

Star BUSINESS

Students got it done through a popular uprising. They have broken the monopoly of political power. What now?



Write-up on B4

BB may hike policy rate again to curb inflation

REJAUL KARIM BYRON

The Bangladesh Bank may increase the policy rate for both local and foreign currencies in a bid to reduce inflation and increase international reserves.

Newly appointed central bank governor Ahsan H Mansur raised the issue on Wednesday during his first meeting with Salehuddin Ahmed, finance adviser to the interim government, a finance ministry official said.

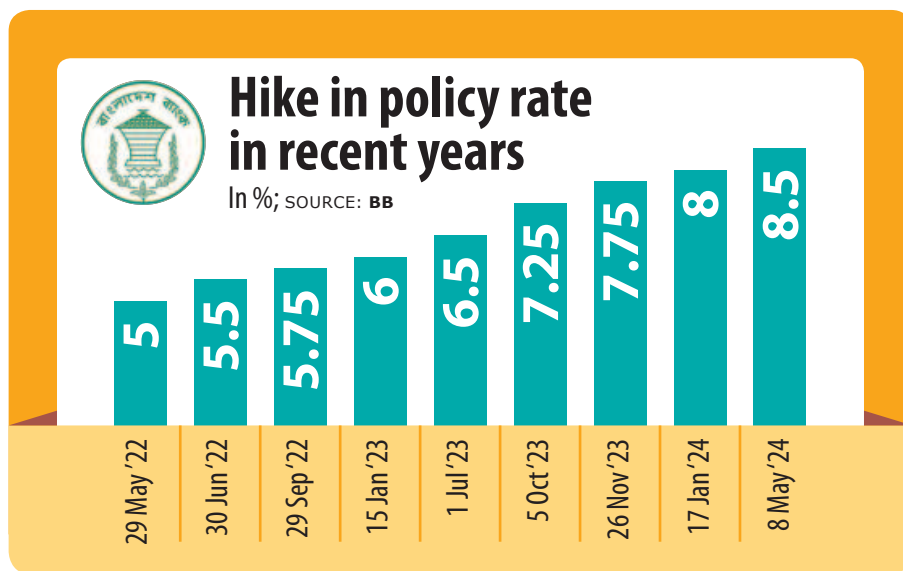
The finance adviser was holding a meeting with officials concerned over the prices of essentials. The central bank governor, who was in attendance, took the opportunity to raise the issue of policy rates.

The policy rate, also known as repo rate, is the rate at which the central bank of a country lends money to commercial banks.

Recently, Salehuddin told The Daily Star that the central bank governor has told him they would revisit the policy rates. The governor will work to this end, Salehuddin said, adding that inward remittance may not increase to the expected level if it remains unaddressed.

Economists said the policy rate should be increased further to combat persistent inflation. Annual inflation in Bangladesh rose to 9.73 percent in FY24, the highest since FY12, according to the Bangladesh Bureau of Statistics.

In June, the International Monetary



Fund (IMF) suggested that the central bank hike the policy rate by 50 basis points by this year since its monetary tightening is yet to rein in inflation.

Adding that inflation is still elevated, it said continued monetary policy tightening would be required until it consistently slows down to the central bank's medium-term target range of 5-6 percent.

"The policy rate may need to increase to a peak of 9 percent by the middle of FY25 to tame inflation to 7 percent by the end of the fiscal year and bring it close to

5.5 percent by the end of FY26," the IMF said.

The government assured the IMF that it would tighten the monetary policy further but, when the central bank announced its monetary policy for FY25 in July, it did not change the repo rate.

The central bank has been struggling to contain inflation despite making funds costlier by increasing the benchmark policy rate to unprecedented levels over the past two years.

The BB has raised the policy rate by

more than 400 basis points in two years to 8.5 percent, but inflation has shown no signs of cooling.

The worsening economic crisis has spun off a price shock in terms of the Consumer Price Index (CPI), which includes food and non-food inflation.

The CPI surged to a 12-year high of 9.02 percent in the last financial year, far higher than the historical average.

The trend has continued into the ongoing financial year, with it staying above 9.5 percent, hurting the poor and low-income groups by significantly eroding their purchasing power.

The CPI rose 1.94 basis points to 11.66 percent in July compared to the month prior.

At the same time, Bangladesh has also been under pressure to increase its foreign currency reserves.

One of the main conditions set by the IMF for its \$4.7 billion loan to the country is to maintain foreign currency reserves at a certain level. However, Bangladesh has repeatedly failed to keep the reserves in line with the conditions.

Forex reserves stood at \$20.41 billion on July 31 this year, central bank data showed, down from \$41.7 billion in August 2021.

The reserves had even declined to below \$20 billion, but budget support from different development partners led to an increase.

READ MORE ON B3

Masrur declines to join BSEC

STAR BUSINESS REPORT



In a change of heart, economist and public policy analyst M Masrur Reaz has decided against joining the Bangladesh Securities and Exchange Commission (BSEC) as its chairman.

The Financial Institutions Division of the finance ministry had issued a circular on August 13 informing of

his appointment.

The post had been vacant since Prof Shibli Rubayat-Ul Islam resigned on August 11 after the fall of the Sheikh Hasina-led Awami League government on August 5.

The appointment would have been confirmed had Reaz sent a letter of consent on joining office.

"I am humbled and consider it an opportunity to contribute to the country," he had told The Daily Star after the circular was issued.

"There has been massive corruption in the stock market and my priority is to clean it, bring back good governance and develop the market as a long-term source of financing," he added.

However, in another message yesterday, Reaz, the chairman and founder of research organisation Policy Exchange Bangladesh, said, "Despite my heartfelt appreciation, I have decided not to accept the position of BSEC chairman."

