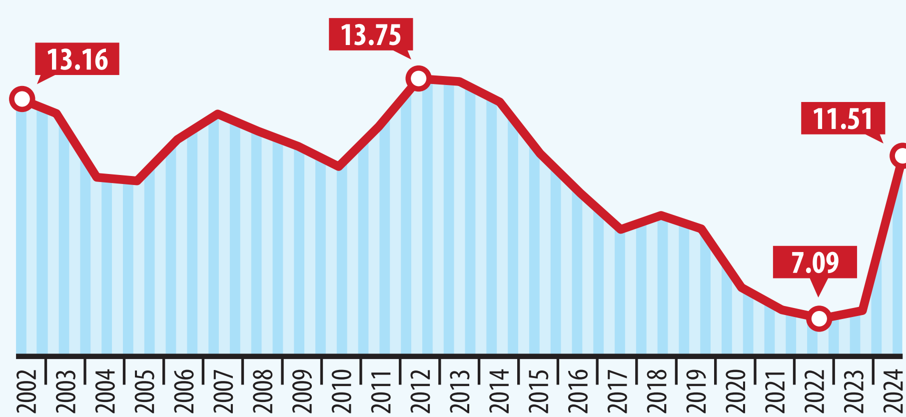

SOURCE: BB

Businesses worried over double-digit bank interest rate

Speakers tell DCCI seminar on the state of the economy

STAR BUSINESS REPORT

Businesses are worried over the interest rate of bank loans reaching double digits as it will increase the cost of doing business and subsequently affect profitability, the country's business leaders stated yesterday.

"There is no country where businesspeople can make a profit with a double-digit bank interest rate. Now the rate of interest is 14 percent," said Syed Nasim Manzur, a former president of the Metropolitan Chamber of Commerce and Industry, Dhaka.

He was delivering a speech at a seminar styled "Current State of the Economy and Outlook of Bangladesh" organised by the Dhaka Chamber of Commerce & Industry (DCCI) on its premises.

Regarding malpractices in business, Manzur, also president of the Leathergoods and Footwear Manufacturers and Exporters Association of Bangladesh, alleged that the whole business community gets blamed for the misdeeds of a few.

Foreign direct investment (FDI), a very important factor for enhancing product value, image and engagement with the global value chain, will not come about at the moment as the country is going through a transition, he said.

With state administrations partially functional, investors are uninterested in providing fresh funds and are opting to wait it out, which has halted employment generation, he said.

No country can run solely with the financial assistance of donors, rather businesses need to stay active while investments need to be made for the economy to develop, he said.

Manzur urged the interim government to prevent violence at industrial zones and ensure law and order by focusing on the strategic deployment of industrial police.

The interim government has not yet been able to build up confidence among businesspeople, said Mir Nasir Hossain, a former president of the Federation of Bangladesh Chambers of Commerce and Industry.

The government needs to engage in dialogues with the business community and hear about their problems, he said, adding that no businessperson had been able to speak their mind to the National Board of Revenue in the past 10 years.

Regarding bank loans, he said the actual interest rate was more than 14 percent.

He further said loans from the International Monetary Fund end up having a detrimental effect on the country and do not benefit businesses.

Hossain also urged the government to bring unscrupulous businesspeople to justice.

Mohammad Hatem, president of the Bangladesh Knitwear Manufacturers and Exporters Association, said he was now engaged in building up the confidence of buyers to continue running business with them.

Echoing Manzur, he said it was becoming tough to do business due to the high interest rates of bank loans.

Regarding the recent labour unrest in industrial zones, he alleged that it was provoked by "outsiders".

Employment generation is a moral responsibility of businesspeople, said Ahsan Khan Chowdhury, chairman and chief executive officer of Pran-RFL Group.

Law and order must be ensured in order for industries to flourish, Chowdhury emphasised.

Proper decisions were not taken at the appropriate time during the previous government's tenure, which affected the country's macroeconomic situation, said M Masrur Reaz, chairman and chief executive officer of Policy Exchange Bangladesh.

READ MORE ON B2

Can we brand Bangladesh afresh?

MAMUN RASHID

Fallen dictator Sheikh Hasina used to regularly lament that she did a great job, but our civil society members were behaving dumb. A few of my friends were quite aggrieved -- our country made so many achievements, yet the Western media and opinion makers were not recognising any of those.

