

## Sri Lanka's inflation doubles to 1.7% in June

AFP, Colombo

Crisis-hit Sri Lanka's annual inflation almost doubled to 1.7 percent in June, up from 0.9 percent the previous month, as food prices began rising again, official data showed Saturday.

The Census and Statistics department data came days after Sri Lanka secured a deal with its bilateral creditors to restructure \$10 billion in debt, a key condition to maintain an IMF bailout programme.

Food inflation returned, with prices rising 1.04 percent in the year to June, having been flat a month earlier, the department said.

At the height of Sri Lanka's economic crisis when it defaulted on its foreign debt in 2022, inflation had risen to nearly 70 percent.

The Central Bank of Sri Lanka expressed hope on Saturday that it would be able to maintain overall inflation below 5 percent for 2024.

The country is due to hold a presidential election this year, and opposition parties have vowed to renegotiate the terms of the IMF bailout, which has led to painful austerity measures.

## Gold shines on rate-cut hopes

REUTERS

Gold prices steadied on Friday and were headed for a third straight quarterly gain after a key US inflation report was broadly in line with expectations, boosting hopes that the Federal Reserve could cut interest rates by September.

Spot gold was steady at \$2,326.47 per ounce, as of 1833 GMT. Prices have gained over 4 percent for the quarter.

US gold futures settled 0.1 percent higher at \$2,339.6.

"We are continuing on trend in a very incremental slow pullback of inflation. As a result, we've seen yields continue to creep lower, bonds creep higher and that is somewhat supportive for the gold market," said David Meger, director of alternative investments and trading at High Ridge Futures.

Gold was also supported by a decline in the US Treasury yields, which makes the non-yielding bullion more attractive for investors.

## IMF downgrades US economic forecast for 2024

AFP, Washington

The IMF said Thursday it expects the US economy to grow a bit more slowly than previously forecast, while praising the way it has remained "robust, dynamic, and adaptable to changing global conditions."

The US economy "has been remarkably strong," IMF managing director Kristalina Georgieva told reporters during a press conference at the Fund's headquarters in Washington on Thursday.

She added that the United States is the only economy out of the G20 group of nations whose economic output now exceeds its pre-pandemic level, pointing to stronger-than-expected employment growth, and a disinflation process that has been "less costly than most feared."

The world's largest economy is now expected to grow 2.6 percent this year, down 0.1 percentage point from the IMF's previous forecast in April.

"The US economy has proven itself to be robust, dynamic, and adaptable to changing global conditions," the IMF said in a statement accompanying its updated economic forecasts, adding that activity and employment "continue to exceed expectations."

"Nonetheless, the fiscal deficit is too large, creating a sustained upward trajectory for the public debt-GDP ratio," it added, while warning about the impact of the "ongoing expansion of trade restrictions."


The IMF said it expects the Federal Reserve to hit its inflation target by mid-2025, slightly ahead of the median forecast from the US central bank's rate-setting committee.

### AT A GLANCE

- Bay Terminal project comprises construction of four terminals on around 2,500 acres of land west to Ctg port on the coast of Bay of Bengal
- Of them, two are container terminals, one multi-purpose terminal and one oil and gas terminal
- Currently ships with 10-metre draft and 200-metre length can berth at existing jetties of Ctg port
- Bay Terminal will be capable to accommodate ships of 12-metre draft and 280-metre length

### INVESTMENT OFFERS

- UAE-based AD Ports Group offers to invest \$1 billion to construct and equip the multi-purpose terminal, signed MoU with CPA on May 16
- Both PSA Singapore and Dubai-based DP World promised to invest \$1.5 billion each for the Bay Container Terminal 1 and 2
- Local firm East Coast Holdings proposed to invest \$3.5 billion jointly with a few global firms to build an oil and gas terminal under the project



The site of the Bay Terminal, which will have a length of 6.15 kilometres, stretching from the backside of Chattogram Export Processing Zone to Rasmonighat at the Halishahar coast of the Bay of Bengal. PHOTO: COLLECTED

## Sri Lanka: Policy prescriptions worked right

MAMUN RASHID

When I visited Colombo last April, the airport was humming with a lot of tourists. My experience at the immigration was very good while foreign exchange booths were showing a much more stable exchange rate. Afterwards my interactions with a few entrepreneurs revealed a revival of industrial production and exports too.

What is more heartening is that the country last Wednesday officially announced the conclusion of its debt restructuring exercise with almost all official creditors. A significant comeback from the brink of rupture.