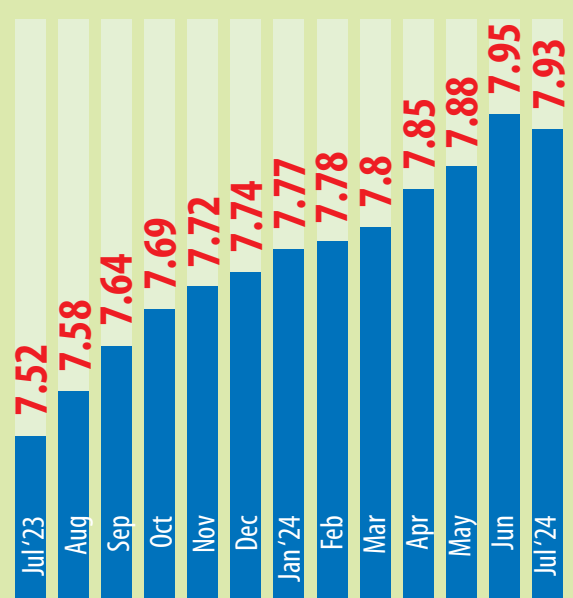
READ MORE ON B3

Wage growth slows after 30 months

Gap between inflation and wage growth hits 10-year high

Trend of wage growth

In %, SOURCE: BBS



MD ASADUZ ZAMAN

Wage growth in Bangladesh fell slightly last month after climbing for 30 months since January 2022, according to official data.

As a result, the gap between the inflation rate and wage growth hit 3.73 percentage points, the highest in at least a decade.

The wage growth of low-paid and unskilled workers declined to 7.93 percent in July while overall inflation was 11.66 percent, showed the Wage Rate Index (WRI) of the Bangladesh Bureau of Statistics (BBS).

Annual inflation hit a 12-year high of 9.73 percent in FY24 and although wage growth has been slowly climbing since July 2021, it has been outpaced by rising prices for the past 30 months, according to data.

The widening gap has forced many low-income and unskilled workers to cut consumption in the face of falling real incomes.

"The trend of high inflation and declining wage growth has jointly pushed low and limited-income groups to the wall," said Mustafa K Mujeri, executive director of the Institute for Inclusive Finance and Development.

"When high inflation persists for

a long time, it will definitely impact the poverty rate and food intake habits," he added.

High inflation, particularly food inflation, has affected the purchasing power of low-income people and forced them to cut back on nutritional foods.

This also reduces coping strategies and gradually narrows opportunities for low-income and low-skilled people, Mujeri said.

The wage growth of low-paid and unskilled workers declined to 7.93 percent in July while overall inflation was 11.66 percent

In July, Bangladesh's worsening economic crisis spun off a price shock, with food inflation crossing 14 percent for the first time in 13 years.

Food inflation hovered above 9 percent since May 2023 and exceeded 9.5 percent in each month of FY24 except February.

The overall wage growth for workers in the agriculture sector decreased to 8.21 percent in July from 8.33 percent the month prior.

Meanwhile, the industrial sector

witnessed wage growth of 7.52 percent, up from 7.42 percent. However, the service sector saw a sharp decline in wage growth from 8.50 percent in June to 8.27 percent.

Professor Mustafizur Rahman, a distinguished fellow at the Centre for Policy Dialogue (CPD), said living standards have declined due to high food inflation.

"Informal sector workers, especially those in urban areas, are the worst victims," he added.

The WRI considers the wages of informal workers, who get paid on a daily basis, across 63 occupations in the agriculture, industry and service sectors.

Division-wise, wage growth rose in Rajshahi, Rangpur, Sylhet, Barishal, Mymensingh and Khulna. On the other hand, it decreased in Dhaka and Chattogram.

Regarding persisting inflation, Mujeri said the former government could not reduce inflation with its monetary policy as it failed to implement the right measures at the right time.

"Implementing a contractionary monetary policy is not enough to fight inflation. There is a need to integrate multiple policies here," he added.

READ MORE ON B3

Your hard-earned money is

Safe with us

Highest AAA credit rating

Our sound governance culture has won us both ICSB and ICMAB gold awards

We are the only Bangladeshi bank to win prestigious Bank of the Year from The Banker 3 times and Euromoney Award 5 times

EBL has been awarded as one of the top ten banks in Sustainability Rating Recognition 2023 by Bangladesh Bank

We are the most awarded bank in Bangladesh

To open online account/ DPS/Fixed Deposit visit:
<https://selfservicehub.ebl-bd.com/>

All Islamic Banking Services in One App

Internet must be declared a basic human right



TAIMUR RAHMAN

The recent internet shutdown disrupted lives and livelihoods across all levels of society. For 10 days, mobile internet services, along with popular communication apps and social media channels, were suspended.

The shutdown nearly brought the communications system to a halt, marking an unprecedented event in the country's telecommunications history. This incident has highlighted critical issues surrounding internet access and the laws that enable the authorities take such arbitrary decisions.

In this age of massive digitalisation driven by state-of-the-art technologies and innovations, the world is heavily dependent on internet and all other digital services supported by internet.

Internet has played a crucial role in turning the whole world into a global village, opening up new windows of opportunities for businesses and industries throughout the world.

Given such scenario, one can easily understand the importance of uninterrupted access to internet or connectivity facilities. Going against the tide, Bangladesh kept internet services suspended for quite some days, which has dealt a heavy blow to public life, industries and service sectors.

Antithetical to the Digital and Smart Bangladesh vision of the former government, this sudden blackout had serious fallout effects. Within the first few days of the blackout, the country's economy incurred a loss of around \$1.2 billion, bringing the local economy to a screeching halt.

As per estimates by the ICT and telecommunications ministry, this sector's loss amounts to around Tk 18,000 crore.

However, the biggest loss caused by this abrupt suspension was not something related to economic factors, rather it's a loss of image at the global stage.

This had a very negative impact on the country's image in the business process outsourcing (BPO) industry and was a devastating blow for the freelancers providing support to many global clients as this happened without any prior notice and no one could give any clarity on the internet restoration.

