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Star BUSINESS

Despite talks of a hike in interest rates, there is still scope to keep lending rates at a low level, said Md Afzal Karim, managing director of Sonali Bank.

Interview on B4

Foreign debt servicing surged 26% in FY24

Rising global interest rates, expanded loan portfolio contributed to the hike

REJAUL KARIM BYRON and AM JAHID

Bangladesh's foreign debt servicing surged 25.73 percent in financial year (FY) 2023-24 compared to the year prior, owing to rising global interest rates and an expanded foreign loan portfolio.

According to finance ministry data, interest payments on external borrowing alone soared 44 percent in the 12 months from July 2023 to June 2024.

Total foreign debt servicing, including repayment of the principal amount as well as interest, rose to $3.35 billion in financial year 2023-24 from $2.67 billion in 2022-23.

Interest payments alone accounted for $1.35 billion, which is more than a third of the total amount. It stood at $935.66 million in FY23. The repayment of principal amount rose to $2 billion from $1.73 billion.

Interest payments will continue to rise gradually in the coming years, the finance ministry said in a report, titled Medium-Term Macroeconomic Policy Statement.

The proportion of external interest payments as a percentage of the national budget will rise to 2.6 percent in FY27 from 0.9 percent in FY22, reflecting the growing impact of external debt on the budget, according to the report.

It also said two major factors contributed to the increase in interest payments for foreign loans.

One factor is that the reference rates in advanced economies are expected to stay high. A reference rate is an interest rate benchmark that is used to set other interest rates. The Fed Funds Rate, the Secured Overnight Financing Rate, and the prime rate are among the most common reference rates.

The other is that Bangladesh's graduation from the category of least developed countries in 2026 will gradually narrow the window to obtain concessional loans from external sources, according to the report. So, the pressure is higher now.

The report added that the implicit interest rate on external borrowing exhibited a gradual increase from 1 percent in FY21 to 2.6 percent in FY27.

"This increase is attributed to a higher proportion of borrowing through floating and semi-concessional rates, which are more sensitive to market fluctuations compared to fixed-rate financing."

It also mentioned that the depreciation of the taka against the US dollar has elevated the value of external debt when measured in terms of local currency.

According to finance ministry data, in terms of the local currency, foreign debt servicing rose nearly 40 percent, reaching Tk 37,307 crore in FY24 from Tk 26,772 crore in FY23.

This highlights the influence of currency fluctuations on the debt portfolio and the importance of managing external debt exposure in the face of exchange rate volatility.

Referring to the gradual increase in foreign loan repayments, the report said that managing these debt service obligations is essential for ensuring financial stability and preventing liquidity crises.

"The impact of currency depreciation on external debt levels underscores the need for careful monitoring and management of external debt risks to maintain economic stability and resilience," the report said.

It also stated that, despite the increasing amount of external debt repayment, it is expected to remain within tolerable limits, supported by the government's efforts to diversify funding sources and build up foreign exchange reserves.

Besides, the total volume of loans has increased thanks to the mega projects, including the Rooppur Nuclear Power Plant in Ishwardi upazila of Pabna, which involves foreign loans amounting nearly $12 billion.

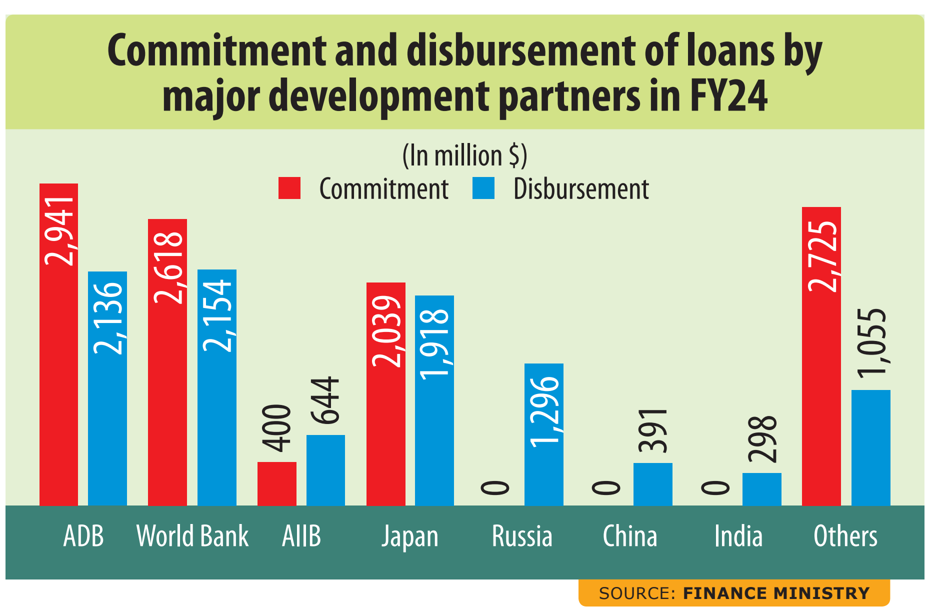
Decades ago, the government would utilise foreign loans amounting to about $3 billion annually, but now it utilises around $10 billion.

As of March 2024, Bangladesh's total foreign debt stood nearly at $68 billion, according to Bangladesh Bank statistics.

Meanwhile, loan disbursement by global lenders and multilateral partners rose 7 percent to $9.86 billion in FY24 from $9.21 billion in FY23.

Between July 2023 and June 2024, the highest amount of loans disbursed were by the World Bank, amounting to $2.15 billion, and the Asian Development Bank (ADB), which provided $2.14 billion.

Among multilateral partners, Japan disbursed the highest amount of loans, lending $1.92 billion, followed by Russia's $1.3 billion.



Streets around the capital of Dhaka wore a devastated look over the past week, with a spate of violence breaking out centring the quota reform movement, which significantly impeded economic activities and led to huge losses. PHOTO: STAR

The cost of crisis. Who will bear it?

AHSAN HABIB

Violence comes with a hefty price tag for the economy. Beyond the immediate death toll mostly in police shootings, the convulsion of violence that gripped Bangladesh in the middle of this month has left a debilitating impact on the economy.

The impact of violence amounts to direct and indirect costs as it disrupts economic activity, increases instability and erodes human productivity.

In Bangladesh, crushing quota protests and subsequent violence were met with a sudden curfew and a crippling internet shutdown.

During the spell of unrest, many lost their lives and many others became disabled while public assets were vandalised or went up in flames in arson attacks.

While the curfew stemmed the tide of violence, it came as another shock to the already fragile economy.

People have been unable to get access to their bank accounts or pre-pay their gas and electricity bills due to the internet outage.

Panic buying has been reported in Dhaka and other major cities, with supermarkets and other stores running low on essential goods.

Many businesses were simply unable to operate, from food delivery services and e-commerce to the nascent outsourcing sector. It also remains to be seen how the internet disruption has affected Bangladesh's garment sector, which accounts for about 85 percent of the country's exports.

Details of the economic damage are still emerging. Export orders may be diverted and inward remittances may slow.

