ICB wins appreciation in APA evaluation

STAR BUSINESS DESK

The Investment Corporation of Bangladesh (ICB) was awarded for securing third position among the non-bank financial institutions in the evaluation of the Annual Performance Agreement (APA) for the fiscal year 2022-2023.

Md Abdur Rahman Khan, secretary of the Financial Institutions Division (FID) of the ministry of finance, handed over the appreciation certificate to Md Abul Hossain, managing director of the ICB, at the FID conference room in Dhaka recently, according to a press release.

Later, Abdur Rahman and Abul Hossain signed the APA for FY25.

Among others, Md Azimuddin Biswas, joint secretary of the FID, and senior officials of FID and ICB were also present.

Fish traps made from bamboo being taken to markets for sale at Tk 300 to Tk 500 per pair depending on the size. The photo was taken at Andakul village in Pirojpur's Swarupkathi upazila recently.

PHOTO: TITU DAS

High inflation, NPLs disrupting post-pandemic recovery: ICCB

STAR BUSINESS REPORT

The economy of Bangladesh has rebounded from the Covid-19 pandemic, but high inflation, a balance of payments deficit, financial sector vulnerabilities, and global economic uncertainty continue to hamper recovery, said Mahbubur Rahman, president of the International Chamber of Commerce Bangladesh (ICCB).

He cited the World Bank's biannual update, which also forecasts Bangladesh's real gross domestic product (GDP) growth to remain subdued at 5.6 percent in the FY24, a decline from the 6.6 percent average annual growth rate in the decade before the pandemic.

He made the remarks at the ICCB's 29th annual council in Dhaka yesterday, according to a press release.

Rahman said that the economic crisis has been exacerbated by the Russia-Ukraine war, which began in February 2022 and led to escalated global commodity prices.

The war also caused the depletion of foreign currency reserves due to higher import bills, forcing the Bangladesh Bank to impose import restrictions.

In its biannual update, the World Bank said Bangladesh's economy has rebounded from the pandemic, but high inflation, a balance of payments deficit, financial sector vulnerabilities, and global economic uncertainties continue to hamper recovery.

ICCB believes the economic indicators suggested a positive outlook for 2024, adding that diversifying the economy, investing in physical and digital infrastructure, and focusing on human capital development are crucial

Bangladesh currently faces several key challenges in its quest to become a middle-income country by 2026, including designing policies to boost trade competitiveness, broadening participation in free trade agreements, and creating an efficient resolution framework for non-performing loans to maintain financial stability and revive private sector credit, members of the ICCB executive board mentioned during the council meeting.

They also said urgent monetary reforms and a single exchange rate regime are essential to improving foreign exchange reserves and curbing inflation.

Bangladesh must focus on governance, legal predictability, and a stable legal environment to attract foreign investment and ensure sustained growth, it added.

Despite macroeconomic challenges, ICCB believed the economic indicators suggested a positive outlook for 2024, adding that diversifying the economy, investing in physical and digital infrastructure, and focusing on human capital development are crucial.

With the right strategies, Bangladesh can become a prominent player in Asia. The resilience of the people, along with a committed government, positions the country for positive outcomes, said ICCB.

Navigating external economic policies amid a complex global order will be challenging for Bangladesh in cases such as maintaining balanced economic relations with countries like China and the US.

The board highlighted that geopolitical tensions pose significant risks to the global economy. Wars in Eastern Europe and the Middle East threaten the world's food and energy supply. An escalation in the Middle East could disrupt energy markets, with the region accounting for nearly 30 percent of global oil production.

The council approved the audited accounts for 2023 and appointed an auditor for 2024. It also announced the new executive board of ICCB for a two-year term from April 2024.

Among others, Gwyn Lewis, UN resident coordinator, Edimon Ginting, country director of the Asian Development Bank, and Farook Doomun, acting in-charge of UNICEF Bangladesh, were also present at the council meeting.

16 non-life insurers fined Tk 83 lakh for irregularities

SUKANTA HALDER

The insurance regulator has fined 16 non-life insurance companies over Tk 83 lakh for various types of irregularities and insurance law violations.

Three companies were fined in multiple categories.

Of them all, eight were fined Tk 33.51 lakh for appointing dummy development officers and agents while seven companies Tk 30 lakh for excessive management spending, according to the documents of the Insurance Development and Regulatory Authority (IDRA).