The news of internet blackout ordered with an intent to muzzle the people and

contain all means of communication hit the headlines in almost all major international dailies with global experts calling it a sheer violation of basic human right.

While many may argue about the acceptance of internet as a human right, it is mentionable that the Universal Declaration of Human Rights (UDHR), adopted by United Nations (UN), recognises internet access as a basic human right.

Article 19 of the UDHR says, "Everyone has the right to freedom of opinion and

the Kerala High Court in 2019 delivered a verdict, declaring the right to access the internet a part of the fundamental right to education and privacy.

Bangladesh is currently at a crossroads as it seeks to attract foreign direct investment (FDI) to sustain its economic growth momentum. The recent internet shutdown sent the wrong signal to everyone, including foreign investors and the telecom operators' parent companies.

They were surprised by the shutdown, especially since internet access is regarded

According to Sections 66 (ka), 97(2) and 97A of the Bangladesh Telecommunication Regulation Act 2001 and Clause 26.03.01 of the Unified licence, telecom operators are obligated to comply with all instructions of the government and law enforcement agencies relating to national security and public safety.

Otherwise, the same shall be considered as a punishable criminal offence for the companies and its officials and may be subject to fine up to Tk 300 crore and/or cancel licence as per sections



In this age of massive digitalisation driven by state-of-the-art technologies and innovations, the world is heavily dependent on the internet and all other digital services supported by the internet.

PHOTO: STAR/FILE

expression; this right includes freedom to hold opinions without interference and to seek, receive and impart information and ideas through any media and regardless of frontiers."

This resolution was further ratified through another provision clarifying the idea of "The promotion, protection and enjoyment of human rights on the Internet" (Section 32) and underscoring the instrumental role played by internet in upholding the essence of these resolutions. Responding to such universal declaration, many countries have already declared access to internet a basic human right.

Back in 2009, France's highest court the Constitutional Council declared that access to the internet will be regarded as a basic human right, abolishing the system of cutting off network access arbitrarily.

Even in the neighbouring country,

as a basic human right in other parts of the world. To regain the confidence of the global business community and local stakeholders, it is crucial to implement measures that prevent the recurrence of such incidents in future.

Many believed that the internet blackout was done by the access network service providers, i.e. mobile network operators and the internet service providers. In reality, there are many stakeholders/licensees in the internet service value chain. The issue is that all these providers are governed by a very strict telecom act and relevant licences provided to them, which give a huge power to the government, law enforcing agencies and the Bangladesh Telecommunication Regulatory Commission (BTRC) to force the licensees to follow orders leaving no room for resistance.

66A and 73 read with 76 of said act.

This kind of arbitrariness granted to the regulators and various agencies through laws deserves an urgent review as this can be used to impose restrictions not only on internet but also for all sorts of services dependent on telecommunications.

While the country is taking great strides in different sectors, we hope that all the stakeholders will play responsible roles in the days ahead and work collectively towards achieving excellence in telecommunications services by bringing in required reforms to catalyse further growth through ensuring transparency, good governance and fundamental human rights in Bangladesh.

The writer is the chief corporate and regulatory affairs officer at Banglalink

Gold hits record high

AFP, New York

Gold hit a record high on Friday as global stock markets gained on reassuring data about the health of the world's biggest economy and likely US interest rate cuts.

Expectations of US interest rate cuts weakened the dollar, while oil prices tumbled as weak Chinese demand expectations offset ongoing tensions in the Middle East, according to traders.

The gold spot price rose to a record high of \$2,509.41 an ounce as investors snapped up the heavy investment in the face of an increasingly likely US interest rate cut in September and heightened geopolitical risks.

"The sharp drop in bond yields amid expectations of rate cuts by the Fed" have pushed gold prices higher, said City Index and FOREX.com analyst Fawad Razaqada.

The sharp drop in bond yields amid expectations of rate cuts by the Fed have pushed gold prices higher, says an analyst

All three major Wall Street indices shook off an early slump to close higher Friday, ending a positive week.

"We had very big moves over the past two weeks off the low," Adam Sarhan of 50 Park Investments told AFP. "And now we are only five percent below the all-time high."

"That shows us that there is still a lot of demand for stocks at lower prices," he added.

Weak US jobs data and a Japanese interest rate hike double-whammied stock markets at the beginning of the month, as investors who had financed investments in red-hot US tech shares by borrowing in weak yen faced the prospect of immense losses as the value of the Japanese unit bounded higher.

In Asian trading, the Nikkei 225 jumped 3.6 percent as the yen was lower against the dollar early in the day. London bucked the positive trend in Europe as a strengthening pound weighed on multinationals earning in dollars.

On the corporate front, shares in German chemicals giant Bayer jumped 11.3 percent after a US court victory in the group's long-running fight against claims that its glyphosate-based weedkillers cause cancer.

PRICES OF KEY ESSENTIALS IN DHAKA CITY			
	PRICE (AUG 17, 2024)	% CHANGES FROM A MONTH AGO	% CHANGE FROM A YEAR AGO
Fine rice (kg)	Tk 60-Tk 80	0	4.48 ↑
Coarse rice (kg)	Tk 52-Tk 55	2.88 ↑	9.18 ↑
Loose flour (kg)	Tk 40-Tk 45	0	-16.67 ↓
Lentil (kg)	Tk 105-Tk 110	0	13.16 ↑
Soybean (litre)	Tk 145-Tk 152	-1.00 ↓	-5.71 ↓
Potato (kg)	Tk 50-Tk 55	-13.22 ↓	38.16 ↑
Onion (kg)	Tk 110-Tk 120	0	58.62 ↑
Egg (4 pcs)	Tk 48-Tk 50	2.08 ↑	-9.26 ↓

SOURCE: TCB

China's faltering growth revives cash vouchers talk

REUTERS, Beijing

Another round of bad Chinese economic figures is raising pressure on Beijing to loosen the fiscal spigot further and even dole out shopping vouchers to get growth back towards this year's target of roughly 5 percent.