"Some insiders worry that instability will see the country lose orders to competitors elsewhere in the region. The impact of the protests will place further stress on an economy that was already ailing," Pierre Prakash, programme director for Asia at the International Crisis Group, said in a report on July 25.

The Foreign Investors' Chamber of Commerce and Industry estimated that the economic cost of seven days climbed to $10 billion.

The burden of human and economic toll is becoming heavier. But who will bear the cost?

The families of the dead will fend for themselves. Those who were disabled in the mayhem will suffer for the rest of their lives.

To mend the public assets, the government will use taxpayers' money, which means a massive financial haemorrhage at a time when Bangladesh needs to avoid waste.

The government, hamstrung by the economic crisis, will have to pause development projects, which will take a huge toll on the economy in the future.

Md Shafiqul Islam, the owner of a printing shop, said he has to pay his workers regardless of losses. The man had to close his factory for about six days as violence convulsed the country.

As the protests turned deadly, the poor paid the price by spending more to buy essentials.

Consumers were already struggling due to a rising trend of inflation for two years.

All costs of the man-made crisis will be passed down to ordinary people, especially the poor and marginalised groups, said Mustafa K Mujeri, a noted economist.

Historically, these groups are the worst sufferers of any crisis due to their limited coping capacity, said Mujeri, executive director of the Institute for Inclusive Finance and Development.

"So, the burden of the crisis is hitting them harshly," Mujeri said.

The internet blackout also affected the encashment of inward remittances through banks and mobile financial services, which may put a strain on the country's foreign exchange reserves.

The IT sector is slowly returning to normal after the resumption of the internet, but it is still facing slow internet speeds.

Restaurant owners are staring at mounting losses as they were already struggling to stay afloat after the devastating Bailey Road fire, said Bipu Chowdhury, joint organising secretary of the Bangladesh Restaurant Owners Association.

READ MORE ON B3

NBR misses revenue target for 12th year

MD ASADUZ ZAMAN

The National Board of Revenue (NBR) has fallen short of its revenue collection target for the 12th consecutive year, with experts opining that the existing framework for tax collection is inadequate.

The tax authority logged overall receipts of Tk 382,562 crore in fiscal year 2023-24, falling short of its revised target by Tk 27,438 crore.

The government initially aimed to collect taxes of Tk 430,000 crore in FY24, but ultimately slashed the target by Tk 20,000 crore.

As per provisional data, the NBR failed to achieve its tax collection target despite registering 15 percent growth in collections in FY24 against growth of 10 percent in FY23.

The news comes a month after the government announced the national budget for FY25, which tasked the NBR with collecting Tk 480,000 crore.

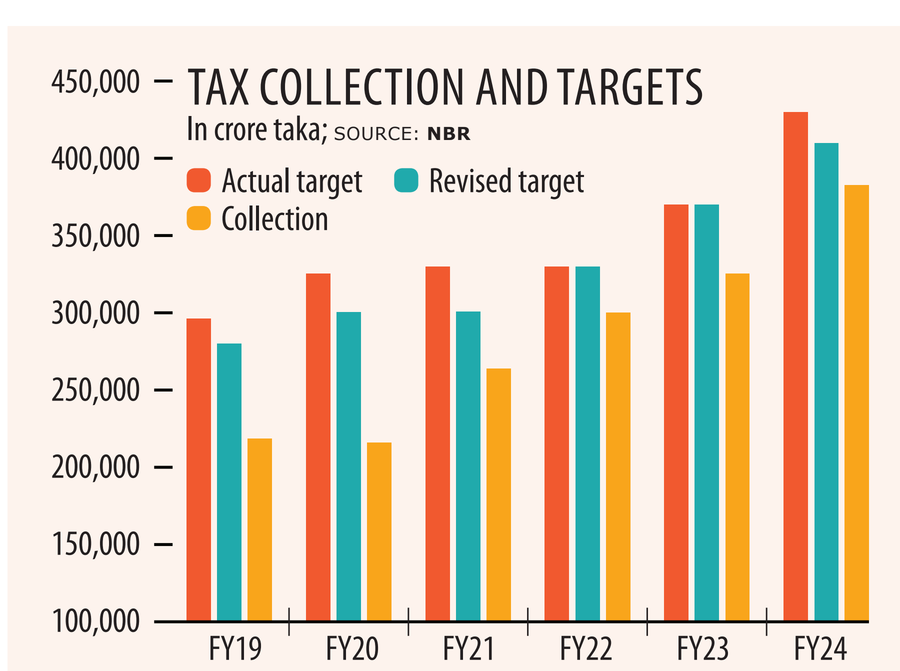
The new goal is overly ambitious considering that it is 25 percent higher than what was actually collected last fiscal year.

It is also 17 percent higher than the previous target. The annual growth in tax collection has been hovering at around 11 percent on average for the past five years.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, said the revenue collection target for FY25 cannot be achieved within the existing framework.

"If the government does not reform its tax administration, revenue mobilisation will not reach the expected level," he added.

Mansur added that the NBR requires policy and administrative reforms as well as full automation of its services.



The tax to GDP ratio in Bangladesh remains among the lowest in the world, reaching an estimated 7.38 percent in FY23.

"This situation has come about as our tax administration is weak and corrupt," Mansur said.

In this regard, Mansur pointed to Matiur Rahman, president of the NBR's Customs, Excise and VAT Appellate Tribunal, who was transferred to the finance ministry's Internal Resources Division following a recent controversy over his wealth.

Matiur came under the scanner over allegedly amassing crores of taka despite having a basic monthly salary of Tk 78,000.

"Like Matiur, there are many other NBR officials. They are continuing their wrongdoings. But they are not revealed at all," he added.

Echoing Mansur, Towfiqul Islam Khan, a senior research fellow at the Centre for Policy Dialogue, said it was clear from the start of last fiscal year that the revenue collection target would be missed.

"It was more than ambitious," he added.

Khan also said the government has been setting its revenue collection target over the past 10 to 15 years without considering the reality of the country's situation.

Additionally, frequent failures to meet the revenue collection target spoil the credibility of the fiscal framework.

He suggested the tax authority focus on curbing tax evasion and ensuring good governance and accountability to eliminate corruption.

The tax receipts in FY24 also fell short of the Tk 394,530 crore target set by the International Monetary Fund (IMF) as a part of a $4.7 billion loan.

READ MORE ON B3

Govt to waive port demurrage for RMG raw materials

STAFF CORRESPONDENT, *Ctg*

The shipping ministry yesterday announced that it would waive demurrage charges for imported containers carrying accessories and raw materials for the readymade garment sector which could not be delivered from the Chattogram port as operational activities were hampered for the past seven days.

Violence centring the quota reform movement, the government's imposition of a nationwide curfew, and a five-day internet blackout prevented the goods from being delivered on time from the country's premier seaport.

A press release issued by the shipping ministry's Senior Information Officer Md Jahangir Alam provided the update, but it did not specify a timeframe.