The rest four have been slapped with a total fine of Tk 20 lakh for violating the rules of mandatory investment in government securities.

Eight were fined Tk 33.51 lakh for appointing dummy development officers and agents while seven companies Tk 30 lakh for excessive management spending

The first eight were fined for the appointment of fake agents, under a special audit conducted in a period between 2019 to 2021, Zahangir Alam, spokesperson of IDRA, told The Daily Star.

The rest 11 were fined under an inspection conducted by the investment and management expenditure monitoring department of the IDRA, he added. The IDRA shared the information on its website on June 13.

All but one have paid the fines. Bangladesh Co-operative Insurance has sought for additional time to pay the fine of Tk 5 lakh, which was slapped on it for excessive spending on management.

Express Insurance Ltd was fined the highest, Tk 11 lakh in total, for two separate reasons and Asia Insurance was fined the lowest of Tk 50,000.

At present, there are 36 life and 46 non-life insurance companies in Bangladesh.

STOCKS (WEEK-ON WEEK)

DSEX ▲	CASPI ▲
2.12% 5,355.41	2.04% 15,088.59

COMMODITIES (AS OF FRIDAY)

Gold ▼	Oil ▼
$2,326.73 (per ounce)	$81.47 (per barrel)

ASIAN MARKETS (FRIDAY CLOSINGS)

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.27% 79,032.73	▼ 0.61% 39,583.08	▼ 0.32% 3,332.80	▼ 0.73% 2,967.40

UK economic recovery improves as election looms

AFP, *London*

The UK economy's recovery from recession was stronger than previously thought in the first quarter, official data showed Friday, partly lifting embattled Prime Minister Rishi Sunak before next week's election.

Gross domestic product expanded by 0.7 percent in the first three months of this year, the Office for National Statistics (ONS) said in a statement, upgrading the prior estimate of 0.6-percent expansion and beating market expectations for no change.

The surprise news comes as Sunak's Conservatives are trailing far behind the main opposition Labour party, led by Keir Starmer, ahead of nationwide polls next Thursday.

Britons will vote on July 4 in an election widely expected to be won by main opposition Labour, a victory that would end 14 years of rule by the Conservatives, who have been led by Sunak since 2022.

The UK economy had contracted slightly for two quarters in a row in the second half of 2023, meeting the technical definition of a recession on elevated inflation that prolonged a cost-of-living crisis.

"This is certainly good news for whoever will be the Prime Minister this time next week, although it could also contribute to the Bank of England cutting interest rates a bit slower than otherwise," noted Paul Dales, chief UK economist at research consultancy Capital Economics.

The ONS had already revealed earlier this month that the economy stagnated in April with zero growth, dented by wet weather which weighed on construction firms and retailers.

"More timelier GDP data from April suggests that the UK economy may have slipped up again," warned XTB research director Kathleen Brooks.

Richard Flax, chief investment officer at European digital wealth manager Moneyfarm, meanwhile cautioned that Britain's economic recovery would be modest.

"While the UK does not appear poised to re-enter recession, these figures hardly endorse Sunak's claim that the economy has turned a corner," said Flax.

"It's important to note that the recovery is likely to be modest... Interest rates remaining at elevated levels will continue to put pressure on household and company spending."

The BoE last week held its key interest rate at a 16-year high of 5.25 percent despite UK inflation returning to its two percent target.

Until now, it had been forecast to cut borrowing costs at its next monetary policy gathering on August 1.

Inflation in Britain has slowed sharply in recent months to strike a near three-year low, recent data showed.

The Consumer Prices Index decelerated to 2.0 percent in May from 2.3 percent in April.

UK inflation last stood at the BoE's 2.0-percent target in July 2021, before rocketing higher in a cost-of-living crisis fuelled largely by soaring energy and food bills.

Prices are nevertheless still rising on top of sharp increases seen in recent years.

Highest income tax rate stays unchanged

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were brought in from Japan. Brands included Toyota Land Cruisers, Range Rovers, and Mitsubishi Pajero.

The finance minister also backtracked on his decision to impose an environmental surcharge on the vehicles owned by government authorities, departments and private companies. The surcharge on the second vehicle has been retained.

According to the Finance Act, trusts will have to pay a 15 percent capital gains tax similar to companies. Previously, trusts were excluded.