After a dismal second quarter, the world's second-largest economy lost momentum further in July: new home prices fell at the fastest pace in nine years, industrial output slowed, export and investment growth dipped and unemployment rose.

Other data beat forecasts, but not for positive reasons. Rising inflation was attributed to bad weather rather than stronger domestic demand, a jump in imports reflected frontloaded chip purchases before expected US technology curbs, and a pickup in retail sales was flattered by low comparisons in 2023.

In all, the data paints a worrying picture for policymakers, who look increasingly likely to ramp up stimulus unless they accept slower growth and the prospect of a downward spiral in consumer and business confidence.

"The current economic performance remains behind target, necessitating immediate and significant policy intervention," said Carlos Casanova, Asia senior economist at UBP. This might require the government to widen the budget deficit to 4 percent of gross domestic product (GDP) from the planned 3 percent, he said.

One policy adviser, speaking on condition of anonymity, said Beijing may decide in October to bring forward part of next year's bond issuance quota if growth did not show signs of bottoming out in the summer.

US stocks ended higher on Friday to record their biggest weekly percentage gains of the year as worries of an economic downturn eased.

"Otherwise, the economy will look ugly, and 5 percent would be out of the question," the adviser said, without detailing where that stimulus would go.

China made similar moves last October, when it raised the deficit to 3.8 percent of GDP from 3 percent and separately frontloaded part of the 2024 local government debt quotas to invest in flood prevention and other infrastructure. What might change from last year is how the extra money would be spent.

The usual playbook of infrastructure spending is bringing dwindling returns after decades of investment in bridges, roads and rail. Meanwhile, China's preferred driver

of growth, advanced manufacturing, is fanning trade tensions and concerns over industrial overcapacity and factory gate deflation.

"The Chinese economy, given its size, cannot run on manufacturing and exports alone," Societe Generale analysts wrote in a note on the latest data. "To hit the 5 percent growth target - if that's still the target - policymakers need to step up support for domestic demand."

As consumers tighten their wallets, Chinese e-commerce giants have had to resort to heavy discounting and promotions to attract shoppers, squeezing margins across the retail sector.

Alibaba Group Holding missed market expectations for revenue on Thursday, as the company's domestic e-commerce sales came under pressure from cautious spending.



Women shop for clothes at a shopping mall in Beijing on August 7. The current economic performance of China remains behind target, necessitating immediate and significant policy intervention, said an economist. PHOTO: AFP

Oil falls 2% to end volatile week

REUTERS, New York

Oil prices settled down nearly 2 percent on Friday, little changed on the week with Brent crude below \$80 a barrel, as investors tempered expectations of demand growth from top oil importer China.

Brent crude futures fell \$1.36, or 1.7 percent, to settle at \$79.68 per barrel. US West Texas Intermediate crude futures declined by \$1.51, or 1.9 percent, to \$76.65.

Last week, Brent crude ended at \$79.66 a barrel and WTI closed at \$76.84.

On Thursday, data from China showed its economy lost momentum in July, with new home prices falling at the fastest pace in nine years, industrial output slowing and unemployment rising.

That has stoked worries among traders about a slump in demand from the top oil importer, where refineries sharply cut crude processing rates last month on tepid fuel demand.

The Organization of the Petroleum Exporting Countries on Monday cut

its forecast for this year's oil demand growth, citing softness in China. The Paris-based International Energy Agency also cited weak demand in China when it slashed its 2025 forecasts on Tuesday.

"It has been a volatile week in oil markets: on one hand you had fears of supply disruptions from a wider Middle East war, but on the other, slowing growth in China forced revisions of demand forecasts," said Andrew Lipow, president of energy consultancy Lipow Oil Associates.

Oil futures rallied at the start of the week as traders braced for retaliation by Iran against Israel over the slaying of a Hamas leader in Tehran last month. But some of that risk was priced out because Iran has not struck yet, analysts at Commerzbank Research wrote on Friday.

"At least so far, supply disruptions have been more theoretical than actual," said Brett Friedman, contributor for market data provider OptionMetrics. "That allows the market to focus on the demand side," Friedman said.

Where are we heading?

FROM PAGE B4

Since 1990, Bangladesh has gone through several rounds of agreements and cheating in its political process. The nation is currently facing a few tough questions. Having toppled autocracy, will we get to see a new era of morally grounded social norms and political accountability? Or will we revert to regular elections while shorting trust and cooperation? More corruption, hollow talk on policies, and law of rulers will damage public goods provision, elude inclusion, and fester social anger.

We all want a mechanism for controlling the authority and the power of the state to get the good things and prevent the bad. We want

checks and balances. We want to devise and live a constitution that makes ambition counteract ambition. We cannot have that without a durably mobilised society that participates in politics, protests when necessary, and votes the government out of power when it wishes.

I see no alternative to learning by doing politics differently with Gen Z navigating the way. The rest of society must both follow and oversee with intelligence and forbearance. All concerned must remember while democracy is no charity, it does begin at home.

The writer is a former lead economist of the World Bank's Dhaka office



Farmers prepare their fields to plant Aman season paddy in Kathaltala area of Khulna's Dumuria upazila. Aman, grown under monsoon rains, is the second largest harvest of rice in Bangladesh. An estimated 2,901,156 tonnes were produced in fiscal year 2022-23, down 3.32 percent year-on-year, according to the Bangladesh Bureau of Statistics. The photo was taken recently.

PHOTO: HABIBUR RAHMAN

Power dominates Bangladesh's imports from India

Bangladesh imported electricity worth \$1b from Adani in FY24

STAR BUSINESS REPORT

Bangladesh imported electricity worth \$1 billion from Adani Power in fiscal year 2023-24, which was 9.3 percent of the country's \$11 billion-worth imports from India that year, according to a media report.

