Star BUSINESS

Accommodation costs in Bangladesh have risen further amid persistently high inflation during the April-June period this year.

Story on B4

Govt scraps Prottoy pension scheme amid protests

STAR BUSINESS REPORT

The government yesterday scrapped the much-talked-about pension scheme, called Prottoy, for public universities and self-governed, autonomous and state entities amidst opposition from university teachers and spiralling unrest following the deaths of more than 204 people centring the job quota protests.

The scheme, which also included the employees of affiliated enterprises of state agencies, was introduced earlier this year under the Universal Pension Scheme (UPS) and said new employees of the organisations will come under the scheme beginning in July 2025.

The initiative faced massive opposition from university teachers and they went on an indefinite strike over pension benefits from the first day of July this year.

The government by the end of last month sat with teachers as protests by students expanded among people of different spheres of life following deaths, injuries and crackdowns by law enforcers.

The government first introduced the Universal Pension Scheme on August 17 last year

In a statement yesterday, the finance ministry said the decision regarding the participation of employees of universities and self-governed, autonomous and state-owned enterprises has been cancelled.

The government first introduced the UPS on August 17 last year, bringing citizens aged between 18 and 50 years under coverage with the aim of ensuring a safety net for them and providing a monthly stipend to support their daily expenses.

Four schemes -- Progoti, Surokkha, Somota and Probash -- were initially launched.

Although it was a weekend, there were barely any customers in New Market area yesterday. Customers have been shying away from shopping in recent weeks as they are not in a shopping mood due to the unrest and violence that have engulfed the country, according to retailers. PHOTO: RASHED SHUMON

Unrest hits retail sales hard

JAGARAN CHAKMA and SUKANTA HALDER

Malls and markets in Dhaka and other major cities have been hit hard by spiralling unrest across the country following the deaths of over 200 people, including students, during the quota reform movement in recent weeks.

Customers began to shy away from shopping as the overall environment worsened since violence flared in the middle of last month.

The situation led the authorities to impose a curfew and a three-day general holiday beginning on July 20.

"Our business has turned from bad to worse," lamented Uzzal Das, owner of Lanthon Fashion House at Aziz Super Market in the capital's Shahbagh.

He said sales started deteriorating from the beginning of July and customer turnout dipped since July 15.

"In the last two weeks, whenever I was able to open the shop, very few customers came. Sales have dropped by 95 percent compared to normal times," he said.

Businesses said customers were not in a buying mood after the situation deteriorated following the deaths of over 200 people, injuries to several thousand others and damage to public and private properties.

"Buyers don't come to shop for products at all," said Khalid Mahmood Khan, co-founder of Kay Kraft, a retailer of fashionwear, accessories and home textiles.

"Products are not being sold online either. There could be nothing worse than this. It is better to keep shops shut than to keep them open because opening a shop has some fixed costs. Those aren't incurred if the shop is closed."

Retailers were dealt the blow less than a year after they contended with losses for more than a month in the face of hartal and a countrywide blockade enforced by the BNP and its allies in the run-up to the parliamentary elections in January this year.

Khan added that the pandemic had caused long-term damage to their businesses prior to that.

An official of one of the top clothing retailers, wishing anonymity, said sales had fallen by 95 percent in the last 15 days.

A top official of a leading electronics and home appliance retailer, which has nearly 70 outlets, said, "Sales of electronic items have fallen significantly in Dhaka and outside the capital for over two weeks amid panic and unease among people.

"There have been almost no sales at any of our outlets."

He added that they were keeping their outlets open for three to four hours depending on location.

"Although we do not have revenue, we have fixed expenditures such as rent, staff salaries and utility bills, which will have to be paid by the end of the month," he said.

READ MORE ON B3

Deepening political crisis adds to RMG woes

REFAYET ULLAH MIRDHA

The deepening political crisis in the country has exacerbated the woes of apparel industry, with exporters facing difficulties in operating factories, shipping goods, and booking work orders.

Garment exporters fear that if their workers join the ongoing movement across the country, it will further dent the sector, which was hamstrung for four days when factories were completely shuttered due to violence in mid-July.

The sector also suffered serious repercussions two weeks ago because of a five-day internet blackout, which hindered communications between garment suppliers and international retailers and brands, meaning they could not make business deals or hold meetings.

Last week, international retailers and brands expressed concern at a meeting with the leaders of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), flagging the difficulties in communication with their headquarters and local suppliers.

They also pointed out that thousands of consignments were stuck at the Chattogram port for around a week.

Additionally, factories have been experiencing difficulties in booking work orders.

July, August and September are the peak months for the shipment of goods to be sold during the Christmas season. It is also when exporters book work orders for the following summer and spring seasons.

But because of the unrest that has persisted over the past two weeks, buyers are following a go-slow policy, which may continue in the near future.

READ MORE ON B3

STOCKS (WEEK-ON WEEK)

DSEX ▲	CASPI ▲
1.47% 5,333.93	1.92% 15,119.23

COMMODITIES (AS OF FRIDAY)

Gold ▼	Oil ▼
$2,441.95 (per ounce)	$74.13 (per barrel)

ASIAN MARKETS (FRIDAY CLOSINGS)

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 1.08% 80,981.95	▼ 5.81% 35,909.70	▼ 1.12% 3,381.45	▼ 0.92% 2,905.34

Internet outage: What message did foreign investors get?

AHSAN HABIB

The recent internet blackout for a week has left a big dent on the image of the country among the international community, especially investors and buyers.

Moreover, two days after getting access to social media platforms such as Facebook, TikTok and YouTube on July 31, users again faced difficulties in accessing accounts as the authorities asked mobile phone operators to enforce a restriction, which undermined reliability.

Though mobile internet users were able to regain access to their Facebook and Messenger accounts nearly six hours later, the imposition of such restrictions is giving out a negative signal.

