billion at Friday's share price of \$182.19.

## Cash is leaving China again, pressuring yuan

REUTERS, Shanghai/Singapore

A sliding yuan and extensive outflows of cash from the mainland into Hong Kong show China's domestic investors are shelving expectations for any immediate recovery in their home markets and fleeing to the closest better-yielding assets.

The yuan has dropped to seven-month lows this week, alongside a reversal in equity investment flows into China.

Analysts said Hong Kong's stockpile of yuan deposits has also grown as mainland investors use their limited offshore investment channels to seek higher yields and companies prepare to pay annual dividends, adding to the pressure on the currency.

"Sentiment on China soured over the past month as the market has rallied ahead of improvement in macro data which continues to disappoint," said Gary Tan, a Singapore-based portfolio manager at Allspring Global Investments.

Tan, whose funds are underweight on Chinese stocks, said sentiment had come a long way from a time when mainland markets were considered "uninvestable", however, and he expected that would improve further.

But investor patience has worn thin after months of waiting for authorities to roll out more stimulus, mainly to support a sinking property sector.

The Shanghai benchmark stock index rose 20 percent between early February and mid-May but is down 6 percent since.

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# Beyond Nvidia: the search for AI's next breakthrough

AFP, Toronto

For a few days, AI chip juggernaut Nvidia sat on the throne as the world's biggest company, but behind its staggering success are questions on whether new entrants can stake a claim to the artificial intelligence bonanza.

Nvidia, which makes the processors that are the only option to train generative AI's large language models, is now Big Tech's newest member and its stock market takeoff has lifted the whole sector.

Even tech's second rung on Wall Street has ridden on Nvidia's coattails with Oracle, Broadcom, HP and a spate of others seeing their stock valuations surge, despite sometimes shaky earnings.

Amid the champagne popping, startups seeking the attention of Silicon Valley venture capitalists are being asked to innovate – but without a clear indication of where the next chapter of AI will be written.

When it comes to generative AI, doubts persist on what exactly will be left for companies that are not existing model makers, a field dominated by Microsoft-backed OpenAI, Google and Anthropic.

Most agree that competing with them head-on could be a fool's errand.

"I don't think that there's a great

opportunity to start a foundational AI company at this point in time," said Mike Myer, founder and CEO of tech firm Quik, at the Collision technology conference in Toronto.

Some have tried to build applications

that use or mimic the powers of the existing big models, but this is being slapped down by Silicon Valley's biggest players.

"What I find disturbing is that people are not differentiating between those



The Nvidia GB200 NVL72, a computer with powerful hardware in a single rack, is on display during Computex 2024 in Taipei. Nvidia's processors are the only option to train generative AI's large language models.

PHOTO: AFP/FILE

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