That means, Bangladesh's imports of electricity from India have practically doubled in recent years from \$498 million just two years back.

Citing data of the Kolkata-based Eastern Regional Power Committee, The Indian Express said Bangladesh imported at least 7,508 million units of power from Adani's Godda Thermal Power Station between April 2023 and March 2024.

This was 63 percent of the power plant's overall exports of about 11,934 million units of power that year.

Diesel accounted for the second

highest expense for imports from India. Bangladesh purchased \$829.59 million worth of the fuel, constituting 7.5 percent of the total imports.

Cotton took third place for imports of \$595.81 million, accounting for 5.38 percent of the total.

Power imports from India amounted to \$1.075 billion in fiscal 2022-23, or 8.8 percent of Bangladesh's total imports of \$12.21 billion from the neighbouring country that year.

The value of cotton imports that year was \$495.97 million, or 4 percent, while it was \$423.03 million, or 3.46 per cent, for diesel.

In the fiscal year before that, cotton was on top as \$1.58 billion worth of the most-exported item in terms of value was imported by Bangladesh.

It was followed by wheat with imports worth \$1.18 billion, or 7.36 percent of the

total, at the time while power stood at sixth position with \$498.25 million, or just 3 percent of the total.

After former Bangladesh prime minister Sheikh Hasina fled to India in the wake of spiralling protests, New Delhi amended its power export rules to de-risk

The country imported at least 7,508 million units of power from Adani's Godda Thermal Power Station between April 2023 and March 2024

the 1,600-megawatt Godda plant, which is currently contracted to export its entire output to Bangladesh.

The move to amend a 2018 Ministry of Power regulation for the "import/export (cross border) of electricity" made through a memorandum on August 12

came less than a week after Hasina fled to New Delhi.

It states that the "Government of India may permit connection of such generating station to the Indian grid to facilitate sale of power within India in case of sustained non-scheduling of full or part capacity".

In essence, this clause clears the decks for the plant to sell its power domestically in case of any delays in payments from Bangladesh.

However, Adani Power last Thursday said it was committed to supplying electricity to Bangladesh, and that the recent amendment to the power export rules does not affect its existing contract.

Except Adani, Bangladesh imports electricity from two other Indian power traders - NTPC Vidyut Vyapar Nigam Ltd and PTC India Ltd - and a unit of Sembcorp Energy India Ltd.

Average daily turnover in stocks rises 53%

STAR BUSINESS REPORT

Average daily turnover at the Dhaka Stock Exchange (DSE) was 53.57 percent higher last week compared to that in the preceding week as cautious investors opted to sell off their shares to make short-term profits.

The weekly data of the country's premier bourse showed that the participation of the investors was considerably higher as they were highly optimistic of the market in the days ahead.

Shares worth Tk 1,282.2 crore changed hands every day on an average last week whereas it was worth Tk 834.9 crore in the preceding week.

However, over the course of the past five trading days, the benchmark index of the DSE had lost 20.97 points, closing the week at 5,903.

Similarly, the DSES index for the Shariah-based companies also lost 10.19 points, ending at 1,264 points.

For the DS30 index comprising the blue-chip firms, it was a setback of 46.62 points to 2,179 points.

Sector-wise, telecommunication, life insurance, food and allied, non-banking financial institutions (NBFIs), banks and cement ended up in the positive.

Telecommunication experienced the highest gain of 15.91 percent, the only sector to secure a double-digit growth.

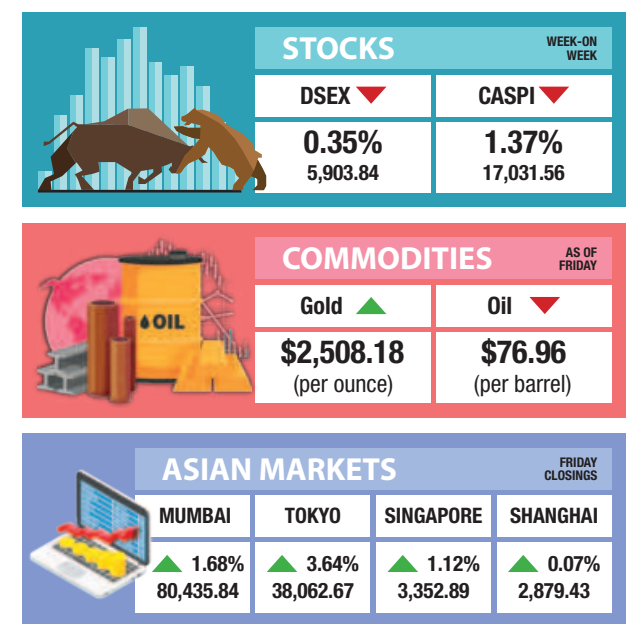
Life insurance posted a gain of 6.96 percent followed by food and allied (3.46 percent), non-banking financial institutions (2.73 percent), banks (0.98 percent) and cement (0.88 percent).

However, textile, travel and leisure, fuel and power, information technology (IT), engineering, services and real estate, ceramics, jute, and paper and printing ended up in the negative.

Of them, paper and printing saw the highest loss of 8.97 percent.

Jute logged a loss of 7.85 percent followed by ceramics (7.37 percent), services and real estate (5.36 percent), engineering (3.38 percent), IT (2.83 percent), and fuel and power (2.61 percent).

Grameenphone, the country's leading mobile operator in terms of the number of customers, was the most-traded stock last week with an average daily turnover of Tk 100.3 crore.



Soccer spending and discounts help boost British retail sales

REUTERS, London

British retail sales edged up in July, boosted in part by extra spending due to the men's Euros soccer championship, official figures showed on Friday, after an unusually cool and wet June had kept shoppers away and weighed on broader economic growth.