This is no doubt an amazing revival story for a country which just two years ago saw extreme fuel rationing, many hours of power cuts and mass agitation to oust an elected president.

If we take stock of what brought them here, it will revalidate their efforts:

**Decisive and dynamic monetary policy:** It raised policy rates significantly (interest rates were at 30 percent at one point) and floated the currency (the Sri Lankan rupee depreciated from LKR 200 to LKR 370 against the US dollar) before gradually reducing rates as inflation eased.

**Market pricing of energy aimed at dampening demand:** It raised electricity prices to reflect cost and market price of fuel, gas and other imported commodities. No subsidies were given from the government.

**Prudent fiscal policy:** A steep rise in tax rates has increased government revenue to GDP to more than 10 percent, well on its way to 15 percent, with a rebound in growth kicking in.

**Confidence focused legislation:** The central bank's independence, fiscal management, energy sector reform, banking sector reform and domestic debt restructuring also played an important role.

These were all bitter pills to swallow for the policymakers and, more importantly, for the country's citizens. But the outcomes were very good.

Inflation was down to 0.9 percent in May 2024 from a high of 70 percent in September 2022.

The currency has appreciated approximately 20 percent from a low of LKR 370 to LKR 305 against the US dollar.

The interest rates (both of bank lending and treasury bills) are now single-digit rates. The economy bounced back to 5.3 percent in the first quarter of 2024 from a few quarters of negative growth. The stock market went up around 80 percent.

When the governor of the Central Bank of Sri Lanka visited Bangladesh a few months back, he accepted that there is still a long way to go and more reforms are needed. He also made it clear that monetary policy and fiscal policy are all it takes to run an economy. You can either run a country to the ground or towards a growth trajectory.

And for this revival my friends in Colombo would want to give a standing ovation to the teams at the various ministries and the central bank who have taken the road less travelled to fast bring the country back from the brink of a crisis.

I wish we could one day say the same for our country and the policymakers. Led by a dispassionate diagnosis of the problems, acceptance of policy prescriptions and implementation with precision.

I have been visiting Sri Lanka quite frequently since 2000 and have many friends as well as interests there. I don't think our friends and citizens of Sri Lanka got the deserving deals from their politicians and even policymakers. They simply were in the soup for almost two years. However, they have redefined the definition of austerity, cost optimisation, cutdowns and crisis management. Moreover, some of their policymakers, common people and civil society members rose to the occasion and brought the country to where it is today.

When I joined Citibank in 2001, my regional head, Mr. Nanoo Pamnani, said that Sri Lanka had all the potentials to become the next Singapore, but political crisis and social cracks didn't favour the island state to exploit its potentials.

I hope Sri Lanka never has to go through any more political crisis and, more importantly, policy paralysis.

The author is an economic analyst.

# World Bank approves \$650m to help develop Bay Terminal

DWAIPAYAN BARUA, Ctg

The Bay Terminal, the biggest expansion project in the Chattogram port's history, made major progress as the World Bank's board of executive directors approved a \$650 million loan on Friday to finance the dredging of the access channel and construction of the breakwater.

Once implemented, the terminal alone will be able to handle around 5 million TEUs of containers. The current port facilities have been handling 3.2 million TEUs in recent years.

The completion of the Bay Terminal would significantly improve Bangladesh's global trade competitiveness and reduce import and export costs by increasing port operational efficiency and mobilising private investment, according to a press release issued by the international lender.

The World Bank earlier promised to finance the Bay Terminal Marine Infrastructure Development Project, under which a 6 km climate-resilient breakwater would be constructed to protect the harbour from the force of waves.

According to the release, dredging of the port basin, entrance, and access channels will also be carried out under the project.

Chittagong Port Authority (CPA) Chairman Rear Admiral Mohammad Sohail told The Daily Star that the World Bank's approval is a big milestone for the mega project since the dredging of the deep-draft channel is a prerequisite for the terminals.

He said around 1,600 acres of land would be reclaimed for constructing four terminals through the dredging process.

The drawings and designs for the channel

dredging and breakwater construction have been completed while a DPP has already been sent to Planning Ministry for approval, Sohail said, adding they would go for tender in August after getting the nod.

He hoped the dredging of the access channel would begin in October this year.

The government has planned to develop two container terminals, a multipurpose terminal and an oil and gas terminal under the Bay Terminal.

The new, modern Bay Terminal, to be operated by leading international terminal operators, will accommodate larger vessels, such as panamax vessels, and substantially decrease vessel turnaround time, potentially saving the economy about \$1 million daily, the World Bank hoped.

