

German business morale falls again

AFP, Berlin

German business confidence fell further in August, a closely watched survey showed Monday, as Europe's biggest economy struggles to emerge from a weak period.

The Ifo institute's confidence barometer, based on a survey of around 9,000 companies, declined to 86.6 points from 87 points in July.

"The sentiment among companies in Germany is on a downward trend," Ifo president Clemens Fuest said following the fourth consecutive fall in the indicator.

"The German economy is increasingly falling into crisis," Fuest said.

Businesses were both less bullish about the current economic environment and more pessimistic about their future prospects, according to the survey.



A hawker sells baskets, made out of kans grass and produced by artisans in Bogura, at the traffic signal near Jahangir Gate in Dhaka. A three-piece set is priced at Tk 900 while each piece at Tk 300. The photo was taken around a week ago. PHOTO: FIROZ AHMED

Dollar drops against yen, firms against euro, sterling

REUTERS, Tokyo

The dollar fell to a three-week trough against the yen on Monday and steadied near multi-month lows against the euro and sterling as investors weighed the prospect of the Federal Reserve soon starting on a series of interest rate cuts.

The dollar slumped as much 0.7 percent to 143.45 yen, its weakest level since Aug. 5, and was last trading down 0.4 percent.

The greenback however firmed against the euro and sterling after having touched new multi-month lows last week.

Traders were also keeping an eye on the fallout from escalating tensions in the Middle East.

In a much-anticipated speech on Friday at the annual economic conference in Jackson Hole, Wyoming, Fed Chair Jerome Powell endorsed an imminent start to interest rate cuts, declaring further job market cooling would be unwelcome.

"Powell did not say anything new but officially validated some of the things that markets were pricing in, including the idea of a cut, shift of focus from inflation to labour market," said Samy Chaar, chief economist at Lombard Odier in Geneva.

However, he did not see the dollar falling much more in the short term.

Islamic banking sees steady growth

FEDA AL HOSSAIN

Islamic banking in Bangladesh continued its steady growth trajectory as of May this year, driven by consistent increases in deposits, investments and remittances.

According to the Islamic Banking and Finance Statistics (IBFS) report by the Bangladesh Bank for that month, several key indicators displayed an upward trend.

Islamic banking deposits saw a steady rise from November 2023 to May 2024. The total deposits peaked in May at Tk 428,802 crore, reflecting a modest increase of Tk 4,201 crore (1 percent) from the previous month.

Investments within the Islamic banking sector also exhibited a strong upward trajectory, with the total sum increasing by 1.21 percent month on month to reach Tk 504,113 crore in May.

This growth of Tk 6,015 crore highlights the sector's expanding role in financing, underpinned by a surge in demand for Islamic financing products.

However, the assets of Islamic banks in Bangladesh presented a mixed picture over the period, with fluctuations observed from November 2023 to May 2024, according to the IBFS.

Islamic banking deposits saw a steady rise from November 2023 to May 2024

After experiencing a decline in the early months, assets hit their lowest in January before rebounding and reaching a peak of Tk 811,365 crore in May, up 1.71 percent from April.

Trade finance through Islamic banking also saw marginal growth. Export receipts remained largely

stagnant with minor variations across the six months. In May, export receipts were recorded at Tk 8,089 crore in May, up by 5.76 percent rise from April.

Similarly, import payments saw a 2.99 percent increase, totalling Tk 13,622 crore in May. These figures reflect the slow-moving nature of Islamic banking's involvement in trade finance.

Wage earners' remittances through Islamic banks posted a notable increase, rising to Tk 10,634 crore in May, up by 18.34 percent from the previous month.

The significant jump in remittances highlights the appeal of Sharia-compliant channels for expatriates.

Agent banking deposits within the Islamic banking sector also trended upwards, increasing by 1.34 percent from April to reach Tk 20,624 crore in May.

India's growth likely slowed to 6.9% last quarter: poll

REUTERS, Bengaluru

India's economic growth likely moderated and grew at its slowest pace in a year in the April-June quarter due to lower government spending amid a national election that concluded in June, a Reuters poll found.

Growth in Asia's third-largest economy had been well above 7 percent during previous quarters thanks to strong capital expenditure by the government led by Prime Minister Narendra Modi in a bid to secure a third term in the election.

However, holding back on public spending ahead of the parliamentary elections has hurt growth. While the Modi-led Bharatiya Janata Party (BJP) came back to power, it lost its outright majority in the lower house.

