

star

BUSINESS

Workers' demands are logical, and prompt steps are needed to meet their demands and quell the ongoing unrest, labour leaders said

Interviews on B4



IMF to assess Bangladesh's need for fresh loan

REJAUL KARIM BYRON

An International Monetary Fund (IMF) delegation due to arrive later this month will assess Bangladesh's potential financial needs as the country sought a fresh \$3 billion loan from the multilateral lender.

The delegation is likely to arrive in Dhaka on September 24 and stay till September 30, said a finance ministry official.

"As part of the upcoming mission [to Dhaka], the team will be assessing all of the economic developments and any potential financing needs," Julie Kozack, director of IMF Communications Department, told a press briefing in Washington DC on Friday.

"From the IMF side, we are working closely with the interim government [of Bangladesh]," she said, according to a transcript of the briefing published on the IMF website.

"We remain fully committed to working with Bangladesh and to support the people within the context of the IMF programme, we will continue to work closely with the authorities to help advance the reform agenda," she added.

Further details about the visit will be communicated in due course, she said.

READ MORE ON B3

US firms concerned over unrest in industrial zones

STAR BUSINESS REPORT

American companies operating in Bangladesh yesterday expressed concern over the law and order, especially in light of the recent unrest in industrial zones, and also highlighted issues regarding profit repatriation amid the ongoing dollar crisis and challenges in the supply chain resulting from congestion at ports.

The concerns were expressed at a meeting between leaders of the American Chamber of Commerce in Bangladesh (AmCham) and a visiting US delegation, led by Brent Neiman, assistant secretary for international finance at the US Department of the Treasury.

Jerrod Mason, a director of the US Treasury Department, and Helen LaFave, chargé d'affaires (ad interim) of the US Embassy Dhaka, were also present at the meeting, attended by the top executives of around 10 US companies operating in Bangladesh.

The meeting took place after Neiman arrived in Dhaka yesterday morning as part of a high-profile US delegation to focus on trade and challenges in the economy, including a US dollar shortage and money laundering.

This is the first visit by any US delegation to Dhaka after the formation of the interim government led by Professor Muhammad Yunus.

Following the meeting, the US Embassy in Dhaka, on its X handle, said US businesses play a positive role in many facets of Bangladesh's economy, from energy security to data centres to transportation.

MAJOR ISSUES DISCUSSED



- ★ Concerns over law and order
- ★ Unrest in the industrial zones
- ★ Problems in profit repatriation
- ★ Bottlenecks in the supply chain
- ★ Govt dues to energy sector firms
- ★ Reforms in the financial sector, tax

"With the right economic reforms in place, the American private sector can help unlock Bangladesh's growth potential through trade and investment," it added.

AmCham President Syed Ershad Ahmed said they discussed the condition of the business ecosystem after the political changeover.

"There have been improvements in some areas after the interim government was sworn in. There are some bottlenecks too," he said after the meeting, adding that the visiting delegation had received feedback from US businesses here.

Ahmed further said that businesses faced

READ MORE ON B3

City Bank's Tk 85cr investment in Sea Pearl raises eyebrows

AHSAN HABIB

City Bank PLC is investigating how and why it spent about Tk 86 crore, or roughly one-third of its total market exposure, on purchasing shares of Sea Pearl Beach Resort and Spa Ltd in 2023, according to bank officials.

The move comes as it was found the luxury hotel company based in Cox's Bazar had been defaulting on bond and loan payments, making it a suspicious choice for investment.

Moreover, City Bank bought the shares when their price was artificially high amid market manipulation. And now that the stock price has plunged to its actual level, so too has the investment value.

Sea Pearl saw its share prices plummet 51 percent by the end of 2023, thereby lowering City bank's investment value to Tk 42 crore, before witnessing further decline in the last eight months of 2024.

City Bank's stake in the luxury hotel company is now worth around Tk 20 crore, indicating that the lender's investment value has decreased by around 73 percent.

With about Tk 298 crore tied up in stocks, City Bank's investment in Sea Pearl is its single highest followed by Tk 46 crore in IDLC Finance, according to its financial report for 2023.

Against this backdrop, market analysts have questioned why the bank would buy shares in such a company as institutional investors usually opt for stocks that are fundamentally strong.

READ MORE ON B3



Pathao gets \$12m for fintech push

STAR BUSINESS REPORT

Ride-hailing firm Pathao yesterday announced that it had raised \$12 million to ramp up its fintech offerings in a much-needed boost for Bangladesh's start-up ecosystem, which has been grappling with shrinking funding in recent times.

In the first half of 2024, local start-ups raised \$19 million across 22 deals, a 57 percent decline year-on-year,



according to Lightcastle Partners, which tracks start-up funding.

The latest funding round takes the total capital raised by Pathao to over \$50 million, the most for any pre-Series B start-up in Bangladesh.

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## US issues new proposals for 15% corporate tax

AFP, Washington

The US Treasury Department unveiled new proposals Thursday to implement a rule requiring some of America's largest corporations to pay a minimum corporate tax rate of 15 percent.

The proposed rules are designed to execute the Corporate Alternative Minimum Tax (CAMT), which formed part of the Inflation Reduction Act, one of President Joe Biden's signature pieces of legislation.

