

Star BUSINESS

Transport activities through the Dhaka-Chattogram highway partially resumed yesterday after a three-day disruption due to flash floods



Story on B4

BB hikes policy rate to tame inflation

MD ASADUZ ZAMAN

Bangladesh Bank (BB) yesterday hiked the policy or repo rate, meaning that at which commercial banks borrow from the central bank, by 50 basis points to 9 percent to rein in inflation.

An increase in the policy rate is expected to lead to bank borrowing turning costlier, for which people will cut down on expenditures, thereby curtailing demand and subsequently bringing down inflation.

The central bank decided to raise the policy rate at a meeting of the monetary policy committee at the central bank headquarters yesterday.

The policy rate was last increased on May 8 by 50 basis points to 8.5 percent in line with the International Monetary Fund's (IMF) prescription as inflation had stayed over 9 percent since March last year.

Subsequently, consumer prices grew 11.66 percent in July, the highest at least since fiscal year 2010-11, reflecting the worsening situation of the purchasing capacity of people, according to the Bangladesh Bureau of Statistics (BBS).

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Eliminate scope to whiten black money

FBCCI urges NBR

STAR BUSINESS REPORT

The Federation of Bangladesh Chambers of Commerce and Industries (FBCCI) yesterday demanded the abolishment of a provision that allows black money to be whitened without scrutiny by paying a 15 percent tax.

The apex trade body voiced the demand during a meeting with Md Abdur Rahman Khan, newly appointed chairman of the National Board of Revenue (NBR), at Sher-e-Bangla Nagar in Dhaka, according to a press release.

"There cannot be any discrimination between honest and corrupt taxpayers. This type of amnesty should never be given again to ensure justice and remove social discrimination," said FBCCI President Mahbubul Alam.

Such a provision can never be desired when building a corruption-free society or state, he added.

Other members of the delegation included FBCCI Vice-President Md Munir Hussain and Directors Mohammad Fayazur Rahman Bhuiyan, MA Razzak Khan, and Abul Kasem Khan.

On his first day in the NBR office, Khan told reporters that the scope to whiten black money should not exist at all.

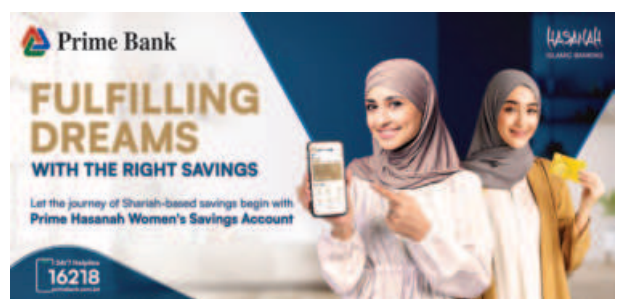
"The amnesty for black money is unexpected and ineffectual," he said.

Alam also called on the NBR chairman to simplify customs duty processes for imported goods to ensure a business-friendly environment by removing complexities related to duty values, HS codes and product descriptions.

They further urged him to curb the harassment of taxpayers during audits and dishonest practices by officials.

To this end, they proposed creating a hotline, app or complaint centre for businesspeople that face harassment.

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DROP IN IMPORTS

Capital machinery import dropped 24% to \$2.65b in FY24

Import of industrial raw materials fell 16% to \$21.75b in FY24

Import of intermediate goods declined 12% to \$4.84b in FY24

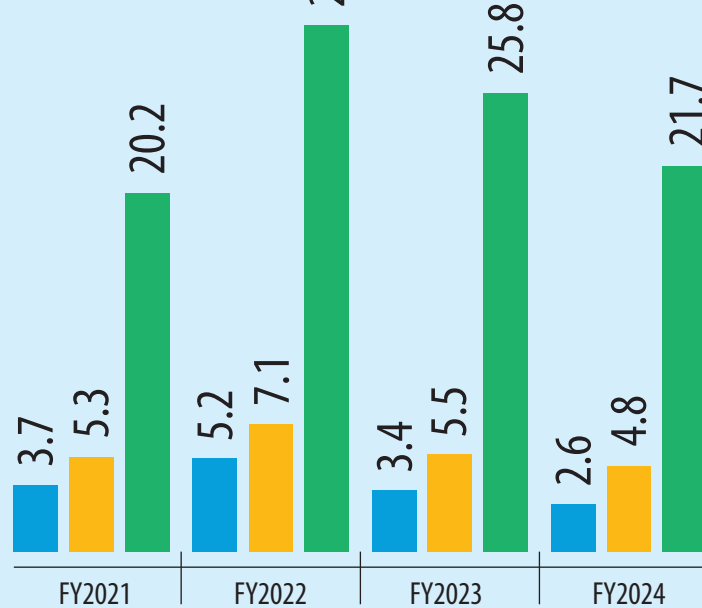
AT A GLANCE

- Decline in capital machinery imports signals industrial degrowth
- Investors are hesitant to set up or expand factories as consumption declines
- Slowdown in private investment has negative implications for economy
- Foreign investors are taking a go-slow approach