State Minister for Shipping Khalid Mahmud Chowdhury announced the decision at a meeting with a delegation of Bangladesh Garment Manufacturers and Exporters Association (BGMEA) at his office in Dhaka yesterday, the release said.

BGMEA President SM Mannan led the delegation.

During a visit to the port on July 25, the state minister assured the media that the government would waive demurrage charges for delayed delivery of imported containers.

Addressing the meeting with the BGMEA yesterday, the state minister said the port remained operational despite the turmoil of the past week.

But due to the internet blackout, which affected the functioning of the port and customs authority, garment exporters failed to take timely delivery

READ MORE ON B3

Oil falls 1.5%

REUTERS, *Houston*

Oil futures fell about 1.5 percent on Friday, finishing the week lower on declining Chinese demand and hopes of a Gaza ceasefire agreement that could ease Middle East tensions and accompanying supply concerns.

Brent crude settled down $1.24, or 1.5 percent, at $81.13 a barrel. West Texas Intermediate crude ended $1.12, or 1.4 percent, lower at $77.16 a barrel.

For the week, Brent was trading down more than 1 percent while WTI fell beyond 3 percent.

"Yesterday's better-than-expected US GDP growth figures initially supported the crude market," said George Khoury, global head of education and research at CFI.

"However, these gains were overshadowed by concerns about declining Chinese oil demand." Data released last week showing that China's total fuel oil imports dropped 11 percent in the first half of 2024 has raised concern about the wider demand outlook in China.

"The Chinese demand situation is going down the tubes here and crude oil prices are going down with it," said Bob Yawger, director of energy futures at Mizuho in New York.

China's economy, opens new tab is threatening to enter a deflationary cycle, where prices will fall because of falling demand, Yawger said.

"And that is about the worst possible scenario for a country that is the largest importer of crude oil on the planet," he said.

Meanwhile, demand from the world's top oil consumer was also expected to ease as US refiners are preparing to cut back production as the end of the summer driving season in early September nears.

The nation's second largest refiner, Valero Energy said on Thursday its 14 refineries would run at 92 percent of combined capacity in the third quarter. Valero's refineries ran at 94 percent in the second quarter.

Stocks drop as investors take go-slow policy

DSEX, the key index, edges down 0.55%

STAR BUSINESS REPORT

The indexes of Bangladesh's share markets fell yesterday as skittish investors adopted a go-slow policy because of the uncertainty centring last week's countrywide quota reform movement.

The benchmark of the Dhaka Stock Exchange (DSE), the DSEX, edged down by 29.92 points, or 0.55 percent, from the previous day to settle at 5,383.72.

Similarly, the shariah-based stock index, the DSES, slipped 5.65 points, or 0.48 percent to 1,177.72, while the blue-chip share index, the DS30, went down by 11.51 points, or 0.59 percent to 1,921.26.

The market ended the day in the negative territory with a decrease of turnover, UCB Stock Brokerage said in its daily market update.

The turnover, which indicates the trading value of the day's shares, stood at Tk 488 crore, a decrease of 1.8 percent from that of the previous trading session.

Contribution by the block trades, meaning high volume transactions of privately negotiated securities outside the open market, was 6.3 percent of the overall market turnover.

Agni Systems was the most traded share with a turnover of Tk 28.7 crore stocks.

The information technology, bank and jute were the top three sectors to close on a positive note while travel and leisure, services and real estate and non-bank financial institutions (NBFI) sectors ended in the negative territory.

The banking sector dominated the turnover chart, accounting for 16.86 percent of the day's total market turnover.

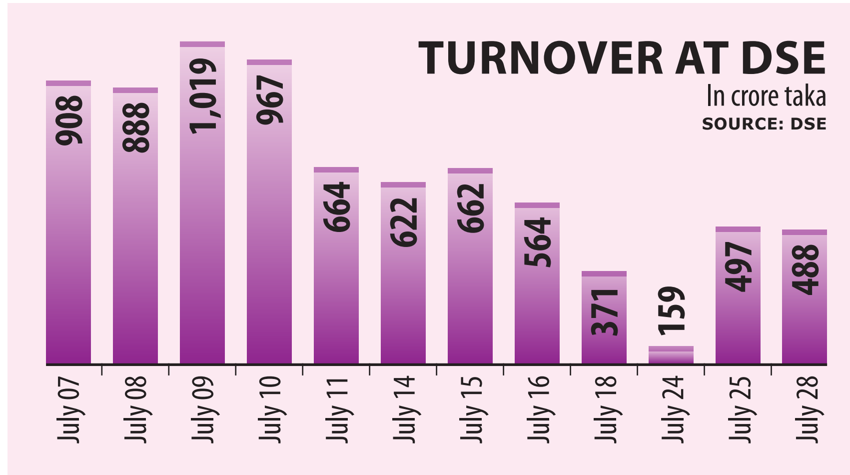
A mixed performance was posted by large-cap sectors, according to the daily market update by BRAC EPL Stock Brokerage.

Telecommunication booked the highest gain of 1.17 percent, followed by bank 0.69 percent, fuel & power 0.04 percent, pharmaceuticals 0.68 percent, food & allied 0.99 percent, engineering 1.07 percent, and NBFI 1.89 percent respectively.

Out of the 392 scrips that changed hands on the DSE, 88 advanced, 261 closed lower and 43 did not witness any price movement.

Shares of blue-chip firms such as Grameenphone, Heidelberg Materials Bangladesh, IFIC Bank, Robi Axiata, United Commercial Bank and Jamuna Bank performed well.

LafargeHolcim Bangladesh, Beximco Pharmaceuticals, BAT Bangladesh, Beacon Pharmaceuticals, BRAC Bank, Square Pharmaceuticals, Eastern Bank, Best Holdings, Orion Pharma and National Bank that displayed lacklustre performance.



Khairul Alam re-elected as AB Bank chairman

STAR BUSINESS DESK

Khairul Alam Choudhury has recently been re-elected as the chairman of AB Bank for a second consecutive term.

Choudhury is a senior lawyer of the Supreme Court of Bangladesh, the bank said in a press release.

He was also called to the Bar from Lincoln's Inn, London.

He is involved in various social and charitable activities.

Choudhury graduated from the University of Wolverhampton in 2001 and attained a post-graduate degree from City University in the United Kingdom in 2002.

Reserve Bank of India fines Visa

REUTERS, *Bengaluru*

The Reserve Bank of India imposed a penalty of 24.1 million rupees (nearly $288,000) on Visa in relation to its usage of an unauthorised payment transfer method, the central bank said on Friday.

"It was observed that the entity (Visa) had implemented a payment authentication solution without regulatory clearance from RBI," the central bank said in a statement, without providing details on the transgression.

"We duly acknowledge the RBI order and remain committed to following RBI guidelines and regulations to continue providing safe and secure payment solutions in India," a Visa spokesperson said in a statement.

In February, the RBI had ordered the credit card company to stop using an unauthorised route to make some commercial payments, per a Reuters report. The central bank has aimed to tighten scrutiny of the processes followed by financial technology, or fintech, companies.