The capital gains up to Tk 50 lakh in the share market will continue to qualify for the tax exemption.

For individual investors, the gains tax would be 15 percent if they hold securities for at least five years. If they make the sales in less than five years, the capital gains will be considered as other incomes, and the regular income tax rate will be applicable.

The government has eased the rules on showing proof of submission of returns linked to renting community and convention centres for weddings and other events.

Under the new provision, proof of income tax filing will be required only for using such venues in eight city corporations.

Speaking in parliament, Abul Hassan Mahmood Ali said inflation would come down to 6.5 percent in the next fiscal year thanks to steps and strategies initiated by the government.

He also said the budget for FY25 has been framed to strike a balance between attaining economic stability and retaining the growth trend, the goals that apparently contradict each other.

The finance minister is hopeful that the country will return to a higher growth trajectory soon.

Too much reliance

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Given the size of Bangladesh's population of 170 million, the current annual export earnings of $55 billion is small compared to that of most countries of comparable size.

The 91 million people-strong Vietnam economy, for instance, makes exports of more than $360 billion.

Indonesia, with a population of 218 million, attained $240 billion in exports. Thailand has a population of 72 million and its export earnings stand at around $323 billion.

Much smaller countries in Southeast Asia, such as Malaysia and Singapore, are also extremely successful exporters.

Products which make up notable portions of Bangladesh total exports are knitwear garments (44.6 percent), woven garments (37.2 percent), home textile (3.3 percent), footwear (2.3 percent), jute products (1.9 percent), and fish (1 percent).

Taken together, the top 20 products account for up to 80 percent of Bangladesh's total exports or more, compared with 37 percent to 59 percent for countries like China, India, Malaysia and Vietnam respectively.

However, the top 100 exports of Bangladesh make up more than 90 percent of its total exports, as against 69 percent for China, 73 percent for India and 84 percent for both Malaysia and Vietnam.

The dominance of garments in the top 100 indicates a very high degree of export concentration, even within the clothing export sector, the study also said.

Recent estimates indicate that Bangladesh has been unable to fully capitalise on its export potential, despite its geographic proximity to India and China, the world's two-largest economies.

Bangladesh's exports to India are around $6 billion below the projected level while exports to China fall short by around $2 billion.

Moreover, Bangladesh also exports significantly less than projected to other South Asian countries and to Southeast Asia.

The collective gap in exports to South Asian countries amounts to around $7 billion while to Southeast Asia $1.6 billion.

Hence, there exists untapped export potential of around 25 percent of Bangladesh's total exports to these regions.

Bangladesh also suffers from a lack of export market diversification. More than four-fifths of its exports are destined for North American and European Union markets.

Since 2000, however, the share of the top 15 markets in the country's total exports has declined from close to 90 percent to just above 82 percent.

FY24: one of the gloomiest

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fiscal year, import growth stood at 15.54 percent in the negative.

Meanwhile, exports only grew by 2.01 percent during the July-May period. Export growth was at 7.11 percent during the same period of the prior fiscal year.

Exports and remittance earnings are the two major sources of forex inflow.

While remittance inflow rose 10.10 percent in the July-May period of this fiscal year, the inflow fell short of the expected level when compared to manpower exports.

The gap between the official and unofficial exchange rates was also a big reason for slower remittance inflow.

However, the BB recently brought flexibility to the exchange rate by introducing a crawling peg system.

Throughout FY24, the financial account stayed in the negative, standing at $9.25 billion during the July-March period of this fiscal year, showed the BB data.

While remittance inflow rose 10.10 percent in the July-May period of this fiscal year, the inflow fell short of the expected level when compared to manpower exports.

Private sector credit growth hovered around the 9 percent mark in FY24, which indicates lacklustre private investment scenario in the country.

The record amount of bad loans, which climbed to Tk 182,000 crore at the end of March of this year, or 11.11 percent of total disbursed loans, highly stressed assets in the banking sector and weak banks were major points of discussion over the fiscal year.

The central bank's hasty bank merger initiatives and continuation of its financial support for some weak Shariah-based banks drew heavy criticism, with both being blamed for fuelling inflation.

Besides, external factors like supply chain disruptions caused commodity prices to rise globally.

Mismanagement in Bangladesh's forex market, frequent policy changes by the central bank and a lack of good governance in the financial sector gave a bleak outlook of the country's economy.