Retail sales volumes rose 0.5 percent in July after falling 0.9 percent in June and were 1.4 percent greater than a year earlier, the Office for National Statistics said.

Both rises were in line with forecasts from economists polled by Reuters and there was little market reaction.

"We expect further increases in disposable income to feed through to overall spending," said Rob Wood, chief UK economist at Pantheon Macroeconomics, pointing to a gradual upward trend in annual sales growth.

The squeeze on British consumers from high inflation in 2022 and 2023 is beginning to ease, though not enough to keep the Conservatives from a historic loss to the opposition Labour Party in last month's election.

Inflation was back at its 2 percent target in May and June, and only slightly above that in July, while wage growth exceeded inflation by the highest margin since mid-2021 in the second quarter of the year.

The Bank of England cut interest rates from a 16-year high this month and Britain's longest-running consumer confidence measure rose to its highest in nearly three years as shoppers became more willing to make big purchases.

Even so, sales volumes in July were still 0.8 percent lower than



PHOTO: REUTERS/FILE

People walk past food stands and market stalls in the Borough Market in London, Britain. Retail sales volumes rose 0.5 percent in July after falling 0.9 percent in June and were 1.4 percent greater than a year earlier.

in February 2020, the last month before COVID-19 lockdowns started, and recent reports from UK retailers have been mixed.

Clothing retailer Next reported better-than-expected second-quarter sales and raised its full-year profit outlook.

By contrast, luxury brand Burberry warned on profit and other UK retailers have highlighted continuing low consumer confidence around more discretionary purchases.

Sales volumes at clothing stores fell 0.6 percent in July and were 4 percent lower than a year earlier, the ONS said.

Department stores and sports equipment shops did better, boosted by the Euros and discounting, Liz McKeown, the ONS' director of economic statistics, said.

Prices in shops were 0.9 percent higher than a year earlier, the smallest increase since March 2021.

Hot weather in the second half

of July also helped offset cool and wet weather earlier in the British summer, which had led to weak July data from the British Retail Consortium and the Confederation of British Industry.

"Although retail sales haven't come roaring back as the industry hoped, retailers should be confident of a strong end to summer trading now that warmer weather has finally arrived," said Deann Evans, a managing director at online retail platform Shopify.

Masrur declines

FROM PAGE B1

"I feel that at this critical juncture of the nation, I will be best able to serve in my current role as an economist to promote necessary policy analysis and dialogue," he said.

"...putting forth actionable policy and reform ideas for the betterment of our economy, with particular focus on trade, investment, and financial development," he added.

"I would like to take the opportunity to express my gratitude to the interim government for appointing me as the chairman of the regulatory body," said Reaz.

Hours after the August 13 circular was issued, Bangladesh Securities and Exchange Commission Officers Welfare Association had sent a letter to the secretary to the Financial Institutions Division saying they were opposed to the appointment.

However, there were other officials who publicly stated that the letter was sent without their consent.

The association then sent another letter, signed by its president Md Saifur Rahman, saying they were ready to welcome Reaz.

BB may hike policy rate again

FROM PAGE B1

On May 8, the central bank loosened its rigid grip on the taka to shore up foreign currency reserves. It now follows a flexible exchange rate system.

Under this new system, the government adopted the crawling peg, which allows for limited fluctuations within a predefined range.

The central bank set Tk 117 per dollar as the midpoint, but economists suggested it should be hiked further to increase inward remittance.

Wage growth slows

FROM PAGE B1

Mujeri, a former chief economist of the Bangladesh Bank, said there is no alternative to ensuring sufficient production in order to stabilise the market.

Monzur Hossain, a research director at the Bangladesh Institute of Development Studies, said it is important for the interim government to restore the confidence of businesses, particularly those involved with the previous regime.

This is because a swift return to normal operations is key to curbing inflation.

The situation is yet to return to normalcy after Sheikh Hasina fled to India on August 5 as many pro-government businesses are fearing political violence.

"Therefore, it is important to take confidence-building measures among these businesses," Hossain said.

"It is also important for the government to help increase competition by identifying and curtailing the activities of syndicates in the market."

In addition, monetary policy measures need to be revisited, he added. "We need an immediate assessment of the rising policy rate and its impact on the market," he added.

The Bangladesh Bank has fixed the policy rate at 8.50 percent, keeping it unchanged from the last monetary policy statement for the July-December period.

"This policy rate should not increase anymore as it may affect businesses," Hossain said.

Rahman suggested that the interim government focus on market stabilisation through good governance and take short and mid-term initiatives to this end soon.

Rahman also underlined the need to ensure accuracy in BBS data so policymakers can take the right steps.

Where are we heading?



ZAHID HUSSAIN

The deliberations since August 5, 2024, appear converging towards prioritising political reforms as preparation for a fair election. Reforms in political behaviour are needed to build guardrails against the return of electoral autocracy.

By bringing down a despotic leviathan, the Anti-discrimination Student Movement (ASM) has earned the moral authority to be spokespersons for the whole nation. The despot is gone but the leviathan is around. The new dynamic is uncharted territory. Never before since independence has such a young and united force been so attention grabbing in the theatre of political power where the actors walk with God and dance with devils.

Student power made the difference

Political institutions have different consequences for different groups and individuals. The conflict over these social choices is resolved in favour of groups with greater political power. This is the reality in which the students have emerged as a force seeking change. The transition to a democratic political order will hinge on the role of this new countervailing force in reforming the political institutions. The ASM cannot be wished away.

The novelty of Bangladesh 2.0 is this student power. The ASM has captured de facto political power at the cost of lives, blood and sweat. Can they change political institutions without de jure political power in the future?

Powerful elites evaluate every potential change not only according to its economic consequences, such as growth and income distribution, but also according to its political consequences

We will not know unless we try. We know for sure that the old political model of de jure political power did not deliver. The question is not whether students should have de jure political power in the future. The question is what kind of power they want to have and how their expectations can be embodied in the efforts towards building a democratic and inclusive society. It is patently unwise to assume they don't know what they want and why.