Businesses and analysts said no investor prefers pouring funds into a country where they may face a condition that leaves them unable to communicate with stakeholders.

Buyers of garment products also think in this way. If transportation in the country remains suspended for weeks and they cannot communicate with the factories, they will face difficulties in getting products on time.

Platforms providing services of freelancers also think along the same lines.

When there are adequate options to invest in other countries or buy products from other countries, it is natural to refrain from taking the risk of pouring funds into Bangladesh or placing work orders with the factories in the South Asian country.

THE WEEKLY VIEW

According to analysts, the internet shutdown was a clear suicidal decision considering the impact it has on the economy. With that, the government was trying to blind people so that they cannot see what was happening around the country.

However, these types of steps usually backfire and create a bad image among the people.

This tendency was also seen in the stock market when the floor price was used for a couple of years to halt the fall of the market index amidst economic pressure in the country.

READ MORE ON B3

Tour operators suffer losses as foreigners cancel trips

SUKANTA HALDER

The tour operators in Bangladesh suffered financial losses due to cancellation of pre-scheduled tours by foreign tourists who sought to avoid travelling in fear of violence and unrest centring the quota reform movement.

Industry operators observed that inbound visitors started cancelling their tours from July 18. After that, all their trips till October this year were cancelled.

There is also uncertainty about the prescheduled tours of November and December.

If these tours are cancelled, big losses will be incurred after which it will be very difficult to survive in business, they said.

Operators also said the interest of foreign tourists in Bangladesh had increased due to political stability over the last couple of years but now an image crisis has become a big issue.

Over these circumstances, tour operators have urged the government to bring back stability in the country as soon as possible.

Otherwise, it will take many years to restore the country's image, they said.

Taslim Amin Shovon, chief executive officer of Innoglobe Travel and Tours, said all his company's prescheduled tours from July 18 to October have been cancelled by foreigners.

"I suffered a financial loss of about Tk 8 crore due to this. This is a big loss for a businessman like me," he said, adding that the pre-scheduled tours of November-December have now become uncertain.

Students launched the quota reform movement on July 1 citing that it discriminated against general students seeking to secure public jobs.

READ MORE ON B3

In this file photo, a foreign tourist is seen onboard a vessel bound for the Sundarbans, the world's largest mangrove forest. More than 6.55 lakh foreigners, including holidaymakers, visited Bangladesh in 2023, according to data from Bangladesh Tourism Board. PHOTO: STAR/FILE

China aims to expand FTAs

ANN/CHINA DAILY

China is poised to expand its high-standard free trade zone network, with a focus on accelerating its accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and advancing negotiations with multiple countries, the Ministry of Commerce said on Friday.

Building on the foundation of previous exchanges with all CPTPP members, China will continue to engage in bilateral consultations to drive forward the accession process, said Li Yongjie, the ministry's deputy International Trade Representative, at a news conference held by the State Council Information Office.

The country is also committed to expeditiously concluding the Version 3.0 China-ASEAN Free Trade Area and negotiating or upgrading FTAs with countries such as Honduras, El Salvador and New Zealand, Li said.

Furthermore, China will intensify efforts to promote the China-Japan-Korea FTA, as well as free trade cooperation with the Eurasian Economic Union, Norway, Switzerland and Bangladesh, among others, Li added.

The goal is to conclude FTAs with more willing countries and regions, aiming to increase the trade volume with FTA partners to around 40 percent of China's total foreign trade by 2030, Li said.

Prime Bank, Affix Universe strike deal on payroll banking

Md Mokaddasur Rahman Sarkar Masum, managing director of Affix Universe Limited, and Md Nazeem A Choudhury, deputy managing director of Prime Bank, pose for photographs after signing an agreement on payroll banking at the bank's corporate office in the capital's Gulshan recently. PHOTO: PRIME BANK

STAR BUSINESS DESK

Prime Bank recently signed a payroll banking agreement with Affix Universe Limited, a Narayanganj-based leather goods manufacturer.

Md Nazeem A Choudhury, deputy managing director of the bank, and Md Mokaddasur Rahman Sarkar Masum, managing director of the leather goods manufacturing company, penned the deal at the bank's corporate office in the capital's Gulshan, according to a press release.

Under the agreement, the bank will extend exclusive benefits to Affix's employees, including preferential offers in accounts, credit cards, loans, and digital banking solutions.

These offerings empower employees with enhanced financial flexibility and seamless banking experiences.

Md Wasiul Alam, head of branches distribution network of the bank, Anup Kanti Das, head of payroll banking, Md Enamul Kabir, regional head of branches distribution network, and Md Nesar Uddin Rony, executive director of the leather goods manufacturing company, along with other senior officials from both organisations were also present.

Dhaka Bank's interest income grows 46% in first half of 2024

STAR BUSINESS DESK

Dhaka Bank registered 46 percent growth in net interest income (NII) in the first half (H1) of 2024 compared to the same period of 2023.

In the first half of 2023, the bank's NII stood at Tk 253.08 crore compared to Tk 369.390 crore in H1 of 2024. The rise in NII also impacted operating profit, which displayed 62 percent growth over the period to hit Tk 197.65 crore.

Total operating income grew 39 percent to Tk 240.12 crore. The bank's net profit has grown by 15 percent year-on-year.

Its earnings per share hit Tk 1.52 in H1 2024 compared to Tk 1.33 in the same period of 2023, representing 15 percent growth.

The bank also declared a 10 percent cash dividend for the year that ended on December 31, 2023.

Three percent growth was also reported in the net asset value per share (Tk 21.98 in the first half of 2024 and Tk 21.33 in the same period of 2023), as per a price sensitive information disclosure.

According to the unaudited financial statements for H1 2024, the bank's overall balance sheet grew 10 percent.