Natural calamities, political skirmishes, poor governance standards and work ethics didn't allow Bangladesh to achieve the right image it deserved with its young and energetic workforce, resilient entrepreneurs and an increasing number of women in the workplace. Bangladesh's potential as a liberal Muslim country was not being discussed at the right tables. Investors were going to Sri Lanka, Vietnam, Indonesia, and even Pakistan, but not Bangladesh, with some exceptions for infrastructure sector investments. While the new political order and economic surprises awaited with Professor Yunus, Bangladesh's image problem is not over since we have yet to take "nation branding" with a modicum of importance.

Nation branding is substantially different from product branding. We see catchy taglines being used by several nations to promote tourism in their countries, such as "Malaysia, truly Asia," and "Amazing Thailand." However, the function of nation branding is not just limited to tourism. According to Simon Anholt, widely considered the "Father of Nation Branding," the concept of nation branding refers to developing an identity for a nation that encompasses several components of national accounts, including foreign direct investments, exports, culture, sports, migrants, international relations, etc.

Traditional promotional tools, such as advertising or roadshow activities, don't apply in the same manner when it comes to nation branding. Instead, it involves a holistic and well-concerted effort to highlight the key competitive advantages offered by the nation. The government has a huge role to play in this regard. It is the duty of our leaders to showcase our achievements to the world.

However, this responsibility does not lie on the shoulders of the government alone. It is a responsibility shared by all of us.

While product branding affects a particular company, the impact of nation branding affects an entire economy, and hence the standard of living of its citizens. However, there also exists an integral connection between the two concepts. Sometimes, we get to know a nation through the great companies which originated in that country and the product brands they offer.

Some of those national brands also build enough equity to graduate to the status of global brands, such as Nokia from Finland, Google from the US, and Toyota from Japan, that we begin to associate these countries with their national brands.

Now, the question for a growing economy like Bangladesh would be: what kind of products should we invest in? We are already known to the world for "micro-finance." Today, countries all over the world are reshaping their identities to gain a competitive edge over their neighbours. If we listen to Philip Kotler, the father of modern marketing, and want to brand Bangladesh as an RMG exporting country, we must question ourselves as to what extent that would be sustainable in the long run. We must ensure adequate capacity-building, productivity improvement, healthy industrial relations, professional management, and new export destinations to remain competitive because uncertainty is more dangerous than instability.

So far, our RMG industry has shown remarkable resilience in terms of weathering turbulence, when the country was faced with some of our worst political turmoil and man-made disasters. Moreover, the sector also seems to have survived the global financial meltdown relatively unscathed.

However, uncertainty still shrouds the future of our RMG industry. There is also ambiguity regarding the future of the microfinance industry.

In the age of fierce competition, nation branding has become more of a necessity than a luxury. Our country has suffered due to a negative brand image, both at home and abroad. The time has come to rebrand our country, to highlight the amazing accomplishments of our people despite the hardships. That is what makes our nation truly remarkable and unique. However, one Nobel laureate professor and his very young and hardcore companions may not be enough to attract the right and sustainable attention to Bangladesh.

The author is the chairman of Financial Excellence Ltd

Oil settles up, biggest weekly gains in over a year on Middle East risk

REUTERS, *New York*

Oil prices rose on Friday and settled with their biggest weekly gains in over a year on the mounting threat of a region-wide war in the Middle East, although gains were limited as US President Joe Biden discouraged Israel from targeting Iranian oil facilities.

Brent crude futures rose 43 cents, or 0.6 percent, to settle at $78.05 per barrel, while US West Texas Intermediate crude futures gained 67 cents, or 0.9 percent, to close at $74.38 per barrel.

Israel has sworn to strike Iran for launching a barrage of missiles at Israel on Tuesday after Israel assassinated the leader of Iran-backed Hezbollah a week ago. The events had oil analysts warning clients of the potential ramifications of a broader war in the Middle East.

Oil prices jumped nearly 2 percent during the session but pulled back sharply after Biden said that if he were in Israel's shoes he would consider alternatives to striking Iranian oil fields.

On Thursday, oil benchmarks surged over 5 percent after Biden confirmed the US was in talks with Israel over whether it would support a strike on Iranian energy infrastructure.

On a weekly basis, Brent crude gained over 8 percent, the most in a week since January 2023. WTI gained 9.1 percent week-over-week, the most since March 2023.

An attack on Iranian energy facilities would not be Israel's preferred course of action, JPMorgan commodities analysts wrote on Friday. Still, low levels of global oil inventories suggest that prices are set to be elevated until the conflict is resolved, they added.

Iran will target Israeli energy and gas installations if Israel attacks it, the semi-official Iranian news agency SNN quoted Revolutionary Guards deputy commander Ali Fadavi as saying

Citing data from ship-tracking service Kpler, they said that inventories are below last year's levels when Brent was trading at $92 and at 4.4 billion barrels are the lowest on record.