Currently, the Chattogram Port, the gateway for over 90 percent of Bangladesh's international trade volume and 98 percent of its container traffic, can only receive small feeder vessels during the limited hours of the day.

"Bangladesh's international trade heavily relies on Chittagong Port, which faces significant capacity constraints," said Abdoulaye Seck, country director for Bangladesh and Bhutan at the World Bank.

"The Bay Terminal will be a game-changer. It will improve Bangladesh's export competitiveness through enhanced port capacity and reduced transportation cost and time and opening new opportunities to key global markets."

Moreover, the project will mobilise private investment for the development of container terminals.

The World Bank investment, along with government funding, will bolster investors'

confidence and contribute to mitigating risks associated with the overall development of the Bay Terminal.

Furthermore, the World Bank Group's private-sector arm -- the International Finance Corporation (IFC) -- is considering investing in one of the proposed private sector-led terminals, according to the release.

"The Bay Terminal will contribute to modernising the country's seaport infrastructure and improving its connectivity to regional and international markets," said Hua Tan, senior transport specialist and team leader for the project at the World Bank.

In fiscal year 2023-24, the World Bank committed a record \$3.4 billion in support to Bangladesh, including this project.

Once the project is completed, the port's capacity will be enhanced six-fold by accommodating larger vessels round the clock.

At present, vessels carrying up to 1,800-2,000 containers can berth at the port's existing jetties.

After dredging the channel, which will have a 12-14-metre draft and breakwater facility, vessels with a capacity of 5,000-6,000 containers can navigate to the Bay Terminal 24 hours a day and will no longer need to wait for high tide or daylight to enter or depart.

The terminal is being constructed on around 2,500 acres of land. It will have a length of 6.15 kilometres, stretching from the backside of the Chattogram Export Processing Zone to Rasmoni Ghat at the Halishahar coast of the Bay of Bengal.

CPA chairman Sohail expects the Bay Terminal to draw over \$8 billion in foreign direct investments (FDI).

# Indians battle intense heat with 'mad rush' for ACs, beer

REUTERS, Bengaluru

Demand for beer in India is at a multi-year high and air conditioner sales are skyrocketing as the intense, unprecedented heat scorching parts of the country becomes a boon for some consumer businesses.

Temperatures in the Indian capital Delhi and the western state of Rajasthan soared to almost 50 degrees Celsius in recent weeks, with scientists saying the hot summer has become even more intense due to human-driven climate change. While rains lashed Delhi on Friday, many northern areas such as Punjab recorded temperatures above 40 C on Thursday.

Beer sales volume are expected to jump 10 percent this summer and demand is at its highest since the onset of the Covid-19 pandemic, said Vinod Giri of Brewers' Association of India which represents leading beer makers Carlsberg, Anheuser-Busch InBev and United Breweries.

Beer in this scorching heat, Giri said, makes Indians "feel better without getting too high on alcohol."

The heat has also driven power demand to a record peak as more people seek ways to cool down.

B. Thiagarajan, managing director at ACs-to-air purifier maker Blue Star, said he has not witnessed such strong sales for air conditioners in the more than 30 years he has worked in the industry.

It's been a "mad rush ... anything called air conditioner would have got sold," he said.

The number of affluent people in India is rising rapidly, and Thiagarajan said

overall air conditioner sales will grow 50 percent in the April-June summer months, outstripping the industry's expected demand increase of 25 percent to 30 percent.

Other businesses are also enjoying a strong summer.

Quick delivery service Swiggy Instamart said it is seeing a sharp rise in orders for ice cream and cold beverages.

Walmart-owned Indian e-commerce website Flipkart said demand for top-end sunscreen products jumped 40 percent between February-May 2024 versus the previous year, with products such as sunscreen sticks proving particularly popular.

"Heatwaves made me use sunscreens very frequently, like, 3 to 4 times a day," said S. Dinesh, 27, whose job demands him to stay out in the sun during the day.

But even as the heat pushes up demand for some online products, it is causing logistical challenges as more delivery workers fall ill due to the high temperatures, said Ajay Rao, CEO of Emiza, a logistics company which counts Flipkart and Mamaearth among its customers.

"People are not able to actually cope with the outside temperatures," he said.



A worker carries an air cooler for delivery to a customer during the heat wave in Ahmedabad, India. The heat has driven power demand to a record peak as more people seek ways to cool down.

PHOTO: REUTERS/FILE