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Star BUSINESS

Inflation expected to decline soon: Yunus

STAR BUSINESS REPORT

Chief Adviser Prof Muhammad Yunus yesterday admitted that the interim government has not yet been able to control inflation but expressed his belief that it would come down soon.

Addressing the nation marking the Victory Day, Yunus said the government was working earnestly to control inflation.

Inflation hit a four-month high of 11.38 percent in November this year. It has stayed at over 9 percent since March of last year.

The government and the Bangladesh Bank have been trying to control the inflation by introducing various measures, including hiking the policy rate.

The policy rate is an interest rate that a country's monetary authority, meaning the central bank, sets in order to influence the main monetary variables in the economy, such as consumer prices, exchange rates and credit expansion.

After the interim government came to office, the central bank hiked the policy rate several times, effectively turning loans costlier to curb spending and thereby tackle the inflationary pressure.

The government has set a target to reduce inflation to 7 percent by the end of next June and below 5 percent in the next fiscal year, said Bangladesh Bank Governor Ahsan H Mansur recently.

The prices of some goods have risen in recent months, but the government is trying to increase supply, reduce import duties, curb the influence of middlemen and monitor the market, said Yunus

Prof Muhammad Yunus

yesterday.

Extortion in the transportation sector has not yet been completely stopped. "If it can be put to an end, we hope prices will decrease further," he pointed out.

"We empathise with your hardships. However, we know that the government's job is not just to express sympathy. We are making every effort to alleviate your suffering," he said.

The government is also seeking everyone's cooperation to keep commodity prices at a reasonable level during upcoming Ramadan, said Yunus.

"We have already spoken with traders, who have assured us that there will be no supply shortages in the market. If anyone tries to create an artificial crisis for extra profit, we will take strict action against them," he said.

The government is working to establish an alternative agricultural market to curb the influence of market syndicates, he said.

Regarding the country's economy and businesses, the chief adviser said export earnings stood at $4.12 billion in November, which was 15.63 percent higher than that in the previous month.

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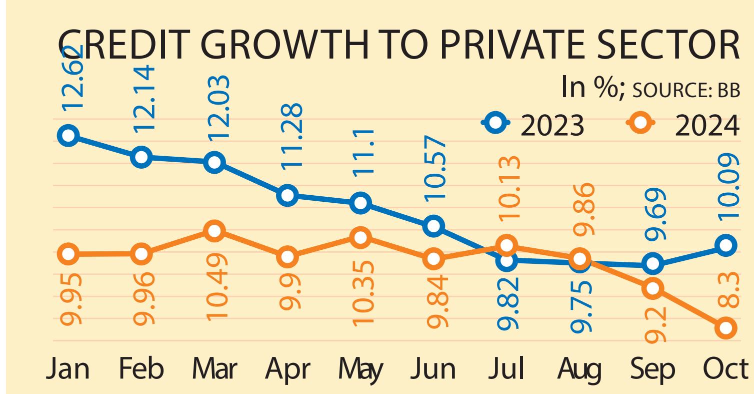
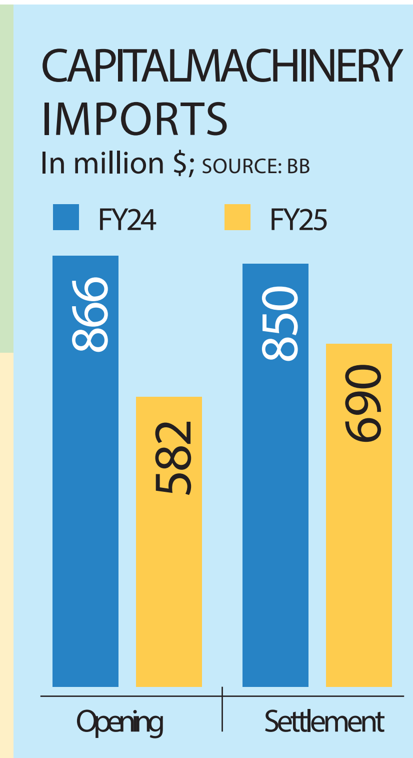
Election to boost business confidence: entrepreneurs

VIEWSOFBUSINESSES

- Polls will restore business confidence
- Hold elections after implementing vital reforms
- Law and order will improve under an elected government
- Elections must be free, fair and credible
- Sustainability of reforms is vital
- A credible voter list is also needed





REFAYET ULLAH MIRDHA *and* AHSAN HABIB

Business leaders, economists and professionals have emphasised that an elected government is essential for restoring confidence in the business community, stabilising law and order, and revitalising the business and investment climate.

