A view of a sunflower field at the Regional Agricultural Research Station of BARI in Hathazari of Chattogram. Bangladesh's importers brought 7,985 tonnes of crude sunflower oil and 5,093 tonnes of refined sunflower oil this fiscal year.

PHOTO: STAR/FILE

Cut import taxes on sunflower, canola oil: Tariff Commission

STAR BUSINESS REPORT

The Bangladesh Trade and Tariff Commission (BTTC) has recommended that the government reduce import taxes on sunflower oil and canola or rapeseed oil to offer a greater range of cooking oils in the markets.

At present, crude sunflower oil importers are required to pay a total of 31 percent of their purchase price in duties and taxes while for the refined version it is 32 percent.

For raw canola oil it is 37 percent while for the refined version it is 58 percent, the BTTC said.

On the other hand, lower taxes are applicable on the import of soybean and palm oil, which meet most of the demand for edible oil through imports.

On November 19, the National Board of Revenue (NBR) reduced the value added tax (VAT) on the import of soybean oil and palm oil to 5 percent from 10 percent to maintain adequate supply and contain prices in the local market.

The reduction will stay in effect till December 15.

Afterwards, refiners will be able to import crude soybean and palm oil on payment of a 15 percent VAT.

Refined soybean oil imports will face a total of 20 percent in taxes and VAT, the BTTC said.

In a letter to the NBR last week, the BTTC said sunflower and canola oil do not enjoy similar treatment like soybean and palm oil in terms of tariff and taxes, though the former is popular globally.

And high duty and taxes on these edible oils have made their supply and prices prone to frequent fluctuations in the domestic market, despite the fact that their prices are almost the same as those of soybean and palm oil in the international market.

"As a result, consumers' choices have been squeezed. On the other hand, high dependency on palm and soybean has created risks in the market," it said.

Bangladesh's importers brought 7,985 tonnes of crude sunflower oil and 5,093 tonnes of refined sunflower oil this fiscal year, the BTTC said citing data of the NBR.

The latest import is much higher than the 2,607 tonnes of refined sunflower oil imported a year ago.

The amount of canola or rapeseed oil that was imported in the previous two fiscal years was very negligible.

High duty and taxes on sunflower and canola oil have made their supply and prices prone to frequent fluctuations in the domestic market

The BTTC's recommendation comes as prices of both soybean and palm oil have soared globally because of export duties imposed by palm oil producing countries to produce biodiesel.

Indonesia, the world's biggest palm oil producer, plans to tighten supplies of the vegetable oil, and it is seeking to ramp up to biodiesel containing 40 percent palm oil from 35 percent to cut its energy imports, reports Reuters in October.

The plan, if implemented, could see biodiesel consumption rise to 16 million kilolitres next year. The move would involve the additional use of 1.5 to 1.7 million tonnes of palm oil, leading to lower export volumes, it added, citing Oil World Senior Analyst David Mielke.

The World Bank commodity prices data showed that palm oil prices rose 6 percent year-on-year to $937 in the July-September quarter of this year from $886 a tonne a year ago. Palm oil prices soared, particularly in August and September, the data showed.

Influenced by increased prices in the global market, both soybean and palm oil prices edged up too over the last one month.

The BTTC said other edible oils could be the best alternatives to palm and soybean oil.

"But high import duty discourages imports," it said, adding that these two oils have been considered as luxury items, though it should not be.

Markets to open with a lower benchmark index

STAR BUSINESS REPORT

Stocks at Dhaka Stock Exchange (DSE) are set to open today with a lower benchmark index than it began a week ago.

The benchmark DSEX index closed at 5,192 last Thursday, losing 5 points or 0.10 percent from that a week ago. The downtrend has been prevailing since November 10, taking the cumulative loss to 163 points.

Major contributors to the decline include Square Pharmaceuticals, BRAC Bank, Islami Bank, British American Tobacco Bangladesh, and Khan Brothers PP Woven Bag Industries.

Meanwhile, the DS30 index, which tracks 30 prominent companies, fell modestly by around 3 points to 1,916.

The DSES index, representing Shariah-compliant companies, defied the trend with a 15-point gain, reaching 1,167.

At the Chittagong Stock Exchange, the CSE All Share Price Index (CASPI) shed 52 points over the week to settle at 14,532.

Market turnover, which is the total value of the shares traded, at the DSE stood at Tk 1,906 crore whereas it was Tk 2,330 crore at the end of the previous week.

Consequently, the average daily turnover dropped 18 percent to Tk 381 crore, whereas it was Tk 466 crore in the previous week.