It applies to corporations averaging more than \$1 billion in profits that currently pay less than 15 percent in corporate taxes on their adjusted profits each year, the Treasury Department said in a statement.

Thursday's notice of proposed rulemaking "would implement the statutory requirement that the biggest corporations pay a minimum 15 percent tax on profits reported to shareholders," according to the Treasury.

"Some of the most profitable corporations in the country report record profits to shareholders while using complex tax strategies to pay little to no taxes, often paying lower tax rates than nurses, firefighters, police officers and teachers," said deputy Treasury secretary Wally Adeyemo.

"The ability to use accountants and lawyers to reduce tax bills down to zero gives billion-dollar corporations a competitive advantage over small businesses," he told reporters in a briefing before the proposals were published.

## Prime Bank, Miura Bangladesh sign deal on service benefits



Yuji Kido, managing director of Miura Bangladesh Company Limited, and Md Nazeem A Choudhury, deputy managing director of Prime Bank, pose for photographs after signing an agreement at the bank's corporate office in Dhaka recently. PHOTO: PRIME BANK

### STAR BUSINESS DESK

Prime Bank PLC has recently signed an agreement with boiler manufacturer and exporter Miura Bangladesh Company Limited.

Md Nazeem A Choudhury, deputy managing director of the bank, and Yuji Kido, managing director of the boiler manufacturer, penned the deal at the

bank's corporate office in Dhaka, the bank said in a press release.

Under the agreement, the bank will extend benefits to the boiler manufacturing company's employees who will be able to avail preferential banking service, including credit card and loan facilities.

Miura Bangladesh will also enjoy PrimePay, a digital portal, for seamless automated salary payments as well as

carryout corporate payments conveniently round the clock.

Shaila Abedin, executive vice-president and head of Women Banking and Affluent Segment of the bank, Anup Kanti Das, head of payroll banking, and Mohammad Rizwan, senior manager of the boiler manufacturing company, along with other senior officials from both the organisations were also present.



Syed Mizanur Rahman, additional managing director of AB Bank, and Shawkat Aziz, chief business officer, hand over a cheque worth Tk 2 crore to Farook-e Azam, adviser to the Ministry of Disaster Management and Relief, at the Bangladesh Secretariat in the capital recently. PHOTO: AB BANK

## AB Bank donates Tk 2cr for flood victims

### STAR BUSINESS DESK

AB Bank recently donated a financial relief package worth Tk 2 crore for the flood-affected people in different districts of the country from its corporate social responsibility programme.

The aid will be given to the Chief Adviser's 'Relief and Welfare Fund' to support the people suffering from the devastating flash floods.

The founder chairman of the bank, members of the board of directors and shareholders of the bank have contributed to this fund, said a press release.

Apart from that, the bank's employees and its subsidiaries have also contributed to it with their one-day salary.

Syed Mizanur Rahman, additional managing director of the bank, and Shawkat Aziz, chief business officer, handed over a cheque to Farook-e Azam, adviser to the Ministry of Disaster Management and Relief, at the Bangladesh Secretariat in the capital.

## Eastern Bank, Youth Group sign payroll banking deal

### STAR BUSINESS DESK

Eastern Bank PLC recently signed a payroll banking agreement with Youth Group, an energy, power, textile and mineral sector conglomerate in Bangladesh.

M Khorshed Anowar, deputy managing director and head of retail and SME banking of the bank, and Arif Ainul Suman, group chief executive officer of the business conglomerate, penned the deal in Dhaka, said a press release.

As part of the agreement, the group's employees will enjoy a range of banking services from the bank, including dual-currency debit cards, a variety of loan options tailored to meet their financial needs, alongside a comprehensive selection of other banking perks designed to enhance their financial well-being.



Arif Ainul Suman, group chief executive officer of Youth Group, and M Khorshed Anowar, deputy managing director and head of retail and SME banking of Eastern Bank PLC, pose for photographs after signing an agreement at the bank's head office in Dhaka recently. PHOTO: EASTERN BANK

## Pathao gets \$12m for fintech push

### FROM PAGE B1

The pre-Series B level of a star up follows seed, pre-series A and series A stages and it is typically marked by expansion and investment requirements.

The latest Pathao funding round was led by the MENA-based VentureSouq, which has made "platform bets" across the Middle East, Africa and South Asia.

Additional investment came from Anchorless Bangladesh, Osiris Group, South Asia Tech, Openspace Ventures and other investors.

The trust placed in Pathao by global venture capital firms through this significant investment not only underscores the resilience and growth potential of Bangladesh's tech sector but also signals renewed investor confidence at a time when global economic uncertainties have cast shadows on the emerging market, according to industry people.

Having transformed into a profitable and financially robust entity over the past two years, Pathao now plans to provide fintech offerings, the company said in a press release.

"Pathao is far more than a brand or a suite of products -- it is a lifestyle. Just as it has radically transformed urban transportation, logistics and the gig economy, our efforts in fintech will reshape the financial landscape in Bangladesh," said Fahim Ahmed, managing director and chief executive officer of Pathao.

The company has already made forays into fintech with the introduction of Pathao Pay, a digital wallet, and Pay Later, Bangladesh's first and largest 'buy now, pay later' solution.