ONE Bank declares 7% dividends

STAR BUSINESS DESK

ONE Bank announced 7 percent dividends, including 3.5 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 at the Lakeshore Grand hotel in the capital's Gulshan recently, the bank said in a press release. ASM Shahidullah Khan, chairman of the bank, presided over the meeting, while Zahur Ullah, a director of the bank, joined the AGM virtually.

Sayeed H Chowdhury, a director and former chairman of the bank, Kazi Rukunuddin Ahmed, Shawket Jaman and Anannya Das Gupta, directors, and Chief of Naval Staff Admiral (retd) Aurangzeb Chowdhury, independent director, were present.

Md Monzur Mofiz, managing director of the bank, and John Sarkar, deputy managing director and company secretary, along with shareholders and senior executives of the bank were also present.

ASM Shahidullah Khan, chairman of ONE Bank, poses for photographs with directors, shareholders and top officials of the bank during its 25th annual general meeting at the Lakeshore Grand hotel in the capital's Gulshan recently. The meeting declared 7 percent dividends, including 3.5 percent cash dividend, for 2023.

PHOTO: ONE BANK

PRICES OF KEY ESSENTIALS IN DHAKA CITY

	PRICE (JULY 28, 2024)	% CHANGES FROM A MONTH AGO	% CHANGE FROM A YEAR AGO
Fine rice (kg)	Tk 60-Tk 78	0	2.22 ↑
Coarse rice (kg)	Tk 50-Tk 54	4.00 ↑	4.00 ↑
Loose flour (kg)	Tk 40-Tk 45	0	-16.67 ↓
Lentil (kg)	Tk 105-Tk 110	0	13.16 ↑
Soybean (litre)	Tk 145-Tk 155	1.01 ↑	-7.69 ↓
Potato (kg)	Tk 55-Tk 60	-2.54 ↓	51.32 ↑
Onion (kg)	Tk 110-Tk 120	21.05 ↑	84.00 ↑
Egg (4 pcs)	Tk 48-Tk 50	-5.77 ↓	0

SOURCE: TCB

China's industrial profits post faster gains in June

REUTERS, *Beijing*

China's industrial profits grew at a faster clip in June, official data showed on Saturday, even as businesses were grappling with a downshift in consumers' sentiment amid a shaky economic recovery.

A 3.6 percent year-on-year rise in profits last month followed a 0.7 percent gain in May, while first-half earnings were up 3.5 percent, accelerating from a 3.4 percent increase in the January-May period, National Bureau of Statistics (NBS) data showed.

"Relatively rapid industrial production growth, coupled with a significantly easing in factory-gate price declines since the second quarter, have promoted a stable recovery of corporate revenue," NBS statistician Wei Ning said in a separate statement.

"Meanwhile, we should also see that insufficient domestic effective demand has constrained the continuous improvement of corporate performance, and the severe and complex international environment has increased the operating pressure of enterprises."

The robust data contrasted with a slowing economy, which missed forecasts in the second quarter as the consumer sector was downbeat amid job market woes and a protracted housing downturn.

Roughly half of more than 10 mainland-listed alcoholic beverage firms that had released forecasts for H1 earnings expected a loss-making first half.

Yet in spite of rising trade tensions with the West, optical transceiver firms Zhongji Innolight and Suzhou TFC Optical Communication forecast multi-fold rises in first-half earnings, as the two suppliers for US chip giant Nvidia turn out to be big winners from a global artificial intelligence build out.

China is trying to provide heavier monetary stimulus to prop up its fragile economy, surprising markets for a second time on Thursday by conducting an unscheduled lending operation at steeply lower rates. Only days earlier the authorities cut several benchmark lending rates in the wake of a top leadership meeting, which had mapped out other major reforms.

The country's state planner and finance ministry announced plans on Thursday to arrange about 300 billion yuan of funds from ultra-long special treasury bonds to step up a nationwide equipment upgrade and consumer goods trade-in campaign.

State-owned firms reported profits up 0.3 percent in the first half, foreign firms recorded an 11 percent gain, while private-sector companies booked a 6.8 percent rise, according to a breakdown of the NBS data.

Donald Trump may dent but not dethrone King Dollar

REUTERS, *London*

Donald Trump says he wants to reverse the strong dollar policy which has underpinned the US economic framework since the early 1990s. "We have a big currency problem," the former president said in an interview with Bloomberg published last week.

His choice for vice president, JD Vance, goes even further. The senator from Ohio wants rid of the dollar's role as de facto global currency as well. "The strong dollar is sort of the sacred cow of the Washington consensus," he explained in 2023, "but when I survey the American economy, and I see our mass consumption of mostly useless imports on the one hand and our hollowed-out industrial base on the other hand, I wonder if the reserve currency status also has some downsides."

Conventional wisdom holds that a second Trump administration would struggle to make good on either mission. That view is correct when it comes to the greenback's global reserve status, but more questionable when it comes to a weaker exchange rate.

A diminished global role for the US dollar is not completely implausible. Indeed, several recent developments have made that momentous shift likelier than in previous decades.

The first is that Uncle Sam has aggressively wielded his currency as a weapon against geopolitical rivals, most prominently freezing Russia's dollar reserves following the invasion of Ukraine in 2022. That has prompted central banks to diversify their holdings, shrinking the US dollar's share of global foreign exchange reserves to 59 percent, from 73 percent in 2001.

Meanwhile, international bodies have stepped up their attempts to develop viable alternatives to the dollar-based payment system on which global trade depends. The Bank for International Settlements is currently piloting one such system, Project Agorá, to link up seven payments systems operated by members of the Organisation for Economic Co-operation and Development. Another, mBridge, aims to provide seamless settlement using central bank digital currencies including the Chinese renminbi.

A third reason to take the prospect of global monetary regime change seriously is that the current system is quite new. It was only in 2022 that financial regulators completed the migration of global credit from a model based on unsecured lending and priced off the London Interbank Offered Rate (LIBOR) to one based on secured lending and the new Secured Overnight Financing Rate (SOFR). One consequence is that global finance is now more tightly coupled to the supply of high-quality US dollar collateral. This new regime has yet to be tested in a crisis.

Ultimately, however, King Dollar remains unique in too many important respects. US financial markets are by far the largest and most liquid in the world. An overwhelming proportion of international trade invoices are in dollars. Most importantly, the Federal Reserve is willing and able to backstop global dollar-denominated finance, as it showed most recently when the pandemic roiled markets in 2020. Even Vice President Vance would struggle to shake the dollar's status as the preferred haven in a financial storm.

The buck's value relative to other currencies, however, is a different matter. There is no doubt that the US dollar is indeed historically strong. In real, trade-weighted terms, it has appreciated more than 30 percent in the last decade and is close to its richest in 40 years, the BIS calculates.