Banking stocks led market activity, accounting for 18 percent of the week's total turnover, followed by pharmaceuticals and food.

A majority of the stocks that were traded, meaning 213 out of 390, made gains. Another 126 lost value and 51 remained unchanged.

The power sector emerged as the top gainer with a 1.8 percent increase, followed by engineering and pharmaceuticals, each rising by 1.2 percent.

Telecommunication shares advanced 0.7 percent, while banking stocks rose 0.10 percent.

In contrast, the food sector declined the most by 0.9 percent, followed by general insurance at 0.50 percent and cement at 0.1 percent.

NRB Bank was the most-traded stock, with shares worth Tk 65.5 crore changing hands, trailed by Bangladesh Shipping Corporation, Midland Bank, Taufika Foods and Lovello Ice-cream, and Agni Systems.

STOCKS (WEEK-ON-WEEK)

DSEX ▼	CASPI ▼
0.10%	0.36%
5,197.58	14,532.31

COMMODITIES (AS OF FRIDAY)

Gold ▲	Oil ▼
$2,649.87	$68.16
(per ounce)	(per barrel)

ASIAN MARKETS (FRIDAY CLOSINGS)

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.96%	▼ 0.37%	▲ 0.93%	▲ 0.05%
79,802.79	38,208.03	3,326.46	3,739.29

Currency drop worsens Moscow's stagflation fears

REUTERS, *Berlin*

The Bank of Russia has more serious concerns than having to manage the fallout from US sanctions on Gazprombank, which sent the rouble to a two-year low of 115 to the US dollar this week .

The Russian currency has since regained some ground after the central bank stepped in and stopped buying dollars and euros. But the rouble remains at levels it had not touched since the aftermath of Russia's invasion of Ukraine in February 2022.

Gazprombank was the main conduit for Moscow to receive revenues from oil and gas sales, so the US sanctions matter. But Russia will find a way to get its hands on the proceeds of energy sales. The crisis has illustrated a more serious problem for Russia and its President Vladimir Putin: its overheating economy is on course for a painful hard landing next year, and the authorities have few tools left to avoid it.

Central bank Governor Elvira Nabiullina has for months chronicled a crash foretold. She pushed interest rates to 21 percent, but inflation, now running at about 9 percent a year, is showing no signs of abating. It is fuelled by the massive spending on the war in Ukraine, now at about 8 percent of GDP, and the government's associated budget deficits of about 2 percent of GDP. The rouble's weakness makes things worse by increasing the prices of imported goods.

Inflation is also propelled by the economy's overheating. The militarisation of Russia has diverted resources to the defence sector, creating labour shortages in the rest of the economy. In this tight labour market, only 2 percent of the working age population is unemployed. The flight of talent after the Ukraine invasion, and a plan to mobilise up to 1.5 million men, have shrunk the available workforce. In these conditions, the civilian economy has no capacity for further growth, while inflation on daily products has reached new highs – butter thefts are on the rise because it has become so expensive.

PDB to give up role as sole buyer of electricity

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While presenting the keynote paper, Gouranga Nandy, chairperson of the Centre for Environment and Participatory Research, said the country will require a staggering Tk 87,000 crore in investment over the next six years to achieve the renewable energy target to have a mix of 30 percent renewable energy in its total power generation by 2030.

He said domestic commercial banks need to scale up investment in solar and wind power projects if the country wants to meet its renewable energy goal.

Citing Bangladesh Bank data, he said domestic banks have invested around Tk 73,000 crore in green and sustainable projects in the last six years, but less than 3 percent went to renewable energy projects.

Khondaker Golam Moazzem, research director at the Centre for Policy Dialogue, said the banks usually lend on a six to eight-year repayment method, which is tough for a renewable project as it takes more time for such initiatives to turn a profit.

"It takes around 10-12 years for repayment and the banks need to ease their policy," he said.

Hasan Mehedi, chief executive of CLEAN, a co-organiser of yesterday's event, said each megawatt of installed solar power would annually save the country Tk 26.1 million worth of furnace oil imports.

He suggested Bangladesh Bank amend the green financing guidelines for local banks.

ERF President Refayet Ullah Mirdha chaired the event while City Bank's Chief Economist Ashanur Rahman, Action Aid's Abul Kalam Azad, and Campaign for Sustainable Rural Livelihoods' Ziaul Hoque Mukta also spoke.

Businesses voice concerns

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Ahmed also mentioned that inflation, which has been hovering above 9 percent for nearly two years, is a big challenge. However, he was optimistic that the situation could be overcome by bringing stability to the foreign exchange reserves and setting satisfactory interest rates.