The fresh funding will be instrumental in scaling these fintech offerings, refining their technology and broadening market reach, Pathao said.

"Our core users are the digital native youth of Bangladesh. Traditional banks are too primitive for them, and the other digital wallets are focused more on the underbanked. We are looking to build a tailored financial management ecosystem for our customers, young professionals and tech-enabled entrepreneurs in Bangladesh," Ahmed said.

Pathao's fintech offerings are

designed to provide personalised financial solutions to over five million young professionals and over 500,000 tech-enabled small businesses in Bangladesh, utilising cutting-edge technology to enhance user experience.

Tammer Qaddumi, co-founder and general partner at VentureSouq, said: "Given Pathao's existing reach, trust in its markets, and the calibre and integrity of its team, we believe Pathao will be a significant and positive player across multiple service lines for years to come. We certainly view the company as the strongest potential distribution platform for fintech products across Bangladesh, bar none."

Rahat Ahmed, CEO and founding partner of Anchorless Bangladesh, said Pathao is uniquely positioned to capitalise on Bangladesh's economic growth.

Since its inception in 2015, the company has served over 10 million customers and created more than 500,000 employment opportunities in Bangladesh's gig economy and small businesses.

## Act fast

### FROM PAGE B4

As the situation changed after the political changeover, people began trying to establish their influence in the industrial areas and leveraged labour issues to fulfil their intentions. There are also some political reasons behind this, he said.

"That is why we are advocating for addressing the workers' demands quickly," said Razekuzzaman Ratan.

He said that although Bangladesh is a signatory to 36 ILO conventions, the country has yet to properly establish trade unions, union registration or trade union safety, and workers are dissatisfied with the lack of progress.

The leftist leader added that although the interim government has taken up various reform agendas, workers' rights have not been properly highlighted.

"The workers should be a priority for the interim government now. This is necessary for the country's economic progress and to ensure employment," he said.

"The workers do not seek recognition. They just want to avoid abuse by owners, torture by goons and have a minimum guarantee of their rights," he concluded.

## Russia hikes rate to 19% as inflation jumps

AFP, Moscow

Russia's central bank on Friday raised interest rates to 19 percent amid the country's ongoing Ukraine offensive, warning inflation was running too high and it needed to cool the economy.

Inflation was running at an annual rate of 9.05 percent in August, the country's statistics agency said earlier this week.

Russia has faced economic headaches since launching its February 2022 Ukraine offensive.

"Current inflationary pressures remain high," Russia's central bank said in a statement.

"Further tightening of monetary policy is required to resume the disinflation process, reduce inflation expectations, and ensure the return of inflation to the target in 2025," it added.

Russia has faced volatile prices since it sent troops into Ukraine in February 2022, triggering a barrage of Western sanctions and strict counter-measures in a bid to stabilise the economy.

A spurge in government spending -- up almost 50 percent since 2021 -- to fund the conflict has seen billions poured into the military and defence sector. That has helped shield the economy from the collapse that many predicted, but also pushed prices up fast.

"The labour market remains tight. Unemployment has dropped to a new historic low," the central bank said.

Numerous sectors have suffered personnel shortages as hundreds of thousands of men have been recruited to fight in Ukraine.

The bank's director Elvira Nabiullina called those shortages "the main obstacle to increasing production" in the country. Inflation was slightly down in August but still well above the government's target level of four percent.

The central bank has aggressively raised rates over the past year, taking them back towards the emergency level of 20 percent that was introduced straight after the start of the conflict.

It says such hikes are needed to stop the economy "overheating" and stave off the risk of "stagflation" -- where growth slows but inflation remains high.

But steep borrowing costs have hit some consumers and businesses, many of which rely on short-term debt.

PRICES OF KEY ESSENTIALS IN DHAKA CITY			
	PRICE (SEP 14, 2024)	% CHANGES FROM A MONTH AGO	% CHANGE FROM A YEAR AGO
Fine rice (kg)	Tk 64-Tk 80	2.86 ↑	9.09 ↑
Coarse rice (kg)	Tk 52-Tk 55	0	9.18 ↑
Loose flour (kg)	Tk 38-Tk 45	-2.35 ↓	-10.75 ↓
Lentil (kg)	Tk 105-Tk 110	0	0 ↑
Soybean (litre)	Tk 148-Tk 158	3.03 ↑	-2.86 ↓
Potato (kg)	Tk 52-Tk 60	6.67 ↑	20.43 ↑
Onion (kg)	Tk 110-Tk 120	0	53.33 ↑
Egg (4 pcs)	Tk 52-Tk 53	7.14 ↑	1.94 ↑

SOURCE: TCB

## Revenue target for FY25

### FROM PAGE B4

the revenue authority with collecting Tk 480,000 crore in the national budget for fiscal year 2024-25, beginning from July 1.

This target is 25 percent higher than the actual revenue collection in the preceding fiscal year, raising scepticism about its achievability.

"Although it is ultimately not possible to completely cut out foreign funding, we cannot allow ourselves to always depend on others," Ahmed said.

He also said the country is often forced to follow the directions of foreign lenders, even in policymaking, to ensure continued access to their funds. The government has been facing this grim reality at present, he said, so it wanted to reduce dependence on others.