With regards to compliance of regulatory capital, the bank's eligible total capital was Tk 3,658 crore as of June 30, 2024, whereas it was Tk 3,500 crore as of December 31, 2023. It shows a 5 percent growth in total eligible capital.

Capital to risk weighted assets ratio as per BASEL III was 14.92 percent against requirement of 12.50 percent, including 2.5 percent capital conversion buffer.

Concord Architects & Interior Decor, Este Aesthetic Hospital sign MoU

STAR BUSINESS DESK

Concord Architects and Interior Decor Limited recently signed a memorandum of understanding (MoU) with Este Aesthetic Hospital Limited, aiming to enhance the hospital's environment to ensure an aesthetically pleasing and patient-friendly space.

Mohammed Faisal, managing director of the hospital, and Anup Kumar Sarkar, chief marketing officer of Concord Group, penned the MoU at the latter's corporate head office in the capital's Gulshan, the company said in a press release.

Concord Architects & Interior Decor is one of the leading names in the architectural and interior designing sector while Este Aesthetic Hospital is a healthcare provider specialising in aesthetic and cosmetic treatments.

The signing ceremony marks the beginning of a strategic partnership between the two organisations.

Other senior officials from both organisations attended the signing ceremony.

Mohammed Faisal, managing director of Este Aesthetic Hospital, and Anup Kumar Sarkar, chief marketing officer of Concord Group, pose for photographs after signing a memorandum of understanding at the latter's corporate head office in the capital's Gulshan recently. PHOTO: CONCORD GROUP

Mohon Miah becomes AMD of Standard Bank

STAR BUSINESS DESK

Mohammad Mohon Miah has recently been appointed as additional managing director of Standard Bank.

Currently, Mohon is serving as the managing director and chief executive officer (acting) of the bank, according to a press release.

He was appointed as the head of the bank's Islamic banking conversion project in 2020. Under his leadership, Standard Bank successfully transformed itself into a full-fledged Shariah-based Islami Bank on January 1, 2021. He previously worked at Islami Bank Bangladesh as deputy managing director and head of corporate investments.

He has more than three decades of experience in the banking sector, working in different capacities, including head of branch and zone, head of business development and chief risk officer.

Mohon started his career as a probationary officer in 1985.

US hiring slows

Unemployment highest since 2021

AFP, *Washington*

The US jobs market cooled much more than expected in July with unemployment reaching its highest rate since 2021, government data showed Friday, fueling calls for interest rate cuts as high levels bite.

The world's biggest economy added 114,000 jobs last month, down from June's revised 179,000 figure, said the Department of Labor.

The jobless rate rose to 4.3 percent, the highest since October 2021, according to government data.

"Today's report shows employment is growing more gradually at a time when inflation has declined significantly," said President Joe Biden in a statement.

But former president Donald Trump's campaign took aim at elevated costs of living and the rise in unemployment as he seeks another White House term, saying "America's working families are hurting."

The report brings the Federal Reserve closer to its first rate cut after the pandemic -- with the economy cooling and inflation moving towards officials' two percent target.

But some economists caution the central bank may have to take stronger policy action in the coming months.

Wall Street stocks slid further into the red on Friday with the tech-heavy Nasdaq index dropping as much as three percent after the employment report.

While analysts have raised concern of the US economy triggering an early recession indicator, Oxford Economics chief US economist Ryan Sweet cautioned that "this cycle is unique."

In recent times, unemployment edged up as more people entered the labor force. This marks less of a risk that a vicious cycle of rising jobless rates leads to income loss -- and further employment cuts, he told AFP.

In July, average hourly earnings rose less than analysts expected by 0.2 percent to $35.07, the Labor Department said.

On a year-on-year basis, wage growth slowed to a rate last seen in 2020.

"Job growth was weak across the board, with small gains or losses across the economy," said Mortgage Bankers Association chief economist Mike Fratantoni.

He added that the slowing in the market was consistent with trends elsewhere such as increases in initial claims for unemployment insurance and signs of contraction in manufacturing.

"Employment continued to trend up in health care, in construction, and in transportation and warehousing, while information lost jobs," said the Labor Department.

Government employment, which slowed in recent months, was little changed in July.

"There are signs that momentum is waning," said KPMG chief economist Diane Swonk about public sector hiring in a recent note.

Senator Elizabeth Warren, a leading progressive, said Fed Chair Jerome Powell "made a serious mistake not cutting interest rates" in the central bank's most recent meeting.

"The jobs data is flashing red," she added in a social media post.

Nationwide chief economist Kathy Bostjancic warned the July report's "across-the-board weakness" feeds the view that the Fed is late to easing monetary policy.

"The bond market is pricing in much more aggressive rate cuts" of at least 100 basis points by year-end, she added in a note.

Sweet told AFP that a 25 basis points cut in September "is essentially a done deal," with chances shifting toward three instead of two cuts this year.

Recruiters speak to jobseekers during a job fair in Florida, US. The world's biggest economy added 114,000 jobs last month, down from June's revised 179,000 figure. PHOTO: AFP/FILE

US keeps Vietnam

FROM PAGE B4

Department of Commerce still has not recognized Vietnam as a market economy country," it said in a statement.

Vietnam has long argued it should be freed of the non-market label because of recent economic reforms, and it has said that retaining the moniker is bad for increasingly close two-way ties that Washington sees as a counterbalance to China.

Opponents of an upgrade have countered that Hanoi's policy commitments have not been matched by concrete actions and it operates as a planned economy governed by the ruling Communist Party. They say Vietnam is increasingly being used as a manufacturing hub by Chinese firms to circumvent US curbs on imports from China.

A 284-page Commerce memo explaining the decision said it was taken despite Vietnam's "impressive reforms and economic growth."

Washington has worked hard to foster closer ties with Vietnam in the face of growing strategic competition with China and the issue of whether to upgrade Vietnam has been awkward given the approaching US election in November and claims by each side that they stand for worker rights.