On the face of it, Trump's mooted policies would do little to reverse this trend. Start with trade. The former reality TV host has talked of imposing a 10 percent tariff on all imports, rising to 50 percent or 60 percent for products from China. If implemented, that would probably strengthen the dollar as higher import prices staunch demand for overseas goods and services and hence for the currency needed to purchase them. It is also likely to stoke inflation, prompting the Fed to keep interest rates high and thus attracting more capital inflows.

Trump's future fiscal plans could make things even worse. The former president has pledged to renew the tax cuts introduced during his first term and to reduce corporation tax. Such largesse would goose demand, leading to tighter monetary policy still – and thus an even stronger dollar.

These contradictions are why Trump supporters are discussing less conventional countervailing strategies. The former real estate developer has suggested imposing capital controls to stem demand from overseas investors for American assets, and the dollars needed to buy them. The Republican Party's 2024 Platform even appears to suggest an outright ban on Chinese acquisitions of direct equity investments or real estate.

Trump allies have discussed hobbling the Fed's independence to rein in interest rates, the Wall Street Journal reported in April, citing people familiar with the matter, though the campaign played down the story. Fed Chair Jerome Powell's term comes up for renewal in 2026: a replacement might be more amenable to lower interest rates. Another option would be to broker an international monetary agreement to weaken the US dollar modelled on the 1985 Plaza Accord, which depreciated the currency against the yen and Deutsche mark. The theory is that the threat of tariffs might bring China and Japan to the table.

Such heterodox measures are risky. Conventional wisdom holds that the benefits of a weaker dollar are historically not broad enough to win sufficient support. While parts of the domestic economy would stand to gain from a cheaper greenback, the financial sector likes sound money. It is also unclear why Asian creditor nations would agree to help their biggest debtor devalue.

Republican presidential nominee and former US President Donald Trump raises his fist from the stage of the Republican National Convention at the Fiserv Forum in Milwaukee, Wisconsin. Trump's future fiscal plans could lead to tighter monetary policy and an even stronger dollar.

PHOTO: REUTERS/FILE

The unrest and curfew disrupted off-dock operations, preventing the dispatch of export containers from Chattogram port and compelling vessel operators to defer scheduled departures.

PHOTO: RAJIB RAIHAN

Long vessel queue forms at outer anchorage of Ctg port

For berthing delays from operational disruptions

DWAIPAYAN BARUA, *Ctg*

A long queue of vessels has formed at the Chattogram port's outer anchorage, with berthing delayed by up to nine days, for container yards being acutely congested and operational disruptions resulting from the quota reform movement last week.

At least 13 container vessels were waiting to berth as of yesterday afternoon as others were held up at jetties for being unable to unload imports due to space constraints at the yards.

Delivery of imports from the yards resumed on the evening of July 23 after almost five days of countrywide unrest and curfew, but the pace was slow as the roads were choked with trucks entering to receive containers.

There were 35,421 TEUs (twenty feet equivalent units) of full container load (FCL) shipments, meaning containers entirely occupied by a single shipper's goods, at the import yards till yesterday morning.

This is over 88 percent of the yards' capacity to store 40,368 TEUs.

Such space constraints are now forcing vessels to remain at the jetties for anywhere from three to five days whereas usually a vessel can leave within 48 hours on discharging imports and taking exports on board.

And this has led to the long queue of incoming vessels. For instance, Panama-flagged MSC Qingdao arrived at the outer anchorage on July 21 and was yet to get berth as of yesterday.

SOL Resilience and SOL Reliance arrived from Colombo and Singapore respectively on July 26 and their local agent estimates that berthing would not be possible before July 31.

Port users, mainly officials of different firms operating ships, identified three major reasons for vessels having to stay longer periods at the jetties.

Firstly, shipping agents were unable to promptly receive import discharge permissions as they could not share documents, including details of shipment contents, with the authorities for a five-day internet blackout.

Similarly, Chittagong Port Authority could not access the naval authority's approvals for the unloading of dangerous cargo.

Secondly, deliveries were suspended for the unrest and curfew in the port city, leading to the severe space constraints at the yards and subsequently barring the unloading of containers from vessels.

Thirdly, the unrest and curfew also disrupted off-dock operations, preventing the dispatch of export containers and compelling vessel operators to defer scheduled departures.

Such berthing delays are causing firms operating ships to incur losses in charter hire and service failure while also forcing importers to wait for longer periods in getting their cargo.

"We operate our vessels with a specific service commitment, primarily involving mother vessel connections at transhipment ports like Colombo, Singapore and Malaysia," said Muntasir Rubayat, director of Bangladesh Shipping Agents Association.

As such, delayed berthing leads to costs of at least $15,000 to $20,000 per day in charter hire, not to mention the losses from service failures, he said.

"Late arrival of vessels from Chattogram to those ports results in space having to go empty in a mother vessel and then space shortages on the next mother vessel the following week," Rubayat said.

Additionally, delays in reaching garment products to their destinations causes significant losses for Bangladeshi exporters, he added.

Submit sector-wise impact assessment report

Salman asks businesses

STAR BUSINESS REPORT

The prime minister's private industry and investment adviser has asked businessmen to provide a sector-wise impact assessment report of the recent violence centring the quota reform protests, the government's imposition of a nationwide curfew and a five-day internet blackout.

"We will understand the economic impact due to the weeklong turmoil when we get the sector-wise impact assessment report. The government will then take decisions for enhanced cooperation or see how they can be incentivised," said Salman F Rahman.

He made the comments after a view-exchange meeting with business leaders at the conference room of the Bangladesh Investment Development Authority in the capital's Agargaon yesterday.

He said businessmen discussed five problems, including container congestion at the Chattogram port and a downturn in business due to unavailability of internet. They also urged the authority to waive the demurrage charges in ports and mentioned the high rate of bank interest and the long-standing gas crisis as further obstacles.

Nasrul Hamid, state minister for power, energy and mineral resources, Zunaid Ahmed Palak, state minister for posts, telecommunications and information technology, Ahasanul Islam Titu, state minister for commerce, and Mahbubul Alam, president of the Federation of Bangladesh Chambers of Commerce and Industry, were present at the meeting.

Rahman said the prime minister asked him to sit with businessmen in order to identify their problems and address the difficulties stemming from upheaval over the past week.

"We want to solve the problems as they are with the government and we are also with them. So, we want to address their problems with due importance," he said.

He added that they would sit separately with officials from the Bangladesh Bank, the ministry of finance, the ministry of information technology, the ministry of shipping, and the National Board of Revenue as well as with entrepreneurs involved in e-commerce activities.

Regarding the curfew, he said the situation is improving and it would be lifted gradually.

Rahman added that businessmen in Dhaka and adjacent areas faced huge losses compared to businessmen in other districts.

He also acknowledged people's sufferings due to the Dhaka Metro Rail being inoperative after it was damaged by miscreants, adding that technicians would come from Japan to repair it.

FBCCI president Alam said they would try to place the impact assessment report ahead of tomorrow's cabinet meeting.

He added that although the Chattogram port did not operate fully during the turmoil, officials worked manually to ensure it did not shut down for even a single day.

Regarding the economic impact, he said they are yet to get concrete information about gross losses.