Emphasising that public funds should never be wasted, Ahmed said that the previous government had spent much of the taxpayers' money on unnecessary projects and initiatives.

"We must reduce those expenses," he said, urging the tax officials to do their utmost to collect revenue without harassing individuals or businesses.

"Taxpayers should not be nervous

when they see you [tax officials]. Ordinary people tend to avoid tax inspectors in order to avoid being harassed. Please assure them that they have nothing to fear."

Furthermore, the finance advisor stressed the need for tax officials to raise more funds from internal sources to reduce reliance on foreign loans.

NBR Chairman Abdur Rahman Khan said the tax administration should be more business friendly.

"I urge everybody to file their tax returns online. The burden of public debt is rising and the NBR is struggling to meet revenue targets. This situation needs to change," he added.

Khan also expressed concern about the misuse of tax revenue, stating that the public's perception of how the government wastes their money must be remedied.

Bangladesh Civil Service (Taxation) Association President Md Lutful Azeem, who chaired the discussion, stressed the need for reforms in rules for direct taxation.

"Reforms to direct taxes are necessary. We need automation in tax administration because there is no alternative to that for increasing collection. No official should oppose this," he said.

## Workers' demands

### FROM PAGE B4

The industrial belt, particularly the Ashulia area, saw protests in the third week of August after a group of people demonstrated in front of the Dhaka Export Processing Zone (Dhaka EPZ) demanding a 70 percent quota for men.

Kalpona said there was a political element at the beginning, centring the control of the waste fabric business in the Ashulia industrial belt, which houses 1,863 factories, mostly garments.

During the past government's tenure, local Awami League (AL) leaders controlled the trade of waste fabrics, widely known as 'jhut', generated from clothing manufacturing units.

Kalpona said the crisis began after

the AL's ouster on August 5 as groups affiliated with opposition parties such as the Bangladesh Nationalist Party and Bangladesh Jamaat-e-Islami attempted to gain control of the business, she said.

"Workers then realised that they could raise their demands too," she said.

Kalpona said the measures taken by the labour ministry were not enough to reassure workers.

The labour ministry has formed a committee to resolve the current stalemate, but they should include a representative who genuinely represents workers, she said.

Kalpona said the government should strictly enforce labour laws and reform the Department of Inspection for Factories and Establishments.



## ECB cuts rates again, Lagarde backs reform call

AFP, Frankfurt

The European Central Bank cut its key interest rate again Thursday as inflation cools while president Christine Lagarde urged EU governments to institute sweeping reforms proposed in a "formidable" report by her predecessor Mario Draghi.

The Frankfurt-based central bank reduced its key deposit rate a quarter point to 3.5 percent, as expected, providing further relief to eurozone households and businesses.

It was policymakers' second cut, after a move in June, which ended a record hiking cycle that began in mid-2022 to tame a surge in consumer prices.

Inflation rates have been easing, and are now only a whisker off the ECB's two-percent target. The eurozone economic outlook meanwhile has worsened in recent weeks, with the ECB on Thursday

**Inflation rates have been easing, and are now only a whisker off the ECB's two-percent target**

slightly trimming its growth forecasts for the coming years.

After the ECB unveiled only its second rate reduction since 2019, Lagarde stressed that progress was being made in the fight against inflation, which was on a "declining path".

But she warned that the battle was far from over, with inflation likely to tick up again later this year and fast-rising wages still a threat. She again insisted that the rate path ahead was "not pre-determined".

"We shall be data dependent, we shall decide meeting by meeting," she told a press conference.

The central bank for the 20 countries that use the euro left its inflation forecasts unchanged from its last projections in June, forecasting the figure would drop below two percent in 2026.



As India recently relaxed its rules regarding onion exports, prices of the bulb have already decreased in Bangladesh with traders in local markets expecting an overall decline of about Tk 12 per kilogramme at wholesale. The picture was taken from the Karwan Bazar kitchen market in Dhaka yesterday.

PHOTO: PALASH KHAN

# Onion becoming cheaper as India removes minimum export price

SUKANTA HALDER and MD NAZRUL ISLAM

Prices of Indian onion are dropping in Bangladesh, as the neighbouring country on Friday withdrew the restriction of "minimum export price" at \$550 per tonne and slashed export duty to 20 percent from 40 percent.

In Shyambazar, a wholesale market in the capital, the kitchen staple was selling for Tk 95 to Tk 96 per kilogramme yesterday, which was Tk 4 to Tk 5 cheaper than that on Friday.

India's recent decision will likely lead to a reduction of Tk 10 to Tk 12 per kg at wholesale, said Mohammad Abdul Mazed, a wholesaler and general secretary of Shyambazar Onion Wholesalers Association.

However, no new shipment has arrived as of yesterday evening, according to a wholesaler at Karwan Bazar, one of Dhaka's largest kitchen markets.

The trader believes new consignments would significantly affect prices.

"A new consignment of onions will

arrive tonight (last night). From what I hear, onion prices are already decreasing," said Mohammad Kalam Sheikh, another onion wholesaler from Karwan Bazar.

The imported bulbs are retailing for a maximum of Tk 105 per kg, whereas it was Tk 115 a week ago, according to state-run Trading Corporation of Bangladesh.