They also welcomed the speech delivered by Chief Adviser Muhammad Yunus yesterday as he assured that general elections would be held by the end of 2025 or in early 2026, subject to the completion of vital reforms.

Yunus made the much-anticipated announcement about when the interim government, which assumed power in early August, may organise national elections in his address to the nation on Victory Day.

Members of the business community also echoed that vital reforms in different sectors, which the interim government is currently working on, must be completed before holding the next general election.

Bangladesh's economy has been suffering from a slowdown in recent years, depressed by high inflation, reducing purchasing power, rising interest rates, and slowing private sector credit growth. Imports of capital machinery, another key indicator of private investment and job creation, have also been on the downturn.

In October, private sector credit growth slowed to 8.3 percent year-on-year from 10.09 percent. Meanwhile, letter of credit openings for capital machinery imports dipped 33 percent year-on-year to $582 million in the first four months of this fiscal year, according to the Bangladesh Bank data.

"It is better to hold the elections after completing at least the pressing reforms. Of course, free and fair elections will stabilise the law-and-order situation and help restore confidence to businessmen,"

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Non-leather footwear on course to half-billion export club

JAGARAN CHAKMA

Bangladesh's synthetic and athletic footwear exports have been growing rapidly, emerging as a bright spot in the country's export basket, which is heavily dominated by readymade garments.

In the decade preceding the end of fiscal year 2023-24, non-leather footwear exports ballooned 120 percent, jumping from $189 million to $416 million.

Such robust growth has continued into the current fiscal year, according to the Export Promotion Bureau (EPB).

In the first five months of FY25, non-leather footwear exports grew 41 percent year-on-year to $217.81 million, EPB data shows.

Exporters anticipate that the sector is poised to enter the half-billion-dollar club by the end of this fiscal year, joining leather footwear, jute and jute goods, home textiles and agricultural products.

"Western buyers are turning away from global footwear giant China to diversify their sourcing basket and avert looming large tariffs on Beijing from the White House," Riad Mahmud, managing director of Shoeniverse Footwear, said as he outlined reasons for the segment's growth.

Mahmud's footwear factory in Mymensingh, which employs around 1,700 people, supplies products to global brands such as Inditex, Aldi, Matalan and RedTape.

Although Bangladesh has long been trying to diversify its export basket, readymade garments still account for over 80 percent of total exports.

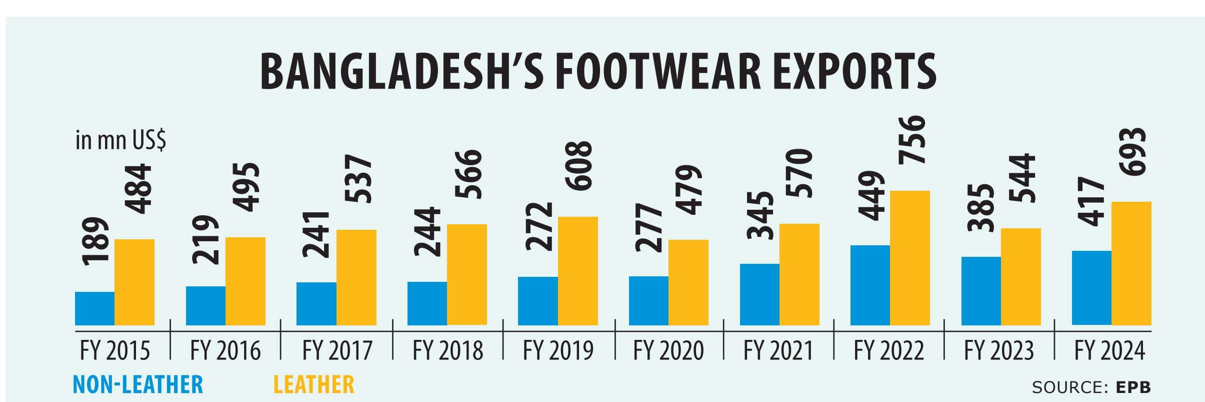
Mahmud said global brands are well aware of Bangladesh's advantages, such as competitive labour pricing, and its strong track record in apparel products, which encourages them to place footwear orders.