LC settlement in the last four years

In billion \$; SOURCE: BB

Capital machinery
Intermediate goods
Industrial raw materials



Key imports fall, painting bleak outlook for investment, jobs

JAGARAN CHAKMA

Bangladesh's imports of capital machinery, industrial raw materials, and intermediate goods fell for a second consecutive fiscal year, reflecting the depressed state of private investment and bleak prospects for new jobs.

Data from the Bangladesh Bank on the settlement of letters of credit (LCs) shows that imports of capital machinery, a key indicator of investment, dipped 24 percent year-on-year to \$2.66 billion in FY24, which ended in June.

In the preceding fiscal year, capital machinery imports plunged by 34 percent.

The decline is a consequence of persistent US dollar shortages and increased import costs due to the devaluation of the local currency.

"The decline in imports of capital machinery shows a clear path of degrowth in investment in the industrial sector, which will adversely affect employment generation," said Khondaker Golam Moazzem, research director at the Centre for Policy Dialogue (CPD).

The data shows that investors are not interested in financing new industries or expanding existing manufacturing units, he said.

Data from the central bank also showed that imports of industrial raw materials went down 16 percent year-on-year to \$21.75 billion in FY24 due to falling exports and slowing domestic demand in the face of spiralling inflation.

The value of imported industrial raw materials dropped by 13 percent

in the preceding fiscal year.

Moazzem added that global demand for products exported by Bangladesh has fallen. At the same time, domestic demand has declined significantly, which is why investors do not want to take risks.

"So, the contribution of the industrial sector to the country's gross domestic product (GDP) will decline for a long time," he said.

The country's economy has endured a few difficult years recently due to numerous challenges, he said.

The decline in imports of capital machinery shows a clear path of degrowth in investment in industrial sector, said an economist

For example, forex reserves shrank from \$41.7 billion in August 2021 to \$20.41 billion on July 31 this year, central bank data showed.

Due to the distressed scenario of foreign exchange reserves, foreign investors are adopting a go-slow strategy, he said.

Moazzem further said small-and medium entrepreneurs (SMEs) would face severe challenges.

Selim Raihan, executive director of the South Asian Network on Economic Modeling (Sanem), said the reduction in capital machinery imports occurred as import restrictions were put in place due to the scarcity of the greenback. He attributed increases in the price of

US dollars as another reason.

"It reflects how much private investment declined during the past two years," he said, adding that there was a negative impact on private sector investment while private sector credit growth slowed significantly.

Raihan cautioned that another implication of falling capital machinery imports would be a slowdown in economic growth in the coming days.

"Investment will slow and that will impact the job market as employment generation will be reduced," he added.

"We need time-befitting policy decisions, including exchange rate policies, to improve the situation," he suggested. Necessary measures to boost exports and remittances should also be taken to reduce the pressure of the dollar crisis.

"Simultaneously, we need to investigate whether money was laundered through over-invoicing and take initiatives to bring back that money," Raihan said.

The government should rethink import restrictions and monitor exports and imports to avoid over and under invoicing.

M Masrur Reaz, chairman of the Policy Exchange of Bangladesh, said the drop in capital machinery imports was a real concern for industrial production and its contribution to the economy.

Industrial output will be reduced immediately, and export capacity will not improve, he said.

At the same time, economic output will be reduced and capital will not be created.

Govt to give no quarter for black money

Finance adviser says

STAR BUSINESS REPORT

The interim government will not leave any scope for generating black money and the Bangladesh Bank is already working to bring money siphoned off abroad back into the country, Finance Adviser Salehuddin Ahmed said yesterday.

He made these comments after meeting with a delegation of the United Nations at the National Economic Council (NEC) of the Planning Commission in Dhaka.