Prices and sales have both dropped since Friday, Mohammad Ali Talukder, a trader at Khatunganj wholesale market in Chattogram, told The Daily Star.

Md Manik, a retail trader at Kazir Dewri in Chattogram city, said he was charging Tk 107 per kg yesterday whereas Tk 113 to Tk 115 last week.

India had banned onion exports last December, fearing domestic shortages after a weak monsoon, according to a report by The Hindu.

In March, the export ban was extended indefinitely, although some shipments were allowed based on diplomatic requests from

certain countries.

Farmers became restless as the extended restrictions coincided with high global prices and strong demand.

In May, ahead of general elections in Maharashtra, India's largest onion-producing state, the government lifted the ban.

However, it imposed the export duty and minimum export price.

According to Bangladesh's agriculture ministry, some 39 lakh tonnes of onions were produced in the last fiscal year of 2023-24, which is sufficient to meet domestic demand.

However, the ministry noted that an additional 600,000 to 700,000 tonnes would need to be imported due to post-harvest losses amidst mainly inadequate storage facilities.

Traders in Dhaka's Shyambazar market disputed the ministry's figures, claiming that local production was 15 to 20 percent lower than estimated this year due to crop damage from adverse weather in February.

## Gold to hit close to Tk 130,000 per bhoori

STAR BUSINESS REPORT

Gold prices are set to hit a new all-time high of around Tk 130,000 per bhoori (11.664 grammes) today as the Bangladesh Jewellers' Association (Bajus) hiked the rates citing an increase in the cost of pure gold.

The price of gold, a popular metal among people from all walks of life, will increase by 2.8 percent from the previous rate of Tk 126,321 a bhoori, which has been effective since September 2.

The Bajus yesterday advised its members to sell gold at Tk 11,137 per gramme from today, up from Tk 10,830 per gramme.

The price of the precious metal is set to break the previous record of Tk 127,942 per bhoori, announced on August 25, this year.

Bangladesh's estimated annual demand for gold currently stands between 20 and 40 tonnes. Around 80 percent of the demand is met by smuggled gold, according to industry people.

## PwC unit fined in Evergrande accounting fraud

ANN/CHINA DAILY

Chinese authorities have slapped 441 million yuan (\$62.1 million) in penalties and imposed a six-month business suspension on PwC's auditing unit in the country, after the entity was found to have "covered up and even condoned" fraud at Evergrande Real Estate Group.

The China Securities Regulatory Commission said on Friday that PwC Zhong Tian LLP had failed to exercise due diligence in its audit of Evergrande Real Estate Group, the flagship subsidiary of Evergrande Group.

In May, the CSRC had fined the troubled real estate developer some 4.18 billion yuan for fraudulent bond issuances and false statements.

STOCKS		WEEK-ON-WEEK
DSEX ▼	CASPI ▼	
0.04%	1.45%	
5,726.51	16,140.02	

COMMODITIES		AS OF FRIDAY
Gold ▲	Oil ▲	
\$2,578.24	\$69.23	
(per ounce)	(per barrel)	

ASIAN MARKETS				FRIDAY CLOSINGS
MUMBAI	TOKYO	SINGAPORE	SHANGHAI	
▼ 0.08%	▼ 0.68%	▲ 0.17%	▼ 0.48%	
82,890.94	56,581.76	3,562.65	2,704.09	

## US firms concerned

FROM PAGE B1

harassment by officials of the National Board of Revenue in the past.

"Now we have noticed that the attitudes of the tax and customs officials have become positive. They are now supporting us," he said. "Challenges remain in terms of law-and-order. Focus should be given here. It is vital to make the police active."

Top executives expressed concern over the current unrest in industrial zones, which has been hurting the production and transport of goods.

"Unrest and factory closures will affect investment," said a top official who attended the meeting.

Ahmed added that businesses were facing challenges in the supply chain because of logjams at the ports, which is affecting the smooth shipment and clearance of exported and imported goods.

"We have not seen enough improvement in the supply chain. Improved management of ports is needed," he said.

On the other hand, business executives expressed problems

in repatriating dividends out of Bangladesh due to a persistent US dollar crisis.

"Companies also highlighted the issue of government dues for energy purchase," a participant said, adding that issues related to the consumer goods business and digital economy also came up during discussions.

The AmCham president added that the interim government had several planned initiatives to reform the banking sector and act against corruption.

Eric M Walker, AmCham vice-president and president of Chevron Bangladesh, Ala Uddin Ahmad, MetLife chief executive officer in Bangladesh, and Syed Mohammad Kamal, country manager at Mastercard, were also present at the meeting.

Others present were Md Moinul Huq, country officer of Citibank, NA in Bangladesh, Md Yousup Faruqi, managing director for Bangladesh at Microsoft, and Niraj Kumar, managing director of Colgate-Palmolive ACI Bangladesh Pvt Ltd.

reserves have been dwindling, having barely enough to cover import payments of a couple of months, which is the IMF's minimum benchmark.

In recent months, the reserves have been hovering around \$20 billion, as per the IMF's calculations. On September 11, there was \$19.44 billion.

In the energy and power sector alone, the government has outstanding dues of more than \$2 billion, according to the central bank officials.

On top of that, the government requires about \$1 billion each month for import bill payments for this sector.