Some analysts said before the announcement a failure to upgrade Vietnam could be negative for US-Vietnam relations.

"Vietnamese leaders have seen this decision as an important benchmark in their improving relationship with the U.S. and the achievement of normalization between the two countries," said Edmund Malesky, a professor of political economy and director of the Duke Center for International Development.

Murray Hiebert, a senior associate of the Southeast Asia Program at Washington's Center for Strategic and International Studies, called the decision "ridiculous."

"Vietnam's market is as free as many others not on the NME list," he said, adding that the decision seemed "out of whack" with US President Joe Biden's visit to Hanoi last year, when the two sides elevated ties to a comprehensive strategic partnership.

US Treasury Secretary Janet Yellen has also promoted Vietnam as a "friend-shoring" destination to shift US supply chains away from China.

Hosuk Lee-Makiyama, director of the Brussels-based European Centre for International Political Economy, said that even if the Biden administration were to have taken the politically risky step of upgrading Vietnam, it would have been a pyrrhic victory given that any future Trump administration was certain to reverse it.

Nazak Nikakhtar, a former Commerce Department official in the Trump administration now with the Wiley Rein law firm, said the decision reflected "ample" evidence from industry groups "that Vietnam's economy has not transformed to the extent that would warrant treatment as a market economy."

"Ignoring distortions in the economies of trading partners is unfair and prejudicial against American interests," she said.

China's stuttering recovery

FROM PAGE B4

The sluggish growth was also evident in underwhelming results from luxury goods makers LVMH and Gucci-owner Kering and profit warnings from Burberry and Hugo Boss.

"The world was surprised at how weak China was economically as this year unfolded," said Marc Casper, CEO of medical equipment maker Thermo Fisher.

Meanwhile, foreign automakers from Tesla to BMW, Audi and Mercedes, are locked in an intense price war in China after ceding market share to domestic EV makers, led by BYD, who offer high-tech, low-cost models.

To be sure, the MSCI World with China Exposure Index , which tracks 52 companies with high revenue exposure to China, is up 11.6 percent this year, not far off a 12 percent rise in MSCI's broad gauge of global stocks.

However, most of the China-focused index's performance is thanks to a surge in semiconductor stocks, including Broadcom and Qualcomm, which have benefited from AI-driven demand.

Mounting Sino-US trade tensions and certain domestic policies have added to multinational companies' woes.

Beijing's anti-corruption campaign that began last year has caused disruptions that partly prompted GE HealthCare to lower its revenue growth forecast and sparked concerns over sales of Merck's Gardasil vaccine.

Meanwhile, tighter US export curbs on sharing high-end chip technology with China are impeding chipmakers from serving one of the largest markets for semiconductors.

Qualcomm said it took a revenue hit from the US curbs on exports to China, overshadowing its otherwise upbeat forecast on Wednesday.

Analysts said the pressures are unlikely to ease soon.

"It has been a surprise that (the slowdown) has lasted so long," said Stuart Cole, chief macroeconomist at Equiti Capital.

"Once the Covid restrictions were lifted the general expectation was that China would bounce back. But the Chinese pace of expansion we saw previously will not be seen any time soon."

Bangladesh exported garment items worth $38 billion in 2023, according to the World Trade Organization, while China shipped apparel items worth $165 billion, holding 31.6 percent of the global market share.
PHOTO: STAR/FILE

Bangladesh still 2nd biggest apparel exporter despite data fix

STAR BUSINESS REPORT

Bangladesh has retained the second position in global garment trade with a 7.4 percent market share although the country's exports amounted to $9 billion less than the estimates of the Export Promotion Bureau (EPB), according to World Trade Organization.

The WTO in its flagship "World Trade Statistics 2023" released on July 31 said Bangladesh exported garment items worth $38 billion in 2023, but the nation's public overseas trade promotion council, the EPB, mentioned the amount to be $47.38 billion.

However, the EPB later corrected the figure while Bangladesh Bank (BB) said the export figure was inflated due to double counting by the EPB and the customs department of the National Board of Revenue (NBR).

China remained the top garment exporter worldwide with the shipping of $165 billion worth of apparel items, holding 31.6 percent of the global market share, according to the WTO.

Vietnam was in the third position exporting $31 billion worth of garment items in 2023, grabbing a 6 percent global market share.

The WTO said Bangladesh exported garment items worth $38 billion in 2023, but the nation's trade promotion council, the EPB, mentioned the amount to be $47.38 billion

Turkey, with $19 billion in exports, stood fourth with a 3.6 percent market share while India became the fifth largest garment exporter by exporting $15 billion garments in 2023 with a 3 percent market share.

Indonesia, with a 1.6 percent of the global garment market share, exported goods worth $8 billion in 2023.

In 2023, world trade in goods and commercial services fell on an average by 2 percent to $30.5 trillion, on a balance of payments basis, the WTO said.

Trade in goods declined by 5 percent whereas services trade took an opposite trajectory, increasing by 9 percent.

As a result, the share of goods in global trade decreased from 77.8 percent in 2022 to 75.3 percent in 2023 while the share of services reached 24.7 percent, up from 22.2 percent.

The global supply chain experienced volatility last year because of the severe fallouts of Covid-19, Russia-Ukraine war, high inflationary pressure on Western consumers, labour unrest demanding a wage hike for garment workers, Red Sea crisis and an exorbitant rise in freight charges.

Apple logs higher sales

AFP, *San Francisco*

Apple's quarterly profit rose from a year ago, the company said Thursday, besting analyst forecasts and giving its shares a boost in after-hours trading.

The iPhone maker reported a $21.4 billion profit in the three months ending in June, on $85.8 billion in revenue over the period.

The revenue is a new record for the June quarter, and a five percent jump from a year ago, CEO Tim Cook said in a statement.