He further said that he had received some complaints about the National Board of Revenue from private-sector enterprises, adding that all laws should be business-friendly.

Sk Bashir Uddin, commerce advisor, said coordination between the government and private sector is necessary to improve the law-and-order situation.

He expressed hope that the situation would improve quickly.

He also sought more dialogues on when it would be reasonable for Bangladesh to graduate from least developed country (LDC) status as the country will be deprived of several benefits in the post-LDC era.

Bangladesh is currently set to graduate from the list of LDCs in November 2026.

"There is no alternative to increasing our capacity and expanding trade in the international market after LDC transition," Bashir said.

Selim RF Hussain, chairman of the Association of Bankers Bangladesh, said the government has not yet taken effective initiatives to improve the law-and-order situation, but it is important to control it quickly.

However, the government has done quite well in the economic sector, he added.

"Only a contractionary monetary policy is not enough to control inflation. Strict monitoring of market management, including stopping extortion in the supply chain, must be ensured," Hussain said.

Javed Akhtar, president of the Foreign Investors' Chamber of Commerce and Industry, said credibility, continuity and capacity are absolutely essential for foreign investment.

Considering the country's impending graduation from LDC status, he called on the interim government to take any decision on that topic with the country's capabilities in mind.

Abdul Hai Sarker, chairman of the Bangladesh Association of Banks, said the interim government needs to ensure the safety of entrepreneurs and improve the law-and-order situation in industrial zones.

Shawkat Aziz Russell, president of the Bangladesh Textile Mills Association, stressed the need to reduce business operating costs, especially those incurred due to corruption.

"Since we are not producing our own gas through exploration, our industries are being run with high-priced gas. As a result, our capacity is decreasing," he added.

Mohammad Hatem, president of the Bangladesh Knitwear Manufacturers and Exporters Association, said a zero-tolerance policy must be adopted to improve the law-and-order situation.

"Due to a lack of gas, we are unable to manufacture fabrics. As a result, additional money is being spent on importing such products," he added.

He also called for keeping trade organisations free of politics.

Ashraf Ahmed, president of the DCCI, said it is necessary to gradually reduce the policy rate from the beginning of next year in order to control inflation.

He also highlighted the importance of reducing government expenditure, improving market management, and increasing surveillance to prevent extortion in product management.

He also said the central bank should emphasise keeping the exchange rate of US dollars close to the prevailing rate in order to bring stability to the foreign exchange market.

Bangladesh on track for next IMF loans

FROM PAGE B1

One of the structural reform conditions was the publication of an updated medium-term debt management strategy, covering FY25 to FY27. The finance ministry has already published it.

According to the publication, it is crucial for Bangladesh to move towards a unified debt management framework gradually to enhance the country's public debt management.

"Under this framework, all aspects of public debt management, from the issuance of treasury securities to the oversight of national savings certificates and external borrowing, among others, should be conducted under the Finance Division through an autonomous unit," it said.

Capacity development of the debt management unit in this regard will help to ensure better implementation of the debt strategy and maintain public debt on a sustainable trajectory, it added.

An official from the finance ministry said the report was formulated at the end of the previous government's tenure. The interim government or the next elected government may introduce changes.

Finance ministry officials said that other macroeconomic challenges, including inflation, subsidy reductions and reforms in revenue collection, would be discussed during the IMF team's visit.

The interim government will also share updates on steps taken to generate authentic statistics.

The total arrears of the government subsidy in the power, fertiliser, and energy sectors amounted to approximately Tk 60,000 crore at the end of June. Discussions with the IMF mission will prioritise how subsidies in these sectors can be reduced, according to the officials.

On top of the ongoing $4.7 billion programme, the government has already sought an additional $3 billion loan from the IMF.

An official from the Bangladesh Bank said this will be discussed in detail with the visiting IMF mission. To avail of that loan, the government, however, will be required to meet additional conditions set by the IMF.

Zahid Hussain, a former lead economist at the World Bank's Dhaka office, said the IMF's upper management is positive about providing additional loans.

"But specific conditions must be fulfilled by the government," he said.

These conditions could relate to the banking sector, tax policy, subsidy reductions, exchange rate management and more, he added.

Hussain said it is still unclear whether the new loan will be incorporated into the existing loan package or offered in a different form.

In the face of mounting pressure on its foreign reserves, Bangladesh sought IMF assistance at the end of 2022. The multilateral lender approved $4.7 billion in January 2023. Of that, the government has already received $2.3 billion in three tranches.