Against this backdrop, the interim government has been seeking budgetary support from the development partners, alongside looking to bring in increasing amounts in remittance and export earnings.

## City Bank's Tk 85cr investment in Sea Pearl

FROM PAGE B1

Besides, City Bank's decision to invest in Sea Pearl back then gave market manipulators the scope to offload their shares at higher prices, they said.

Toufic Ahmad Choudhury, director general of the Bangladesh Academy for Securities Markets, said banks usually invest in stocks to make extra profit apart from their core activities related to lending.

"But it is not acceptable if they incur such a huge loss through investment," he added.

Citing how this shows that City Bank failed to analyse its investment decision, Choudhury said anyone would question whether the lender chose to buy the stock to benefit someone else.

The Bangladesh Securities and Exchange Commission (BSEC) had formed a probe committee in September 2023 to investigate the abnormal price movement of Sea Pearl's shares.

Media reports had alleged that some brokerage houses and several individual investors were involved in manipulating the company's share price.

A few other banks that bought shares in Sea Pearl when the price was being manipulated made hefty profits but some incurred a loss, according to the BSEC investigation report.

However, this information is missing from the banks' financial statements as they did not hold the shares until the end of 2023.

A mid-level official of the BSEC confirmed that the stock rose based on rumours and manipulation. But the regulator, led by Professor Shibli Rubayat-Ul Islam, left them only with a warning.

The company's share price had stayed below Tk 50 per unit for several years before starting to rise in mid-2022 and peaking a year later at Tk 308.

It started to fall after that, reaching Tk 46 per unit as of Thursday,

according to the Dhaka Stock Exchange (DSE).

City Bank spent an average of Tk 203 for each of its 42 lakh shares in Sea Pearl, showed the bank's annual reports for 2023.

A top official of an asset management company, preferring anonymity, said a bank cannot buy this type of share in any situation as the bank would ultimately be the loser.

"Why would a bank buy this share with the fund of its depositors?" he questioned.

The auditor of the luxury hotel company gave a qualified opinion as it found some material misstatements in the financial reports for the year 2022-23.

The company was facing debt amounting to Tk 565 crore consisting of long-term loans, short-term loans, bond payments, lease finance and other related dues.

The total debt represents 71.18 percent of the company's equity, the auditor said in its report.

Moreover, the company failed to pay regular instalments of its bond since June 2020. Due to this, its liabilities have increased significantly, the auditor added.

In 2017, Sea Pearl raised Tk 325 crore through a 20 percent convertible bond to expand its business. The bond was fully subscribed by the Investment Corporation of Bangladesh (ICB).

And after Sea Pearl failed to repay instalments of the bond, the company went to the High Court and blamed the Covid-19 pandemic for its decline in business and subsequent non-payments to the ICB.

Later, Sea Pearl requested to convert its remaining bond proceeds of Tk 120 crore into ordinary shares.

The BSEC gave its approval in this regard last February considering the hotel's failure to repay its bondholders.

In a written reply to queries regarding its investment, City Bank said the decision was made after finding that Sea Pearl's earnings per

share posted 10 times higher growth in 2023 compared to previous years.

On top of that, Sea Pearl planned to buy 30 percent of the shares of Shamim Enterprise (Pvt), which was projected to contribute additional profit of Tk 18 crore to the company annually.

It also announced that GEM Global Yield LLC would buy shares in Sea Pearl worth Tk 350 crore and the related purchase agreement was approved by both BSEC and DSE.

"During our investment period, we observed that Sea Pearl always remained in the top 20 traded stocks. For this reason, we considered it as the most liquid share at the time," City Bank said.

But despite all the disclosures, Sea Pearl later informed that it had not completed its amalgamation with Shamim Enterprise while GEM Global did not go ahead with its share purchase.

Against this backdrop, City Bank launched an internal investigation on this matter on July 30.

City Bank further said that it has appointed a reputed brokerage house, United Securities, as one of its capital market investment fund managers.

United Securities, a subsidiary of United Group, said in a written response that a brokerage house only provides brokerage services that include providing research, analytics and market sentiment to customers.

"United Securities had no idea or knowledge about any sort of manipulators seeking to offload their shares of Sea Pearl," it added while pointing out that the ultimate decision to buy the shares was made by the bank's investment committee.

A top official of a leading asset management company said the BSEC should investigate why Sea Pearl's plans to buy shares of Shamim Enterprise and sell shares to GEM Global has not been executed yet.

When a company provides such types of disclosures but does not

implement them, it indicates that the owner may have serious bad intentions to fuel the stock price, according to the asset manager.

And although Sea Pearl had forecasted higher profits, the hotel's earnings actually declined. Its net profit dropped 42.5 percent to Tk 46 crore between July 2023 and March 2024 in the current fiscal year.

BSEC Spokesperson Farhana Faruqui said the commission gave some conditions to sell the shares to GEM Global but the company did not fulfil them, and so the sale was not completed.

As the hotel could not complete its share sale in the last one year, it should have given another disclosure on the last status of sale announcement, she added.

Sea Pearl's Managing Director Md Aminul Haque did not receive phone calls for a comment despite repeated attempts by the time this report was filed.