Development is correlated with political institutions empowering groups with interests in broad-based property rights enforcement and effective constraints on state institutions and rent seeking by powerholders. There is sufficient uncertainty about the right economic institutions to make well-meaning political actors differ about what is good for their own people.

The July 2024 revolution in Bangladesh proved the conventional political elites wrong. They implemented policies which can now be loudly pronounced as bad for society at large. Fascist practices rose in many forms and persisted as a consequence of despotic choices. The incumbent political elite missed the

repressed public dissatisfaction from being in a rule by the rulers' law, no freedom trap morphing into a ticking time bomb. They did not need a Donald Trump to say, "you are fired!"

Resetting the rules of the game

The political powers to reckon with currently are the students, the army, politicians, civil society, media, and the business community. They will have to devise a social contract consistent with the ethos that inspired the July revolution. Conspiracy theories notwithstanding, the international partners are no more than cheer leaders as they were when the

forces, army, and also the imams and leaders from other religions. They built a basis for mutually advantageous exchange between the private sector and the state. They rigged the legal system to align societal behaviour with the interests of the ruling oligarchy.

Smelling the coffee

The difficulty of persuading dictators to leave power is glaringly palpable in the videos on the departure of Sheikh Hasina on August 5, 2024. Students got it done through a popular uprising. They have broken the monopoly of political power. What now?

an episode in which de facto power is deconcentrated from conventional political centres. Those with greater resources have lost command over their legitimate and intimate means. A couple of them were in a cage the other day. Since de facto power is intrinsically transitory and difficult to wield all the time, reforms in political institutions are crucial for creating making political power durably public goods friendly. We have a historic opportunity to let the newly emerged student power to orient political power in favour of democratic norms and practices, present and future.



Anti-government protestors gather at the parliament house in Dhaka on August 5.

PHOTO: AFP

electoral autocracy was riding high.

There is an array of social contracts enforced by an oversight authority with the power to enforce the chosen contract. Such power emanates from the state by virtue of its de jure monopoly on the use of legitimate coercion. Unfortunately, there is no market equivalent to an oversight party such as courts that can enforce contracts in politics if the political players do not cooperate.

Consider a dictatorship. Promises by a dictator to obey the rules of democracy without relinquishing power are not credible as long as the political system remains a dictatorship. There is no higher authority to make the dictator stick to her promise. A similar problem plagues the reverse solution, whereby an existing dictator agrees to a voluntary transition to democracy in return for safe exit and solvency after relinquishing power. Those benefitting from a transition to democracy would be willing to make such promises. But once the dictator relinquishes political power, there is no guarantee that the promise will be honoured. Again, there is no higher authority guaranteeing enforcement.

Promising rule of law and delivering the law of the rulers elected through fair and, on past three occasions, rigged elections is the Bangladeshi illustration of what institutional economists call the commitment problem. Incumbents renege on their commitment to democratic practices by taking absolute control of the government machinery, legislature, judiciary, police, paramilitary

The old political power may have retreated temporarily, but there will be pushbacks to the incursions of student power in the annals of the elitist hierarchy. Powerful elites evaluate every potential change not only according to its economic consequences, such as growth and income distribution, but also according to its political consequences. Any change eroding the elites' political power reduces their privileges evoking both defensive and offensive responses.

In this context, the problems of political losers are much more important than problems of economic losers. Economic losers need political power to block changes harmful to their interests. You may wonder if they have the political power to block change, why wouldn't they allow the change to take place and then use their power to redistribute the gains to themselves? The answer is simple. Groups losing economically experience a reduction in their political power, making it impossible for them to redistribute the gains to themselves after the change. So, they resist overtly or covertly.

Even faced with severe underinvestment, elites in Bangladesh were reluctant to give away their power because it would reduce their ability to extract rents from the rest of society. Constraining their power would have increased the security of property and incentives to invest, but it risked undermining the ability of rulers to extract privileges. They did not mind having a larger slice of a small pie as long as their slice did not shrink.

Thanks to students, we are living

How do you play fair in a game in which there is no umpire? How do we find a new political settlement? Can all stakeholders agree on enforcement mechanisms to ensure political fair play now and in the future? Self-enforcing agreements require the participants to be sufficiently patient. In politics, patience is inversely related to the depth of uncertainty in the future.

Let us not miss this time!

Nobel laureate Douglas North observed in his book *Structure and Change in Economic History*: "While we observe people disobeying the rules of a society when the benefit exceeds the costs, we also observe them obeying the rules when an individualistic calculus would have them do otherwise." What better illustration of the sagacity of this observation than the students of Bangladesh!

They managed traffic, cleaned public places, repaired damaged public assets, provided security and much more. It goes to show how people's beliefs in doing the right things galvanise social mobilisation, thus entertaining daydreams about changing the game.

The daydream comprises of norms, anchored in personal morality, fostering the trust necessary for political institutions and markets to function well. Norms broke down under the previous regime. The ruling coteries felt they had the licence to grab anything they can grab at the expense of others. Cheating in economic and social life spread like a virus.

READ MORE ON B2

Banking sector reform: where and how?

MAMUN RASHID

We have been talking about banking sector reforms since long as our banking sector is plagued with insider lending, bad loans, low capitalisation and risk coverage, weak governance, sub-optimal automation, a lack of expert manpower and non-availability of better products to serve the emerging clients and cater their shifting demands.

Since the fall of the last regime, there have been several chaotic incidents in the banking sector—from the resignation of Bangladesh Bank (BB) governor and other top officials to the conflicts between rival groups at various banks, including Islami Bank—which send out an alarming signal.

These incidents are nothing but an indication about how quickly a sector, long lying on the edge of the precipice, can unravel when push comes to shove.