In the April-June quarter, gross domestic product (GDP) was forecast to have grown an annual 6.9 percent, down from 7.8 percent in the preceding quarter, the Aug. 19-26 poll of 52 economists showed. Forecasts ranged from 6 percent to 8.1 percent.

The government is scheduled to announce data for the April-June quarter on Friday.



A vegetable seller arranges his roadside stall in Mumbai. In the April-June quarter, the gross domestic product of India was forecast to have grown an annual 6.9 percent, down from 7.8 percent in the preceding quarter. PHOTO: AFP/FILE

If the median forecast is realised, India will remain the world's fastest growing major economy. Official GDP growth releases for the preceding few quarters have surpassed predictions.

"The public spending slowdown was significant both by the centre and the states, especially on the capex front. So, there is the transitory element of growth slowdown. However...private consumption growth was better than the previous quarter and overall manufacturing and non-public services were steady," said Dhiraj Nim, an economist at ANZ.

"I will be watching out for how strong the private consumption revival is because that would perhaps tell us how sustainable growth rates become over the coming quarters."

Going forward, growth was expected to moderate, averaging 7 percent this fiscal year and 6.7 percent in the next, unchanged from a previous poll.

While economic growth in the previous quarter was close to 8 percent, consumption - accounting for over 50 percent of GDP - grew just half that pace.

China's big ball of money has nowhere else to go

REUTERS, Hong Kong

China's investors are bumping up against the country's strict capital controls. Warnings from Beijing have managed to slow a rush into government bonds in recent months that was sparked by a lack of better options for parking cash. That has left a big ball of money with nowhere else to go.

Previously, when property prices sagged, households would buy stocks; when shares sold off, people would pile into real estate; when both looked shaky, more money would end up in bank accounts.

This year, lenders are offering low

savings rates, stocks are moribund, and house prices are still falling. That has made Chinese government bonds an obvious refuge. But the pace of the pile in has had some astounding consequences. In May, the price of a new debt issue spiked 25 percent. Two months later the People's Bank of China surprised with a rate cut, which fuelled another rally that threatened to push yields further below those of US Treasuries. And in recent weeks the central bank strongly suggested lenders cool their "speculative" bond buying jets.

Such warnings have had some success, with Chinese treasury futures selling off in recent weeks.

Data anarchy in revenue

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Acknowledging the data mismatch, newly appointed NBR Chairman Md Abdur Rahman Khan said he had already instructed officials concerned to maintain a unified figure among the NBR, CGA and Bangladesh Bank.

"I clearly said that I won't accept any figures that are manually calculated. All three figures will be the same," he told The Daily Star yesterday.

Asked about the reasons for

the mismatch, he said it may have happened because of outstanding dues.

IMED Secretary Abul Kashem Md Mohiuddin could not be reached over the phone for comment.

However, IMED officials earlier said it calculates ADP expenditure based on information supplied by ministries and divisions. On the other hand, the finance ministry calculates it based on data from the CGA.

Japanese seafood processor

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Currently, nearly 350 Japanese companies are operating in Bangladesh, with more than \$380 million in combined investment.

Of them, 85 percent want Bangladesh and Japan to sign an economic partnership agreement (EPA) to accelerate trade and investment between the two countries.

Bangladesh exports mainly fish and crustaceans, leather footwear and leather goods, and readymade

garments to Japan. The shipments were worth \$1.9 billion in fiscal year 2022-23.

Among the Asian nations, Japan is the first export destination where Bangladesh's earnings crossed the \$1-billion mark in fiscal year 2015-16.

The rise in exports to the Japanese market, where consumers have long tended to prefer quality consumption, is a testament to the improving standards of goods made in Bangladesh.

Agri product exports are growing slower

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Bangladesh exports cereal grains, tea, vegetables, tobacco, flowers, fruits, spices, dry food and other processed agricultural products to more than 145 countries.

Although the export earnings of the agricultural sector are not soaring, it is helping to ensure food security while also saving the country's foreign currency by providing import substitutes, Hoque added.

By fiscal year 2022-23, Bangladesh's food crop production had increased by around 38 percent to 467 lakh tonnes, as per data of the finance ministry.

Eleash Mridha, managing director of Pran Group, said the export of agricultural products dropped in the last two years mainly due to the ban on exporting aromatic rice.

He also blamed high prices of sugar and flour and the rise in freight costs, saying cargo freight costs have not increased over the last couple of years in India and Thailand but it did rise in Bangladesh.

"So, we lag behind in competition," he added.

The Association of Southeast Asian Nations (Asean) is a good market for Bangladesh and so, the government could sign a free trade agreement with the Asean member countries in order to grab the market, he said.