Choudhury, also a former director general of the Bangladesh Institute of Bank Management, said a bank should invest in fundamentally strong stocks.

"Otherwise, they will incur loss instead of profit," he added.

## Oil eases

REUTERS, New York

Oil prices fell on Friday as US Gulf of Mexico crude production resumed following Hurricane Francine and rising data showed a weekly rise in US rig count.

Brent crude futures settled at \$71.61 a barrel, down 36 cents, or 0.5 percent. US West Texas Intermediate crude (WTI) settled at \$68.65 a barrel, down 32 cents, or 0.5 percent.

As US Gulf Coast production and refining activity resumes, investors have opted to offload oil contracts going into the weekend, said Bob Yawger, director of energy futures at Mizuho in New York.





Members of Bangladesh Army and Industrial Police are seen taking up position outside a garment factory in Ashulia's Narasinghapur area. The Ashulia area, which houses over 1,800 factories, has been a hotbed for unrest in recent weeks as workers demonstrate to have their demands met. The photo was taken recently. PHOTO: AKLAKUR RAHMAN AKASH

# Act fast to address labour unrest

## Says Razekuzzaman Ratan, president of Socialist Labour Front

MAHMUDUL HASAN

Prompt steps are needed to address the workers' demands and quell the ongoing labour unrest, said Socialist Labour Front President Razekuzzaman Ratan.

"The workers should have been promised that their demands would be met as soon as possible and that their jobs would not be threatened," said the labour leader.

During an interview with The Daily Star, he said that if the authorities had established control over the trade of fabric waste or 'jhut' generated during apparel manufacturing in major industrial belts just after the August 5 regime change, the situation could have been tackled more easily and promptly.

When asked if the interim government's steps regarding worker unrest are appropriate so far, he said, "The interim government is taking a little longer to understand the situation."

According to him, workers take to the streets, they protect both jobs and sometimes fall prey to outside provocation. They soon realise it, but by then, some complexity has already been created," he added.

He said the workers want to see an authority that will listen to them, understand their problems empathetically and take steps to solve them.

"The absence of these things (authority) has sustained the unrest over the last month."

"But now, the workers have received employer promises of payment for arrears, attendance bonuses and other allowances, which has created an atmosphere of trust among them," he added.

He said the apparel worker participation in the nationwide student movement was significant. Similar to the latest one, workers were vocal against unfairness and for their rights, and made supreme sacrifices too.

Razekuzzaman Ratan said four workers were killed in the Ashulia garment belt during a wage hike movement in 2023.

During the student protests, the workers' demands resurfaced as they faced layoffs, abuse by owners and unpaid arrears.

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# Workers' demands are not unjust

## Says Kalpona Akter, president of Bangladesh Garment & Industrial Workers Federation

SOHEL PARVEZ

The workers' demands are logical so owners should sit together to address this and restore stability to the garment industry, the country's largest export earner, said Kalpona Akter, president of Bangladesh Garment & Industrial Workers Federation.

This will help avert the risk of business losses, she said.

"We cannot afford to lose business. We cannot afford to lose our jobs," she said in an interview with The Daily Star against the backdrop of lingering unrest in the single biggest industry in terms of employment in the country.

The current stalemate has raised concerns about buyers shifting orders away from Bangladesh.

The world's second-biggest garment exporting nation faced disruptions to production and shipment in July and August due to deadly nationwide protests led by students over the quota system for public jobs, security concerns, and devastating floods in eastern regions.

Garment exports fell five percent year-on-year to \$36 billion in fiscal year 2023-24 compared to the year prior.

Kalpona said buyers currently lack confidence although factory owners claim everything is on track. She warned that Bangladesh must avoid the "fate of Sri Lanka", which lost a lot of business during its economic meltdown in 2022.

"We need collective efforts."

She said workers are demanding higher night allowances, tiffin bills, attendance bonuses and incentives for achieving production targets. They also want factory authorities to implement

a four-month maternity leave and provide light work to expecting mothers in their fifth month.

Other demands include senior officials refraining from using abusive language in factories and an end to the arbitrary termination of workers by factory authorities. Furthermore, they want due benefits to be paid as per the law if an employee resigns.

"All these demands are in the law. Workers are not asking for anything beyond that," Kalpona said.

There is a provision for a five percent increment in the labour law. However, workers are now demanding a 15-20 percent increment.

"If you consider persistent inflation, a 15 percent increment is reasonable," she said.

Kalpona added that the government hiked the minimum wage for garment workers to Tk 12,500 in November last year, up from Tk 8,000.

"But the spike in wages fell short of the workers' demands," she said.

The trade union activist said bonuses, incentives and allowances currently vary among factories from Tk 450 to Tk 800 and it should be standardised.

"We urge factory owners to sit together and formulate a plan incorporating labour demands that all factories can follow," she said.

Kalpona said one could argue that the economy is passing through a turbulent time and this is not the right moment for protests.

"However, workers' demands are logical," she maintained.

The labour leader said there was no voice for the people during the past government. So, they began placing their demands after the political changeover on August 5.

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# Restoring trust in the banking sector

MAMUN RASHID

Lately, I have been receiving calls from friends and family asking which banks are safe or if they should withdraw their deposits from a particular bank. There were reportedly some bank branches, which couldn't encash small cheques from their clients and even clearing cheques were returned by a few banks for a shortage of funds.