The leading vernacular daily the Prothom Alo and many other media as well as civil society forum, including expert groups from the development partners, at frequent intervals shed light on what led to the dismal state of this sector.

They talked about the BB's questionable steps taken during the erstwhile government to keep several almost failing banks afloat by providing liquidity support without collateral; alleged unethical connections of the BB governor and deputy governors with top loan defaulters; and the change of ownership forced on several banks even at the late hours including the Islami Bank, creating an environment of mistrust.

Moreover, the BB's choice of lending foreign currency loans from the reserve to various influential businesses through the Export Development Fund (EDF), without proper evaluation, also resulted in many classified loans.

I can't believe 20 local businesses currently owe BB about \$70 million taken out of the foreign currency reserve.

The default loan amount of Tk 1.822 trillion itself is also under scrutiny. Experts estimate that the actual figure would be close to Tk 4 trillion if not more, considering rescheduled and bad/written-off loans and those currently under legal dispute as well as with doubtful security and collateral backing.

Meanwhile, depositors of the known to be weak banks, many of which were forced to change ownership, having tough time to withdraw their savings. Yet, the owners of the banks are taking out loans under different names.

While some of these irregularities were mentioned in the BB's own reports, several central bank officials alleged that many such activities have remained out of BB's and Bangladesh Financial Intelligence Unit's regulatory radar. This raises serious questions about the responsibility and ethics of top officials of not just the central bank but also the governing bodies of several private and public commercial banks.

There is no doubt that political appointments in the banking sector, incorrect or manipulative accounting practices, nepotism, weak due diligence and the lack of transparency in the lending process brought the sector to its current state.

New Governor has been appointed with good visibility re: the destination. Few deputy governors are also being reportedly recruited. Finance adviser himself is a former governor. Once they settle down well in their new roles, it is therefore, imperative that the interim government urgently launches an investigation to find out the actual amount of default loans, identify and bring to book the big defaulters along with officials who aided these questionable borrowings.

Like many other similar countries, the government must prioritise depositors' interests and prevent any further withdrawal of money by the unholy nexus or individuals close to the big offices, borrowers, and defaulters that are bleeding the sector dry.

Use of the political clout through sub-servient or susceptible to pressure officials must stop.

Though we must allow the government to clean the dust on the carpet first, an attempt to run a deep-dive and well-thought banking sector reform in keeping with ever-evolving market scenario and globalisation warrants should also start soon. Otherwise, we can't make our banking sector inclusive and on the similar pace with other competing countries.

The writer is the chairman of Financial Excellence Ltd

China, Saudi Arabia top buyers of Russian fuel oil

REUTERS, Moscow

China and Saudi Arabia were the top destinations for Russian seaborne fuel oil and vacuum gasoil (VGO) exports in July, traders said and LSEG data showed on Friday.

Russian fuel oil and VGO seaborne exports last month rose 7 percent from June to about 4.05 million metric tons, helped by completion of seasonal maintenance on Russian refineries.

Russia's offline primary oil refining capacity for July at 2.5 million tons was below June's level by some 44 percent, according to Reuters calculations based on data from industry sources.

Since the European Union's full embargo on Russian oil products went into effect in February 2023, countries in Asia have been the main destination for Russia's fuel oil and VGO supplies. In July direct fuel oil and VGO shipments from Russian ports to China rose by 18 percent month-on-month to 0.7 million tons.

China imports straight-run fuel oil and VGO for refining feedstock, pooling it with Urals crude oil, according to market sources.

Loadings to Saudi Arabia almost doubled from June to 0.7 million tons, mostly destined for power generation plants during the hot summer season when power consumption is peaking, Reuters calculations and LSEG data show.

Russian fuel oil and VGO supplies to India decreased 7 percent in July to 0.48 million tons, while "dirty" oil product shipments to Fujairah rose to 320,000 tons from 200,000 tons, and to Turkey to 264,000 tons from 95,500 tons.

China youth unemployment jumped to 17.1% in July

AFP, Beijing

Youth unemployment in China ticked up to 17.1 percent in July, official figures showed, the highest level this year as the world's second-largest economy faces mounting headwinds.

China is battling soaring joblessness among young people, a heavily indebted property sector and intensifying trade issues with the West.

Chinese Premier Li Qiang, who is responsible for economic policy, on Friday called for struggling companies to be "heard" and "their difficulties truly addressed", according to the state news agency Xinhua.

The unemployment rate among 16- to 24-year-olds released Friday by the National Bureau of Statistics (NBS) was up markedly from June's 13.2 percent.

The closely watched metric peaked at 21.3 percent in June of 2023, before authorities suspended publication of the figures and later changed their methodology to exclude students.

Nearly 12 million students graduated from Chinese universities this June, heightening competition in an already tough job market and likely explaining

July's sharp increase in joblessness.

In May, President Xi Jinping said countering youth unemployment must be regarded as a "top priority".

Among 25- to 29-year-olds, the unemployment rate stood at 6.5 percent for July, up from the previous month's 6.4 percent.

For the workforce as a whole, the unemployment rate was 5.2 percent.

However, the NBS figures paint an incomplete picture of China's overall employment situation, as they take only urban areas into account.

The new unemployment figures come on the heels of other disappointing economic data from Beijing, including figures showing dampened industrial production, despite recent government measures aimed at boosting growth.

Industrial production growth weakened in July, with the month's 5.1 percent expansion down from June's 5.3 percent and falling short of analyst predictions.

China's major cities also recorded another decline in real estate prices last month, a sign of sluggish demand.

Demand for bank loans also contracted for the first time in nearly 20 years, according to official figures published earlier this week.

International challenges are also mounting, with the European Union and the United States increasingly imposing trade barriers to protect their markets from low-cost Chinese products and perceived unfair competition.



People are seen attending a job fair in Beijing, China. Nearly 12 million students graduated from Chinese universities this June, heightening competition in an already tough job market.

PHOTO: AFP/FILE