Cook added that the company looks forward to sharing new tools involving Apple Intelligence with users -- referring to its suite of AI features.

Apple has been under pressure to win over doubters on its artificial intelligence strategy after Microsoft and Google rolled out products in swift succession.

Dollar hits four-month low

REUTERS, *New York*

The US dollar dropped to a four-month low on Friday after a weaker-than-expected employment report for July raised expectations that the Federal Reserve will cut interest rates by 50 basis points in September as the economy sours.

Employers added 114,000 jobs, below expectations for an increase of 175,000. The unemployment rate rose to 4.3 percent, above economists expectations that it would be unchanged on the month at 4.1 percent.

Traders are now pricing in a 71 percent probability that the Fed will cut rates by 50 basis points in September, up from 31 percent before the data was released and from 22 percent on Thursday, according to the CME Group's FedWatch Tool.

A cut of at least 25 basis points is fully priced in for September and 116 basis points of easing is now expected by year-end.

"This is what a growth scare looks like. The market is now realizing that the economy is indeed slowing," said Wasif Latif, president and chief investment officer at Sarmaya Partners in Princeton, New Jersey.

The dollar index was last down 1.1 percent at 103.21 and got as low as 103.12, the lowest since March 14. It is the largest one-day percentage drop since November.

Treasury yields also tumbled, with interest rate sensitive two-year yields dropping as low as 3.845 percent, the lowest since May 2023, and benchmark 10-year yields reaching a low of 3.79 percent for the first time since Dec 27.

The dollar index was last down 1.1 percent at 103.21 and got as low as 103.12, the lowest since March 14. It is the largest one-day percentage drop since November

The US Labor Department said that Hurricane Beryl, which made landfall in Texas on July 8, had "no discernible effect" on the jobs data, discounting one theory that may have explained the weakness.

"There's no silver lining anywhere as far as I can tell. They say they didn't have any kind of hurricane effects, and if they did, it's not enough to offset the degree of softness that we're seeing," said Steve Englander, head of global G10 FX research at Standard Chartered's New York Branch.

Some economists, however, were not convinced that Beryl had no impact, and saw some spots of brightness in Friday's jobs data.

The Fed kept interest rates unchanged at the conclusion of its two-day meeting on Wednesday and Fed Chair Jerome Powell said that interest rates could be cut as soon as September if the US economy follows its expected path.

Chicago Fed President Austan Goolsbee said on Friday the US central bank should move in a "steady" way, a mild pushback against the market pricing for rate cuts.

Softer jobs data, a weak manufacturing report and some disappointing corporate outlooks in recent days have increased fears that the economy is worsening at a faster pace.

But despite Friday's weak jobs report, Englander notes that "most of the other indicators are not consistent with a really sharp slowdown at the moment... Everything is soft, but nothing is catastrophically soft."

Unrest hits

FROM PAGE B1

Firoze Mohammad, chief operating officer of Apex Footwear, said sales dipped since the second half of July.

"Sales usually decline during this type of situation," he said. "Customers are not in the buying mood in such times."

Helal Uddin, president of the Bangladesh Shop Owners Association, said businessmen are enduring a very tough time.

"There are almost no customers although our stores are open."

Abu Obayed Rony, owner of Fire Fashion, a retailer of readymade clothes at Noorjahan Super Market in the New Market area, said his daily sales stood at Tk 3,000 to Tk 4,000 in the last two weeks.

"When everything remains normal, we can log about Tk 30,000 in daily sales."

A senior official of ACI Motors said, "We thought business would return to normal in a short time. But now it is tough to predict how long it will take for the situation to become normal."

Deepening political crisis

FROM PAGE B1

For instance, the European Union (EU), Bangladesh's largest export destination, has already said it will not further negotiate with Bangladesh on a cooperation agreement in light of the present situation, which saw the deaths of at least 204 people, including students.

"We are apprehensive that garment workers may also be called to be involved in the movement," said former BGMEA President Md Shafiul Islam Mohiuddin.

Adding that hundreds of shipments could not be delivered on time, Mohiuddin said: "Altogether, we are in bad shape."

The garment sector, which was already struggling to recover from the severe fallouts of the Covid-19 pandemic, Russia-Ukraine war, Red Sea crisis and historic inflationary pressures on Western consumers, is now facing a domestic political crisis, he added.

Many have had to opt for expensive air shipments and provide discounts as they failed to ship goods timely due to a disruption in production following the internet blackout and shutdown of factories, he added.

"The biggest loss is the damage to the reputation of Bangladesh as a good supplying country. The country is now perceived as weak by international retailers and brands," said a European garment buyer, asking not to be named.

However, he added that his company was still booking work orders for upcoming seasons as factories are still operational.

He also said his company faced a shipment crisis as operations at the Chattogram port were moving at a snail's pace due to the internet disruption but added that shipments were now taking place smoothly.

He added that they would face further difficulties in shipment and placing work orders with local suppliers if the situation does not improve.

"My officers were sent to Chattogram to monitor the shipment problem as production was delayed, but they cannot return now in Dhaka," said a medium-level garment supplier, asking not to be named.

"The situation of booking work orders for next season is quite bad since I could not communicate with my buyers during the internet blackout," the factory owner added.

Arshad Jamal (Dipu), chairman of Tusuka Group, said the garment business is between two seasons as it is the peak time for the booking of work orders for next summer and spring as well as the peak time to send shipments ahead of Christmas.

He added that buyers were not willing to compromise on lead times.

Furthermore, the Red Sea crisis has also created a barrier to the timely shipment of goods.

Since October last year, international commercial vessels have had to travel an additional 3,500 kilometres around the Cape of Good Hope in Africa because of Houthi attacks along the Suez Canal, the main waterway between Asia and Europe.

This increased freight costs for international clothing retailers and brands.