Ahmed, also a former governor of the country's central bank, said the interim government is receiving many proposals regarding amendments to budgetary measures for fiscal year 2024-25.

"So, the budget will be amended but unilateral decisions cannot be taken in this regard," he added while emphasising that no scope will be given to generate black money.

Responding to a question regarding the country's foreign debt, Ahmed said loans will now be taken selectively considering the growing external burden.

"Foreign loans will not be taken for projects that linger for years," he added.

Earlier in the day, Helen LaFave, chargé d'affaires of the US Embassy in Dhaka, called on

Ahmed at his office at the secretariat and shared America's observations regarding labour rights in Bangladesh.

At the meeting, the issue of granting the Generalised System of Preference (GSP) for Bangladesh, which the Obama administration had canceled following the collapse of Rana Plaza.

And although Ahmed said issues related to labour rights would be resolved quickly, he did not go into details about the discussion on this matter.

Ahmed expects that the US might restore the GSP benefit for Bangladesh if certain conditions are met as some problems remain.

"Some US companies complained that they were unable to send their earnings back home. Many of our companies were also banned in the US," he said while adding that a high-level US delegation will soon come to Bangladesh to resolve the issues.

He said the US is an important country for Bangladesh, both politically and economically.

From an economic viewpoint, most embankments in coastal areas, including Bagerhat and Pirojpur, were financed by the US.



STOCKS	
DSEX ▲	CASPI ▼
0.01%	0.01%
5,700.58	16,375.76

COMMODITIES		AS OF FRIDAY
Gold ▲	Oil ▲	
\$2,512.18	\$74.77	
(per ounce)	(per barrel)	

ASIAN MARKETS				FRIDAY CLOSINGS
MUMBAI	TOKYO	SINGAPORE	SHANGHAI	
▼ 0.04%	▼ 0.40%	▼ 0.43%	▼ 0.20%	
81,086.21	38,364.27	3,387.99	2,854.37	

BSEC to focus on good governance, transparency

Says new chairman

STAR BUSINESS REPORT

The Bangladesh Securities and Exchange Commission (BSEC) will focus on ensuring good governance and transparency so that the confidence of investors in the stock market makes a rebound, said its chairman, Khondoker Rashed Maqsood, yesterday.

The stock market regulator will also focus on investigating alleged irregularities that took place over the last 15 years, he said.

"I have not brought any magic. I hope that by bringing about a basic form of good governance, transparency and enforcement of rules and regulations will lead to a rebound in the confidence of people on the stock market," he said.

Maqsood made the comment at a press briefing at the BSEC in the capital to inform of his plans on being appointed to the top position at the regulatory body on August 18.

"The new interim government sent me to reboot the system while my first priority would be to bring good governance," said the former strategy and business development adviser of International Finance Corporation.

The stock market has gone astray by a really large margin in the last 15 years and it is a tough and time-consuming task to bring about good governance, he said, hoping for the situation to turn comfortable soon on condition that focus can be retained.

"We don't want to bring back confidence through any artificial mechanism or window dressing like before," said Maqsood.

Among the core activities, the BSEC will focus on ensuring transparency in the market and part of it

READ MORE ON B3

Rice prices rising despite ample harvests

SUKANTA HALDER

Rice prices are rising in spite of an ample amount being produced in the just concluded fiscal year, causing hardship for low and fixed-income people who are already struggling to make ends meet amid persistently high inflation.

Traders in the supply chain denied any responsibility, with retailers blaming wholesalers, who blamed mill owners, who subsequently blamed farmers for raising prices of unprocessed paddy amidst floods in the eastern part of the country.

The natural calamity will undoubtedly affect ongoing Aman cultivation and prospects of Aush paddy in the winter.

However, farmers availed a higher yield of Boro in June this year, according to estimates of government agencies.

Over 4 crore tonnes of milled rice were gained in fiscal year 2023-24, up from 3.90 crore tonnes in the preceding year, according to estimates of the Bangladesh Bureau of Statistics (BBS) and the Department of Agricultural Extension (DAE).

The BBS estimates that last monsoon's yield of Aman, which accounts for roughly 40 percent of total annual rice production, was up 8 percent year-on-year to a record high.

The BBS has not published the production data of Boro, the principal crop, but the DAE said 2.24 crore tonnes of milled rice were bagged in the immediate past season.

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Wholesalers have acknowledged that prices of rice have gone up by around Tk 4 per kg in the last seven days.

PHOTO: ANISUR RAHMAN