He also did not make any comments about the Foreign Investors' Chamber of Commerce and Industry's calculations, which estimated an economic hit of over $10 billion in the past week.

He said they could provide a total economic impact report after thorough assessment.

Shutdown cost the economy $10b: FICCI

Urges govt to lift curfew as it seeks resumption of normal operations

STAR BUSINESS REPORT

The recent shutdown has significantly impacted Bangladesh's economy with losses estimated at over $10 billion, according to the Foreign Investors Chamber of Commerce & Industry (FICCI).

"Numerous existing investors are currently feeling uncertainty as they aim to resume regular operations, but challenges and inefficiencies of goods release, running operations and physical reach are driving up the cost of business," said FICCI President Zaved Akhtar.

FICCI's observation came against the backdrop of a week of upheaval due to the quota reform movement, subsequent imposition of a curfew and a five-day internet blackout.

He made the comments in a submission to Salman F Rahman, the prime minister's adviser on private industry and investment, who met with business leaders at the Bangladesh Investment Development Authority in Dhaka yesterday.

"If we fail to prioritise the ease of doing business for our current investors, we will discourage potential investors from considering Bangladesh as a likely investment destination, especially when the investors are facing existential crises."

The FICCI president said the investors are the most powerful advocates for attracting foreign direct investment. "There has never been a more important moment than now to protect their need," he said urging the authorities to address those.

He stressed the need to resume full mobile data connectivity, saying it is critical for fast-moving consumer goods, logistics, health insurance, banking, IT & technology companies, mobile companies, testing & inspection companies, energy & power, and others.

"Bringing full confidence back in safety and security to instil conviction with local and expatriate employees is critical," he said.

"Lifting of curfew and resumption of normal operations will be a critical enabler."

To reduce the cost of doing business, Zaved, also chairman and managing director of Unilever Bangladesh Ltd, demanded faster release of goods from ports and shipments outwards.

The FICCI urged to waive all demurrages for goods not released since July 18.

"Smoothening the Authorized Economic Operator approval process will help a lot in reducing port congestion & demurrage impact," it said.

PHOTO: STAR

Govt to waive

FROM PAGE B1

of their import consignments from the port, said the minister.

He said the decision was taken with the aim of assisting RMG factories to continue import and export activities through the port and ensure export shipments within the lead time fixed by the buyers.

BGMEA Vice-President Rakibul Alam, who was present at the meeting, told The Daily Star that the waiver would be effective for import containers that could not be taken out after the expiry of a four-day free stay.

Imported containers are allowed to stay at the port yards free of charge for the first four days after being unloaded from vessels.

For a 20-foot loaded container, the port charges demurrage at $6 per day during the first week following the four free days. It then charges $12 each day during the second week. From then onwards, it charges $24 per day.

For a 40-foot container, the charges are double.

Chittagong Port Authority (CPA) Secretary Md Omar Faruk said they heard about the decision but were yet to get an official letter in this regard.

Upon getting an official decision, the port authority will comply, he said.

Cargo and container delivery from the port yards gradually came to a halt since July 17 due to the volatile situation before the internet blackout, which began on July 18, caused further disruptions.

The lack of assessment facilities due to the absence of the internet as well as the countrywide curfew created a container congestion at the port.

On July 22, the Chattogram port was encumbered with 42,150 TEUs (twenty-foot equivalent units) of containers, occupying over 79 percent of the port's storage capacity of 53,118 TEUs.

Smooth operations of a port are hampered if containers occupy over 60 percent of its storage capacity, port officials said.

According to BGMEA estimates, garment makers have incurred around Tk 10 crore in demurrage charges over the past week.

Window stays

FROM PAGE B4

"We identified the mortgaged properties, collected documents and expedited the legal procedures to recover the fund," said Karim.

Speaking on the ongoing forex crisis, Karim said the interbank exchange market had become more vibrant as the central bank introduced a crawling peg exchange rate and set the mid-rate at Tk 117 per US dollar in May.

The crawling peg system is a transitional measure towards a fully flexible, market-based exchange rate system, aiming to stabilise exchange rate movements while preparing for broader market liberalisation.

"We provide 37 services to the government, including opening letters of credit for government institutions and projects, and that is why the bank faces pressure over a lack of US dollars," said Karim.

Regarding dealing with red flags of another financial indicator, or its capital shortfall, which results from having inadequate funds in comparison to financial obligations, he said it had now come down to Tk 4,400 crore.

It was around Tk 6,900 crore in 2007 and underwent fluctuations before reaching Tk 6,800 crore in 2021, he said.

However, the number of branches incurring losses stood at 15 as of June this year whereas it was 10 during the same period last year. Sonali Bank has around 1,200 branches at present.

The cost of crisis

FROM PAGE B1

After some recovery in the five months since the blaze, restaurant sales fell by more than two-thirds in the space of two weeks this month.

Economic gloom has also clouded the garment industry, a time-sensitive sector.

"Any delay in shipments will hurt the sector," said Faruque Hassan, a former president of the Bangladesh Garment Manufacturers and Exporters Association.

During the pandemic, companies kept their manufacturing units open, but the unavailability of the internet stalled them.

Besides, backward linkages were impacted and the supply chain was seriously disrupted. Some companies faced cancellations of orders and some were forced to send products by air.

Although the crisis now seems to be easing, its impact on exporters will linger for a month, because it has created a huge backlog of unfinished tasks.

NBR misses revenue target

FROM PAGE B1

NBR data showed that tax collection from international trade grew 8.72 percent year-on-year to Tk 100,819 crore in FY24 owing to falling imports as the government placed curbs to save US dollars amidst a prolonged forex crisis.

Income tax receipts rose 15.60 percent to Tk 131,025 crore, while the collection of value-added tax, the biggest source of revenue, grew 20.17 percent to Tk 150,717 crore last year.

Of the three segments, the NBR witnessed the highest growth in VAT collection.

"Persistently higher inflation and exchange rate volatility have together contributed to VAT growth last fiscal year," added Mansur, also a former economist of the IMF.

"In the future, we have to focus on direct taxation, which should be 12 percent of the country's GDP."

Also, total VAT collection should be 6 to 8 percent of the country's GDP. Currently, the ratio is just around 3 percent, Mansur added.

Window stays open to keep lending rates at low level

Sonali Bank's managing director says in an interview with The Daily Star

Md Afzal Karim

MD MEHEDI HASAN

There is a lot of talk over a recent hike in interest rates but there is still scope to keep lending rates at a low level, said Md Afzal Karim, managing director of Sonali Bank.

The state-run bank did not abruptly hike the lending rate in spite of a withdrawal of the cap on interest rates by the central bank. The highest lending rate charged by Sonali Bank is 12.90 percent, he said in an interview with The Daily Star recently.

Bangladesh Bank scrapped the SMART formula in May to make interest rates fully market-based, less than a year after the Six-month Moving Average Rate of Treasury Bills (SMART) was introduced and the 9 percent lending rate cap was lifted.