Tour operators suffer losses

FROM PAGE B1

The demonstrators started to stage sit-ins on the roads in different areas blocking traffic since July 15 and law enforcers later tried to disperse them by force, causing the movement to turn chaotic and violent.

The government slapped the curfew for an indefinite period from midnight of July 19 and deployed the armed forces to contain violence.

The Daily Star found that more than 204 lives have been lost in the violence since July 16.

However, the organisers of the Anti-Discrimination Student Movement yesterday announced a single-point demand for the resignation of Prime Minister Sheikh Hasina and her cabinet members.

Mahadi Hasan, chief executive officer of Bangladesh Eco Adventure, which was founded in 2016, said seven of their tours were cancelled from July to August.

Due to this, the company suffered a financial loss of about Tk 2 lakh, he said, adding that now there was apprehension over whether foreign tourists would decide against visiting Bangladesh.

Because if the tourists do not come to Bangladesh during the November-December period, the business situation will be very bad for the sector, he said.

It will be very helpful if the government starts working on the issue from now so that the image crisis is resolved quickly, he added.

"My company has four tours in November. Its value is like Tk 1.5 crore. These tourists will come from Belgium, Taiwan and Poland. If these tours are cancelled, we will be in big danger for the whole year," Hasan said.

Syed Sajjat Hossain Mahmud, chief executive officer of Deshghuri.com, which was founded in 2013, said they were expecting 20 foreign tourists to arrive from seven countries between August 3 and August 7.

But they cancelled the trip and this caused a loss of about Tk 8 lakh, he said.

Then another tourist group was supposed to come from Hong Kong and that trip too was cancelled. As a result, there was a loss of more than Tk 2 lakh, he said.

"There is another tour in September when eight tourists are expected to come. But the situation that I see, they are likely to cancel it," he said, adding that it takes a long time to confirm a tour.

"You must do a lot of campaigning. Then when it is cancelled, the matter is lost from all sides," he added.

Shiblul Azam Koreshi, a former president of the Tour Operators Association of Bangladesh, said he met the civil aviation and tourism minister on Thursday and highlighted the current crisis and uncertainty in their sector.

"I have requested him to involve the foreign affairs ministry and take necessary steps so that the situation normalises as soon as possible," he said.

Bangladesh is home to the world's longest sea beach as well as the world's largest mangrove forest alongside numerous places of outstanding natural beauty.

But despite its potential, the country still could not explore the global markets and attract foreign holidaymakers.

Even 53 years after its independence, Bangladesh's tourism sector lags behind many South Asian countries.

More than 6.55 lakh foreigners, including holidaymakers, visited Bangladesh in 2023, according to data of the immigration wing of Bangladesh Police provided by Bangladesh Tourism Board (BTB).

Most of these visitors were from India, the UK, the US, the UAE, China, Saudi Arabia, Australia, Canada, Italy, the Netherlands, Turkey, Russia and Japan, said the BTB.

Internet outage

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Ultimately, it had a negative impact on investors and the index dropped when the floor price was eventually withdrawn.

If the government tries to cover up or hide the reality, the scenario gets exposed by a massive proportion once the barrier is removed.

So, the government should not intervene in hiding the reality and instead work for bringing peace to the country and stability to the economy.

Mamun Rashid, an economic analyst and a former banker, said business process outsourcing (BPO) is a very competitive market while Bangladesh's young generation was acquiring the market nicely.

"The government's support also helped the outsourcing sector. But the recent internet blackout spooked the industry very badly," he said.

This industry needs regular involvement of people so any disruption to the internet hits the activities and it impacts the buyers, he said.

Many of the service providers had to immediately go to neighbouring countries to continue their activities so that buyers do not get to feel the impact of the internet blackout, he said.

If the buyers observe that the internet disruption occurs frequently, the work order can be diverted to other countries, he said.

An exporter informed that his buyer already diverted around 40 percent of import orders to other countries like Cambodia and Indonesia, he said.

If the internet service in Bangladesh is tagged with the word "unpredictable", many other buyers also will turn away to other countries, he added.

A top official of a leading LEED-certified garment factory, preferring anonymity, said he earned a reputation for shipping products timely by putting in the effort for years.

But the recent instability had impacted his shipping. Although his factory was closed for several days during the curfew in mid-July, he had to send products through air shipments which is costly, he said.

On the other hand, he fears that the situation in the country may deteriorate further, which would hamper their activities further. If it continues, the buyers will turn to other options, he said.

"Why will they place orders with us when they have enough options in many other countries?" he asked.

Garment buyers were not affected that much by the social media shutdown on Friday because it did not disrupt their communication. But this was nothing positive for them, he said.

So, the government should work with the protesters to stabilise the situation as early as possible. Otherwise, the garment sector will be impacted, which may negatively impact the economy, which is already under stress, he added.

Ctg port choked by Kamalapur ICD-bound containers

MOHAMMAD SUMAN, *Chattogram*

The Chattogram Port is now facing a congestion of containers bound for Kamalapur Inland Container Depot (ICD) because of the suspension of transport through railway wagons since July 18 for countrywide violence and curfew centring the government job quota reform movement.

The port's yard is currently grappling with 2,346 TEUs (Twenty-foot equivalent units) of Kamalapur ICD-bound containers, much higher from its capacity of 876 TEUs, the port officials said.

The congestion is not only causing financial losses for the importers, but also disrupting the port's regular operations, they said.

Meanwhile, Bangladesh Railway began transport through railway wagons on a limited scale on August 2, but the port authorities and importers said this would not be enough to ease the congestion.

The port's yard is grappling with 2,346 containers bound for Kamalapur ICD, much higher than its capacity of 876 TEUs

On the same day, the port authorities wrote a letter to the railway authorities with the request to increase the number of wagons and ensure container transport under police protocol, Chattogram Port Secretary Omar Farque told The Daily Star.