"Bangladeshi manufacturers can offer competitive prices for synthetic shoes compared to Vietnam due to lower labour costs. This has attracted globally renowned brands and new buyers," he added.

He said big brands had booked Shoeniverse's factory until March next year and buyers are now approaching him for future slots due to the possibility of the US imposing higher tariffs on Chinese products.

According to a market assessment by the Bangladesh Investment Development Authority (Bida), the rise in non-leather shipments is a result of increased work orders from well-known global brands like H&M, Puma, Decathlon, FILA and Kappa.

The main export destinations for these products are



Spain, France, the Netherlands, South Korea, India, Italy and Germany.

BETTER THAN LEATHER

EPB data shows that Bangladesh's non-leather footwear exports have grown at an average annual rate of 23 percent in the past 10 years while the leather footwear industry has seen average growth of only 6 percent.

Leather footwear exports grew to just over $544 million in FY24 from $483.81 million in FY15.

However, despite the segment's enormous potential, synthetic shoe exporters receive a cash incentive of only 4 percent, Mahmud said, adding that the leather footwear sector was afforded 15 percent.

Though dominated by small-scale factories, the synthetic footwear segment is rapidly growing due to the relatively low investment required to set up an export-oriented production unit.

"It doesn't matter who enters the Oval Office after Trump since Bangladeshi manufacturers of synthetic footwear are well-positioned to capitalise on any tariffs on China in the meanwhile," Mahmud said.

SYNTHETIC FOOTWEAR THE FUTURE OF EXPORT

Jakaria Shahid, managing director of Edison Footwear Limited, believes the synthetic footwear industry will hold the key to export diversification in the future due to its rapid growth.

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NBR removes all import taxes on sunflower, canola oil

STAR BUSINESS REPORT

The National Board of Revenue (NBR) yesterday removed all import taxes on sunflower and canola oils in a bid to encourage imports, boost the supply of edible oil and curb their soaring prices in the domestic market.

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

The revenue board said the tax benefit for import of these types of oils will be valid until March 31 next year.

The cut in tariffs will reduce the import cost of these oils by Tk 40-Tk 50 a litre, the NBR said in a press release today.

Bangladesh's consumers, already grappling with persistent inflation, have seen cooking oil prices rise over the past three months.

This increase has been driven by higher international prices and supply concerns resulting from reduced palm oil production in Malaysia and Indonesia, the world's two largest producers of palm oil, which are increasingly focusing on using it for biodiesel.

Bangladesh depends largely on import to meet its domestic demand of approximately 23 lakh tonnes of edible oil a year.

On Sunday, the average price of unpackaged palm oil was Tk 156.5 per litre, up 23 percent year-on-year, according to market price data compiled by the Trading Corporation of Bangladesh.

Prices of soybean oil rose too with packaged oil becoming scarce in the retails amid supply shortage.

Against this backdrop, the BTTC last week recommended that the government impose a 25 percent regulatory duty on the export of crude and refined rice bran oil to increase domestic supply.

Yesterday, the NBR said it also slashed value-added tax (VAT) on the import of sunflower and canola oils to 5 percent, along with the 5 percent VAT cut on import of palm and soybean oil from the international market.

Before lifting the import tariff, crude sunflower oil importers were required to pay a total of 31 percent of their purchase price in duties and taxes, while for the refined version it was 32 percent.

For raw canola oil, total import duty and taxes were 37 percent, while for the refined version it was 58 percent, the BTTC said in its report sent to the commerce ministry and the NBR earlier.