Speaking on Sonali Bank's lending strategy, Karim said they were now focusing on enterprises which run small-scale operations.

It provides loans to entrepreneurs of cottage, micro, small and medium enterprises at an interest rate of 7 percent to 8 percent, he said.

“We are lending money to this priority sector at a low interest rate, even lower than the inflation rate,” he said.

Sonali Bank provides finances at a 4 percent interest rate to a segment of the agriculture sector that produces import alternatives, said Karim.

Low interest loans are also available for projects encompassing clusters of enterprises, he added.

Since January, the lender started to build up a large portion of its loan portfolio catering to the sector comprising small-scale businesses, said Karim.

Two years ago, this sector accounted for around 7 percent of Sonali Bank's loan portfolio but now it stands at around 16 percent, he said.

Loans and advances of the lender stood at Tk 98,927 crore as of June this year while its total deposits stood at Tk 1,58,763 crore, as per data of the bank.

Informing of the bank's operating profits, meaning the money left after paying all business costs but before paying taxes and meeting provisioning requirements, he said it rose to Tk 2,252 crore in the first six months of this year.

It was Tk 1,679 crore at the end of the same period last year, he added.

“We recovered defaulted loans amounting to Tk 293 crore, there was a good credit growth and the bank's bad loans were kept at a tolerable level, which helped boost our operating profits,” explained Karim.

Net interest income, meaning the difference between revenue generated from interest-bearing assets and expenses associated with paying interest-bearing liabilities, was now in the positive on hovering in the negative since 2021, he said.

The bank did not write off any loan in the last couple of years, he added.

Regarding digitalisation, he said mobile app Sonali e-Wallet had become very popular and won a “best innovation award” of the Financial Institutions Division of the Ministry of Finance.

“We launched ‘Taka Pay debit card’ with some private commercial banks, which has a lot of benefits for users,” said Karim.

On steps taken to recoup from the Hallmark Group loan scam, one of the worst financial scandals perpetrated in the country, he said they were trying to recover the loans.

The state lender's Ruposhi Bangla Hotel branch had lent Hallmark Group and five other companies Tk 3,547 crore between 2010 and 2012 based on fake documents.

The businesses, in collusion with some bank officials, embezzled the whole amount belonging to depositors.

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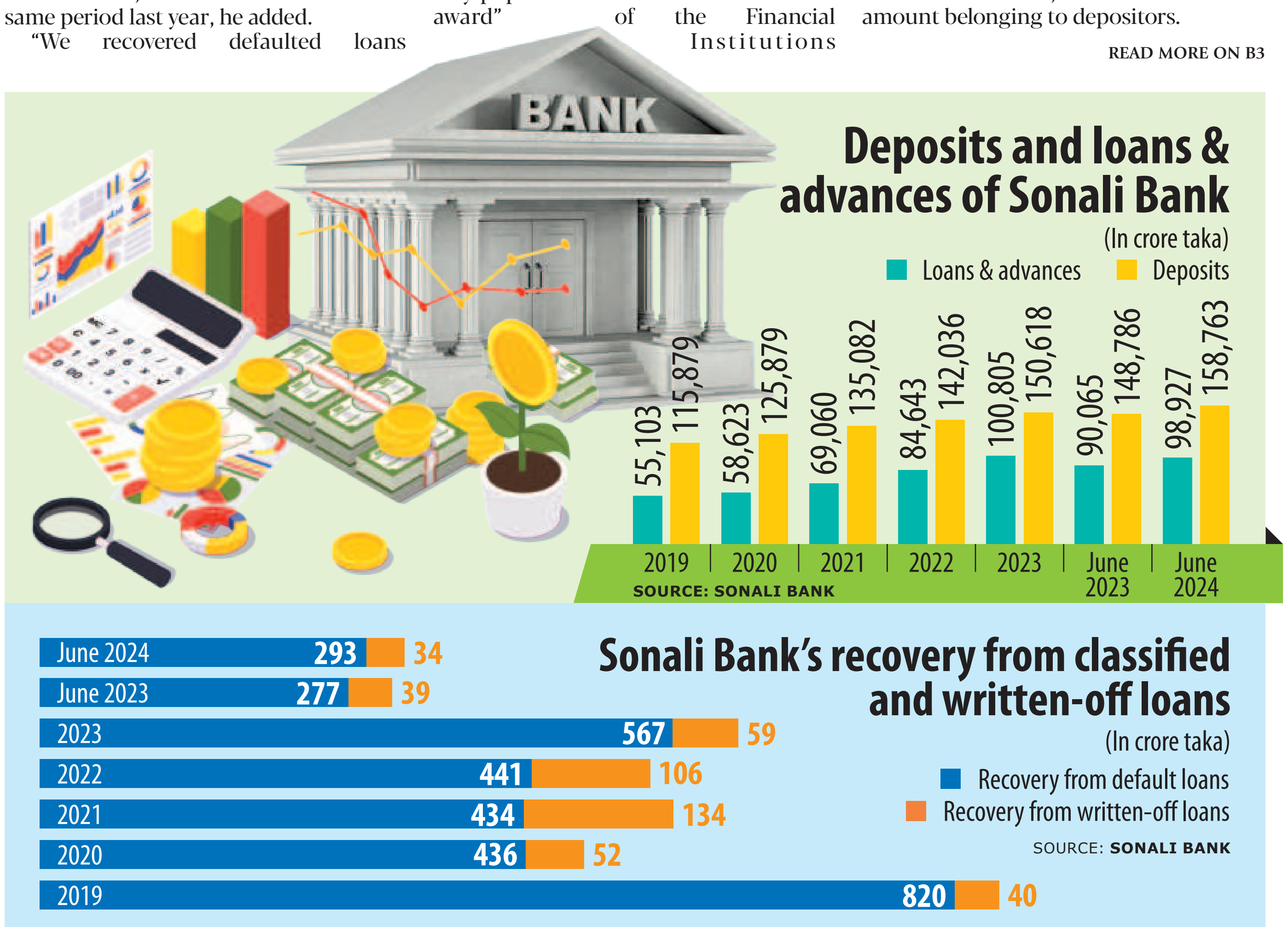


Banks asked to hike USD rate for inward remittance

STAR BUSINESS REPORT

Bangladesh Bank yesterday verbally instructed some banks to offer a higher exchange rate for US dollars to lure remitters into sending their income through formal channels, according to a central bank official.

The move comes in a bid to bolster remittance inflow as the total value received this month will likely be less than what was collected in June, the official said.

This is because the recent five-day internet blackout affected remittance collection through banks and mobile financial services (MFS) in the country, which has been suffering from a forex crisis for more than two years now.

So, Bangladesh Bank verbally instructed about a dozen banks that receive a major portion of inward remittances to offer higher rates to migrant workers and non-resident Bangladeshis, the official added.

Central bank data shows Bangladesh received around $978 million in remittances as of July 13 while the overall inflow amounted to $2.54 billion in June, indicating lower collection.

Bangladesh Bank had introduced the crawling-peg system to determine foreign currency exchange rates in May, fixing the middle rate for US dollars at Tk 117 per greenback as prescribed by the International Monetary Fund (IMF).