Demands were also placed to make sure at least 200 TEUs of containers—up from the existing 80-100 TEUs—are transported daily from the port, the number of railway engines are increased and wagons designed for transporting containers are added.

The containers destined for Dhaka ICD are first stored at the port's ICD yard before being transported to the Kamalapur ICD by railway wagons, the letter read.

It is impossible now to bring new containers to the port because of the yard's limited storage capacity, it said.

"Wagon services commenced on a limited scale last Friday and we are now working to expand them gradually. I am hopeful that this situation will improve within a few days," said Shahidul Islam, chief operating superintendent of Bangladesh Railway (east).

PHOTO: ANISUR RAHMAN

Rising house rent piles pressure on low-income people

MD ASADUZ ZAMAN *and* SUKANTA HALDER

Accommodation costs in Bangladesh have risen further amid persistently high inflation during the April-June period this year, placing an additional burden on many of the country's middle and lower-income people.

The House Rent Index (HRI), which measures house rent growth on a quarterly basis, rose to 5.88 percent in the last three months of fiscal 2023-24, up by 0.04 percentage points from the January-March period.

Compiled by the Bangladesh Bureau of Statistics (BBS), the HRI takes into account the cost of rent across three categories of households, namely concrete (pucca), corrugated iron sheet (semi-pucca) and mud houses (katcha and jhupri).

The concrete house category saw the highest rent growth during this year's April-June period, with its related index number rising by 5.51 percent year-on-year to 113.63, as per HRI data.

Similarly, the corrugated iron sheet segment saw its index number rise 6.48 percent year-on-year to 116.14 at the same time.

House rent is included in the non-food category of the consumer price index, according to the BBS.

But with commodity prices also spiralling upwards, the growing house rent is putting pressure on low and fixed-income groups that are already grappling with inflationary pressure.

Momota Rani, a resident of Mirpur in Dhaka, said her rent was hiked by Tk 1,700 per month in April.

"But our income hasn't increased in line with the growth of grocery and other household expenses amid high inflation over the past year," she added.

Against this backdrop, Momota said the hike in house rent came as an extra burden that forced her to slash her family's Tk 8,000 monthly grocery budget by Tk 1,000.

"I am now very careful with other expenses," Momota added.

Momota also informed that as per the agreement with her landlord, the rent was not supposed to be increased until April 2025.

"But he already increased the rent citing the persisting high inflation," Momota said while adding that renters are often asked to vacate their houses if unable to meet the rent.

"Our income hasn't increased in line with the growth of grocery and other household expenses amid high inflation over the past year," says Momota Rani, a resident of Mirpur

"And even if you want to leave, it is difficult to find suitable housing in Dhaka," she told The Daily Star.

Khalid Hasan, a graduate of the Bangladesh University of Engineering and Technology residing in Dhaka's Lalbagh, said he and his roommates had to pay Tk 21,600 per month to rent a three-room flat in 2023.

But after the rent was hiked by Tk 2,000 in January this year, Khalid and his roommates were forced to leave and rent a smaller apartment that suited their financial capacity.

"I have to live on the money I earn from providing private tuition. So, the higher cost of daily essentials and rent forced us to cut our expenses," he said.

Besides, the higher house rent is forcing many limited and middle-income households to sublet their spare rooms and share costs.

According to the Bangladesh Sample Vital Statistics of the BBS, more than two lakh households across both city corporations of Dhaka were sublet in 2022.

Also, the annual report on demographic data compiled by the state-run statistical agency showed that 70,000 of these households were sublet for the first time.

As such, the number of subtenants in Dhaka rose by 2.73 percentage points to 7.64 percent of the city's population, indicating that more people were cutting their expenses to battle the inflationary pressure. Inflation in Bangladesh has hovered above 9 percent since March last year.

Likewise, the number of sublessors in Dhaka rose by 0.15 percentage points to 2.05 percent of the population, which stood at 1.02 crore in 27 lakh households, as per the Population and Housing Census 2022.

At the divisional level, Sylhet has the highest concentration of subtenants, with 6.8 percent of its population sharing their homes, while Dhaka and Barishal follow with 4.2 percent each.

The data also shows that the practice of subletting is highest in urban areas.

SM Nazar Hossain, vice-president of the Consumers Association of Bangladesh, said property owners are raising the house rent at will even in this time of high inflation.

Hossain said homeowners can take advantage of how the demand for houses in Dhaka exceeds supply to quote higher rent.

This is because although the Premises Rent Control Act was enacted three years ago, there is no implementation of the law.

"If the act is enforced, then rent costs could be somewhat controlled," he said, adding that the government should play an effective role in this regard.

How can we ensure discipline in banking sector?

MAMUN RASHID

My friend who is an apparel exporter received a call from his Spanish buyer over the weekend. He was told that the buyer who makes large-scale purchases is diverting 40 percent of the orders to Cambodia and Indonesia, showing the cause to be a possible production disruption and shipment delays in Bangladesh. The buyer also enquired how his bank was doing, whether he was able to timely open letters of credit for accessories and settle payments as well as get adequate liquidity support from his bank.

Over the last few years, the overall health of our banking sector deteriorated and there is a possible liquidity crunch in some banks which is leaving a bad impact on good, SME and new borrowers. There is a clear nepotism working in the banking sector -- the regulators supporting the weak and dicey banks more than the strong and reputed ones. Additional liquidity from the central bank is being diverted to the banks owned by specific family or interest group. Increasing bad or doubtful loans is heavily impacting banks' internal cash generation and curbing their ability to extend fresh loans to young or small entrepreneurs.

The World Bank's (WB) recent observation about non-performing loans (NPLs) and its connection to politically motivated lending in Bangladesh is not at all a surprise. Development partners and most stakeholders, have repeatedly warned about the risks of bending banking rules to lend to politically connected special interest groups, which has led to default loans soaring. Experts too have called attention to this issue over the years to no avail.