The situation has worsened with Bangladesh Bank Governor Ahsan H Mansur listing 10 commercial banks as bankrupt. Of course, depositors even with some good banks are panicked, apprehending a dent in the overall banking sector. Newspapers have reported of huge cash being held in the family vaults and beneath the pillow i.e. outside banking. An adviser to the interim government was also heard to be in problems with their very large government deposits being stuck with much scandalised Padma bank.

The extent of scourge left on the banking sector during the past regime is truly shocking. Despite frequent media coverage of irregularities, civil society's voice raised, and more transparency emerging after the mass uprising that brought down the regime, the true scale of corruption in the banking sector during the previous regime seems unfathomable. This just shows how daunting the challenge will be for the interim government as it sets its sights on reforms, restructuring and recovery.

The new administration has already taken some positive steps. The decision to form a taskforce to undertake reforms is a move in the right direction, though we are yet to see much visibility about their laundry lists. According to media reports, the Bangladesh Bank has also decided to rescue struggling banks, including some Shariah-based banks formerly controlled by a particular group, by injecting liquidity or merging a few.

The old regime had also promised similar objectives. However, instead of working towards that, it gave preferential treatment to corrupt, politically linked bank owners and stakeholders, which further compromised the health of these banks and put depositors' funds at risk.

Though Mansur in his past incarnation was heard to be not subscribing to the idea of providing liquidity to ailing banks (it usually happens to many while you are on other side of the table), the present authorities are heard to be supporting these banks for three main reasons: to safeguard the country's economy, protect depositors, and facilitate business continuity.

We strongly support these measures as these are the real issues that should drive all reform decisions. Though many of the banks were mired in corruption, their bankruptcy would cause significant harm to both depositors and the economy. The central bank is therefore obligated to try the "rescue path". But it must do so in the right way and for the right reasons.

However, the central bank has now decided to avoid providing liquidity support by printing money, as was done before, and instead allow lenders to access support through inter-bank money supply, with it acting as the guarantor. Additionally, the central bank must ensure that these banks take every possible measure to recover default loans in order to lessen their liquidity crisis.

Reportedly, out of the Tk 70,000 crore that went outside the banking channel, Tk 30,000 crore has been recovered. This, along with the government's decision to insure up to Tk 2 lakh for each depositor, should help restore some confidence in the sector. While we appreciate the overall direction of the banking sector under the interim government, coordinated efforts involving various agencies are essential to recover or bring back the remaining funds into the coffers. Besides, we should be expecting closure of the few investigations into large wrong doings in the banking sector.

The author is chairman of Financial Excellence Ltd

# Revenue target for FY25 to be left unchanged

## Interim govt aims to reduce external debt

STAR BUSINESS REPORT

The interim government will not bring down the revenue collection target for the current fiscal year as it aims to mobilise more domestic resources to reduce reliance on foreign loans, according to Finance and Commerce Adviser Salehuddin Ahmed.

The government faces a budget deficit every year and requires foreign loans to cover this shortfall, thereby increasing the country's external debt.

"So, as much as possible, we have to rely on domestic sources," Ahmed said while explaining why they decided against slashing the revenue collection target.

"Besides, we must also reduce the wastage of public money to this end," the finance and commerce adviser added.

Ahmed made these remarks at a discussion, styled "Seminar on Specific Changes/Modifications Made in Direct Taxes (Finance Act 2024)", organised by the Bangladesh Civil Service (Taxation) Association of the National Board of Revenue (NBR) yesterday.

The event was held at the NBR's multipurpose hall in the Agargaon area of Dhaka.

Around a month before it was ousted by a mass uprising on August 5, the Sheikh Hasina-led Awami League government had tasked

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# US finalises sharp tariff hikes on Chinese EVs, other goods

AFP, Washington

The United States locked in tariff hikes on billions of dollars worth of Chinese goods Friday, with a 100 percent duty on electric vehicles and 25 percent on EV batteries taking effect in two weeks.

The White House announced the steep tariff increases in May, targeting key sectors including EVs, semiconductors, batteries and solar cells – drawing a fiery response from Beijing.

It also comes ahead of November's presidential election, where both Democrats and Republicans are seeking to show a tough stance on China as competition between both countries intensifies.

"Today's finalized tariff increases will target the harmful policies and practices of the People's Republic of China that continue to impact American workers and businesses," said US Trade Representative Katherine Tai in a statement.

Apart from tariff increases that take effect later this month including those on solar cells, the US Trade Representative's office confirmed that a 50 percent duty on semiconductors – a sharp rise from before – would start in 2025.

A 25 percent tariff on lithium-ion

batteries that are non-EV take place January 2026, said the USTR.

The tariff hikes on about \$18 billion worth of goods were taken after a review of levies imposed under then president Donald Trump, which impacted some \$300 billion in goods from China.

The moves this year impact both products already targeted by earlier Trump tariffs as well as additional ones.

But the Biden administration's moves go beyond tech for green energy, also impacting goods like cranes and medical products.



This photograph shows cars for export waiting to be loaded on the "SAIC Anji Eternity" vessel, at Yantai port, in eastern China's Shandong province. PHOTO: AFP/FILE