As per the new exchange rate system, the banks could offer a maximum of Tk 118 per US dollar.

Now though, a good number of them immediately started offering rates of Tk 118.50 to Tk 118.70 per greenback upon receiving the instructions from the central bank.

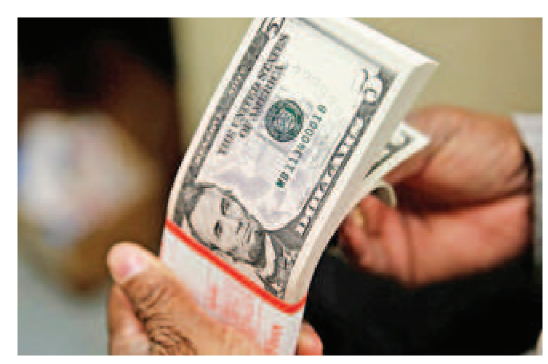
A chief executive of a leading private commercial bank said his bank has already hiked the US dollar rate for inward remittance as the inflow in July did not reach expected levels likely due to the almost week-long internet outage.

He also said his bank is now trying to boost forex collection through inward remittance and export earnings as the US dollar rate will likely increase in the coming days.

Contacted, Bangladesh Bank Executive Director and Spokesperson Md Mezbaul Haque said he has no information regarding the central bank's instruction to hike the US dollar rate.

However, he did say remittance collection remains disrupted as the country's internet access is still not fully restored.

Against this backdrop, he pointed out that MFS clients were unable to operate their accounts amid the internet blackout, which was a major obstacle for sending remittance.



Officials of banks and MFS providers said their remittance collection remained suspended from midnight on July 18, when the internet outage began, until broadband services partially resumed on July 23.

Still, overall remittance mobilisation by banks and MFS providers remains lower than normal, with inward remittance having reached up to $100 million daily during regular times, they added.

Selim RF Hussain, managing director of BRAC Bank and chairman of the Association of Bankers Bangladesh, told this newspaper last week that overall remittance collection in July will likely be low due to the overall situation.

However, he also said they would likely get a better understanding on the situation this week.

Mitsubishi to join Honda-Nissan alliance

REUTERS, *Tokyo*

Japan's Mitsubishi Motors is set to join an alliance between Honda Motor and Nissan Motor, creating a tie-up between automakers with combined sales of more than 8 million vehicles, the Nikkei newspaper said on Sunday.

Mitsubishi Motors, which is 34 percent owned by Nissan, will work with Honda and Nissan to finalise the details of their strategic partnership, Nikkei said, adding the three firms intend to standardise in-vehicle software that controls cars.

Mitsubishi Motors declined to comment on the report, while a Nissan spokesperson would only say the report was not based on something either of the companies had announced. Spokespeople for Honda did not respond to a request for comment.

The push comes as Nissan, Japan's third biggest automaker, has been steadily losing market share in its two largest markets, the United States and China, which together accounted for half of its global sales in the year to March.

On Thursday, the company slashed its annual outlook after heavy discounting in the US almost completely wiped out its first-quarter profit.

Nissan and Honda said in March they were considering a strategic partnership to collaborate on producing electric vehicle components and artificial intelligence in automotive software platforms.

Mitsubishi Motors is already part of a long-standing alliance with Nissan and France's Renault that the three automakers last year agreed to restructure, aiming for a downsized but more pragmatic and agile partnership.

India wants to be China's gateway to the West

REUTERS, *Mumbai*

India is warming up to its northern neighbour. The South Asian country's annual economic report recommends courting investment from China rather than integrating into the country's supply chains. That lays out a way for companies from Shein to BYD to keep selling in Western markets despite rising suspicion towards the People's Republic. Much depends on how the Sino-American trade war plays out.

In the survey for the year ended March released on Monday, India's Chief Economic Adviser V. Anantha Nageswaran laid out the two options for the country to benefit from companies shifting supply chains out of China. He argues that it is more effective to encourage manufacturers from the People's Republic to set up factories in India and export to Western markets than to import China-made parts for assembly and re-export.

Betting on investments rather than low-value imports would help cut New Delhi's $85 billion annual trade deficit with its neighbour. It would also shield India against any future moves by Beijing to restrict exports of critical material.

Ideas floated in the survey do not necessarily translate into policy action. But the push for Chinese direct investment found an advocate in Finance Minister Nirmala Sitharaman on Tuesday, the first member of Prime Minister Narendra Modi's cabinet to back the idea. That statement is significant, coming four years after India stepped up scrutiny of investment from its neighbours following a skirmish with Chinese troops. Signs of a thaw are visible elsewhere, too.

Fast-fashion giant Shein, which is gearing up for an initial public offering in London, is partnering with $242 billion Reliance Industries to source merchandise from the world's fifth-largest economy. China's SAIC Motor formed a joint venture with JSW Group in March to build and sell electric cars in India.

Those are still exceptions, though. As of March 2023, 54 foreign direct investment proposals from entities based in China and Hong Kong were awaiting official approval. It's a reminder that parts of the Indian establishment are uncomfortable with opening the floodgates to Chinese capital. Beijing's level of comfort with companies investing in India, especially in strategic industries with potential for technology transfer, is unclear too.

More importantly, the US-China trade war is still in flux, and the upcoming presidential election in November adds to the uncertainty. At the very least, India's economic ambitions might offer a handy blueprint for the road ahead.

Gold price rises

REUTERS

Gold prices rose 1 percent on Friday as US Treasury yields fell on optimism for an interest rate cut by the Federal Reserve in September after data showed US prices rose modestly in June.

Spot gold rose 0.8 percent to $2,382.98 per ounce by 1741 GMT, after hitting its lowest since July 9 on Thursday. US gold futures for August delivery settled 1.2 percent higher at $2,381.

“Today's mixed-to-weaker US data suggests inflationary pressures and economic activity are waning, paving the way for the Fed to cut rates twice this year,” said Fawad Razaqzada, market analyst at Forex.com.

Fed policymakers on Friday got fresh evidence of progress on their battle against inflation, fueling expectations they will use their meeting next week to signal interest rate cuts starting in September.

Lower rates reduce the opportunity cost of holding non-yielding bullion.

The personal consumption expenditures (PCE) price index nudged up 0.1 percent last month after being unchanged in May, the US Commerce Department's Bureau of Economic Analysis said.

Following the data, benchmark 10-year note yields fell to a one-week low.

Meanwhile, physical demand in India, the second-largest consumer, received a boost as the country slashed import duties on gold and silver earlier this week. Gold premiums in India jumped to their highest level in a decade this week as well.

“Any uptick that we see from India or China tends to have an outside effect on overall demand. ... I think the move to reduce the duty (in India) can only have a positive effect on demand,” said Everett Millman, chief market analyst with Gainesville Coins.

A merchant displays gold jewellery at his shop in Dubai Gold Souk in the Gulf emirate.

PHOTO: AFP/FILE