Bangladesh's agro-processing sector has huge potential as most of the raw materials are locally produced, Mridha said, adding that the demand for their products is also high abroad.

As a result of the revolution in agricultural production, Bangladesh ranks third globally in the production of rice, vegetables, and onions while it is second in jute production, fourth in tea production and seventh in potato and mango cultivation.

Crop production in the country has risen in recent years thanks to farm mechanisation.

For example, around 6 percent

of the agricultural land in Barishal has been lost due to urbanisation and other causes between 2014 and 2019. However, rice production in the region has not decreased and instead rose by 1.5 times owing to modern cultivation techniques.

In this situation, the country needs to focus on two things before putting in the effort on exports and securing a good position in global markets, said Md Nazim Uddin, senior scientific officer of Bangladesh Agricultural Research Institute (BARI).

The first is to implement good agricultural practices and the second is to ensure the testing of products in laboratories accredited by the International Organization for Standardization (ISO), he said.

Good agricultural practices encourage moderate use of pesticides, organic and chemical fertilisers, and environment-friendly management of resources, he said.

In implementing these practices, it is important that uniform and correct procedures are adopted all throughout the way. It would ensure consumers' confidence as foreign buyers seek assurance of quality food, said Nazim Uddin.

Apart from Western countries, the Middle East has a huge demand for Bangladeshi products and other Asian countries are also exporting to this market comparatively easily, he said.

Sending agricultural products to the Middle East requires proper certification for ensuring food safety. Sometimes, ultrasonic washing and packaging can improve the quality, he added.

Nazim Uddin also said freight costs and a shortage of space for air cargo are major reasons for the low export of agricultural products.

"There is a huge potential for agricultural exports as the international market is huge," he added.

Data of Bangladesh Investment Development Authority shows that the international agriculture market

is projected to reach \$19,000 billion with a compound annual growth rate of 9.1 percent by 2027.

Bangladesh's total market size for agricultural products was \$47.54 billion till 2022. So, there is a huge potential to grow the industry to capture the market. In this situation, the focus should be on the agro-processing industry, Hoque said.

The Bangladesh Institute of Development Studies, a state-run research firm, also identified in a research paper that policy barriers have a major impact on the export process of fruits and vegetables.

Export expansion and demand from supermarkets is constrained by poor quality of produce and imposition of different sanitary and phytosanitary criteria by importing countries, it said while adding that the high cost of airfreight is another big barrier.

Although the industrial and service sectors grew fast over the past decade, even contributing to export earnings and GDP, employment in the agricultural sector remains the major contributor. This indicates that the agricultural sector can ensure a higher number of jobs.

In fiscal year 2016-17, jobs in the agricultural sector accounted for 41 percent of the total labour force while it rose to 45 percent in 2022.

Interestingly, more women are joining the agriculture sector in Bangladesh as their job opportunities in industries, especially garment factories, have stagnated while men are switching to non-farm sectors.

Of the 31.98 million people employed in agriculture, 18.43 million are female, the data showed. BAPA's Hoque recommended that they be provided bonded warehouse facilities and tax rebates so that they could compete with international competitors.

To increase the contribution of the agricultural sector, he suggested that banks should come forward to provide more loans and the government should promote and facilitate farm

mechaniation. BARI's Uddin recommended focusing on Middle Eastern and Asian countries and following good agricultural practices targeting the Western countries.

He also suggested that contract farming by corporates could be a good way of sending products abroad as they can properly meet the preconditions set by the destination countries.

Pran's Mridha recommended reducing the duty on sugar and flour used by export-based agro-processing industries.

Gold hits Tk 127,942

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According to a Reuters report, gold held near record highs on Monday, buoyed by a softer dollar and dovish remarks from US Federal Reserve Chair Jerome Powell, bolstering expectations of a September interest rate cut.

Spot gold was up 0.6 percent to \$2,526.15 per ounce at 1159 GMT, about \$5 shy of the record high of \$2,531.60 hit last week. US gold futures also gained 0.6 percent to \$2,561.90, it said.

Although the country does not import significant quantities of gold, prices remain linked with international trends.

Annual demand for gold in the country currently stands between 20 and 40 tonnes.

At present, about 80 percent of the demand is met by smuggled gold, according to industry people.

For years, gold has been considered a store of value.

As gold has historically maintained its value over time, it serves as a form of insurance against adverse economic events.

When an adverse event lingers for a while, investors may decide to pile their funds into gold, which drives up its price.