Brokerage StoneX forecasts oil prices could jump between $3 and $5 per barrel if Iranian oil infrastructure is targeted.

On Friday, Iran's Supreme Leader Ayatollah Ali Khamenei appeared in public for the first time since his country launched the missile attack. He called for more anti-Israel struggle.

Iran will target Israeli energy and gas installations if Israel attacks it, the semi-official Iranian news agency SNN quoted Revolutionary Guards deputy commander Ali Fadavi as saying.

Iran is a member of Opec+ with production of around 3.2 million barrels per day or 3 percent of global output. The group's spare production capacity should allow other members to boost output if Iranian supplies are disrupted, limiting oil price gains, Rystad analysts said on Thursday.

Supply fears have also eased in Libya. The country's eastern-based government and Tripoli-based National Oil Corp on Thursday said all oilfields and export terminals were being reopened after a dispute over leadership of the central bank was resolved.

Sri Lanka approves controversial foreign debt deal

AFP, *Colombo*

Sri Lanka's new government has approved a controversial restructure of $14.7 billion in foreign commercial credit tentatively agreed by its predecessor, the finance ministry said Saturday.

Former leader Ranil Wickremesinghe announced a deal with international sovereign bondholders and the China Development Bank just two days before he lost presidential elections last month.

The new leftist President Anura Kumara Dissanayake had called for better terms, but after two days of talks with an IMF delegation in Colombo, his government said it would honour his predecessor's deal.

"Sri Lankan authorities confirm their endorsement of... the agreement in principle terms as announced on September 19," the finance ministry said in a statement.

The debt restructuring is a key International Monetary Fund demand to rebuild the island's economy, which suffered its worst crisis in 2022 when it shrank by 7.8 percent.

In June, the government concluded a deal with its bilateral lenders to restructure its official credit amounting to $6 billion.

Under the deal announced on September 19, private creditors holding more than half of international sovereign bonds and foreign commercial loans to the South Asian nation agreed to a 27 percent haircut on their loans.

They also agreed to a further 11 percent reduction on the interest owed to them.

READ MORE ON B2

As EU targets Chinese cars, European rivals sputter

AFP, *Paris*

As the EU seeks to put a brake on competition from Chinese electric cars, European automakers are stuck in second gear.

German group Volkswagen, BMW, Mercedes and Stellantis, a 15-brand behemoth that includes Jeep, Fiat and Peugeot, have all issued profit warnings in recent weeks.

Weaker demand for their cars in China, whose economy is slowing, and growing competition from cheaper Chinese EVs elsewhere are among the main drags on European automakers, which employ 2.4 million people.

In a divided vote, EU states on Friday gave a definitive green light to hefty additional tariffs on made-in-China EVs.

The aim is to protect Europe's auto industry, but opponents including the German government and the country's top carmakers fear the move could backfire.

The European auto industry is in "grave danger", Luc Chatel, president of French auto industry trade group PFA, told the French Senate on Wednesday.

New car registrations rose by just 1.4 percent to 7.2 million units in the first eight months of the year, maintaining a low volume since the Covid pandemic broke out in 2020.

High prices at dealerships and a sluggish economy have discouraged consumers from getting new cars, according to analysts.

"The performance of the auto sector in the coming weeks and months will be capped by deteriorating fundamentals into 2025," UBS analysts said in a note.

More worrying, sales for electric vehicles have stalled when the industry is facing a 2035 EU deadline to phase out new sales of petrol-powered cars.

EVs accounted for 12.6 percent of car sales in Europe in the first eight months of the year, down from 13.9 percent over the same period in 2023.

Worried about stricter emissions targets that come into effect next year, the European Automobile Manufacturers' Association (ACEA) urged the EU last month to provide "urgent relief measures".

In a stark sign of the European industry's struggles, Volkswagen announced last month that it could close factories in Germany for the first in its history as it grapples with high costs, Chinese competition and weak demand for EVs.

The German government held crisis talks with senior figures from the country's beleaguered auto industry last month.

But Germany opposes EU tariffs against China, fearing that retaliatory measures could hurt automakers doing business in the world's second biggest economy.

Ten countries including France voted Friday for imposing tariffs of up to 35.3 percent on top of existing 10-percent duties.

Germany was among five that voted against while 12 abstained, paving the way for the European Commission to impose the tariffs.

An MG Cyberster electric sports car is displayed at the Beijing Auto Show in China. EU states on Friday gave a definitive green light to hefty additional tariffs on made-in-China EVs.

PHOTO: AFP/FILE

READ MORE ON B2