Consequently, there has been a 20.7 percent increase in NPLs from 2022 to 2023, amounting to a total NPL of Tk 145,633 crore in December 2023, with almost half belonging to state-owned banks. When the present government assumed office in 2009, the NPL figure was Tk 22,481 crore. Over the last one and a half decade, while private commercial banks mushroomed from 30 in 2008-2009 to 43 in 2024, NPLs grew by more than six times. Loans were extended without proper due diligence over risks, lending and recovery rules were bent or relaxed, and the independence of regulatory bodies further compromised all to favour certain politically linked borrowers, many of whom later became defaulters. Meanwhile, no big defaulter has been brought to book also.

A recent WB report rightly pointed out, honest borrowers and businesses are bearing the brunt of the NPL burden, as interest rates continue to rise and ailing banks face liquidity crisis. Despite repeated warnings, no effective measures have been taken to rectify the poor governance, weak market discipline and low capital buffers in the banking sector. Capital adequacy ratio in Bangladesh's banking sector is in fact one of the lowest in South Asia, which means that in the face of unexpected losses, many banks may not have adequate capital to meet their obligations to depositors and creditors. Recent Moody's and S&P downgrades possibly reflect the situation well.

Unfortunately, the effort spent to understate NPLs by using poor accounting and disclosure standards and regulatory forbearance, was absent in the government's initiative to properly address the vulnerabilities of the financial sector. Before we thrust ourselves to a point of no return, the government must heed expert advice and warnings by the WB and other international financial institutions like IMF and put an end to political consideration in lending and default loan recovery. Lastly, authorities must ensure the autonomy of the central bank, not only on paper but in actual terms, upgrade its supervisory and regulatory capacity to fix the problems of the banking sector, and ensure that banks in the country are adhering to internationally accepted prudential guidelines and banking standards.

Without ensuring minimum discipline in the banking sector, I don't think any country can make its growth journey sustainable and financing inclusive. Bangladesh can't be an exception.

The writer is the chairman of Financial Excellence.

US keeps Vietnam as non-market economy

REUTERS, *Washington/Hanoi*

The US Commerce Department announced on Friday it will continue to classify Vietnam as a non-market economy country, a decision disappointing to Hanoi, which the US has been wooing in its efforts to push back against China.

Vietnam has long sought an upgrade, which would have reduced the punitive anti-dumping duties levied on non-market economies marked by heavy state influence. Only 12 other economies are labeled as non-market by Washington, including China, Russia, North Korea and Azerbaijan.

A change in status has been opposed by US steelmakers, Gulf Coast shrimpers and honey farmers and members of the US Congress representing them, but backed by retailers and some other business groups.

"Today, the US Department of Commerce announced its determination that Vietnam will continue to be classified as a non-market economy country for purposes of calculating US antidumping duties on imports from Vietnam," the department said in a statement, after a year-long review.

"This finding means that the methodology used in calculating US antidumping duties on imports from Vietnam remains the same," it said.

Vietnam's Ministry of Industry and Trade said upgrading Vietnam would have been an objective and fair move.

"Vietnam regrets that despite several positive improvements in the Vietnamese economy recently, the US

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China's stuttering recovery darkens global corporate growth outlook

REUTERS

Global burger chains to car manufacturers are increasingly feeling the pinch from a faltering recovery in the world's No. 2 economy, China, and are strapping in for a bumpy ride ahead.

A protracted downturn in the property market and high levels of job insecurity have knocked the wind out of a fragile recovery in China, a global trading powerhouse, and the effects of its slowdown can be felt across borders.

Coffee chain Starbucks, carmaker General Motors and technology firms hurt by curbs on exports to China are among those that have sounded the alarm on weakness in the nation. The Chinese government's stimulus measures have so far failed to boost consumption, and the overleveraged property market has made consumers less likely to spend.

"It's a difficult market right now. And frankly, it's unsustainable, because the amount of companies losing money there cannot continue indefinitely," General Motors CEO Mary Barra said last week as the automaker's division in China shifted from being a profit engine to a drain on its finances.

China's $18.6 trillion economy grew more slowly than expected in the second quarter, and cautious households are building up savings and paying off debts. Retail sales growth sank to an 18-month low in June, and businesses cut prices on everything from cars to food to clothes.

In a bid to stem the rot, China outlined stimulus directed at consumers last month to support equipment upgrades and consumer goods trade-ins, but that has not allayed concerns.

US stocks plummeted for second straight session on Friday, and the Nasdaq confirmed it was in correction territory, after a soft jobs report stoked fears of an oncoming recession.

PHOTO: REUTERS/FILE

A woman leaves a cafe of Starbucks Coffee in Beijing, China. Coffee chain Starbucks, carmaker General Motors and technology firms hurt by curbs on exports to China are among those that have sounded the alarm on weakness in the nation.

Some analysts have warned that barring a structural shift that gives consumers a greater role in the economy, the current path fuels risks of a prolonged period of near-stagnation and persistent deflation threats.

"There is a deep concern that Beijing is not introducing the kind of stimulus that helps broaden the economic base," said Quincy Krosby, chief global strategist for LPL Financial.

"It's becoming more difficult for US companies to look to the Chinese market as a reliable partner."

China remained a drag on Apple last quarter. The iPhone maker's sales declined a much steeper-than-expected 6.5 percent in the country, which accounts for a fifth of its total revenue.

French cosmetics giant L'Oreal said the Chinese beauty market will remain slightly negative into the second half of 2024 with no visible improvement in sentiment.

Other consumer companies' sales have been hurt as well, including Starbucks, McDonald's and Procter & Gamble, while soft domestic travel demand prompted a revenue warning from Marriott.

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