Star BUSINESS

Will VAT hike add to inflationary burden?

MD ASADUZ ZAMAN

The government's recent move to increase value-added tax (VAT) on 43 goods and services has raised two key questions: will it generate enough revenue to avoid a huge budget deficit and will it further stoke an already high inflation?

After the finance adviser assured that the VAT hike would not impact price pressures, the National Board of Revenue (NBR) yesterday reiterated that there would not be any impact on inflation.

The revenue board, in a press release, also mentioned a potential budget deficit if revenue collection remains sluggish.

The revenue authority linked the risk to tax cuts on eight essential items to cool off red-hot inflation, which the NBR said has reduced revenue collection largely.

Beyond these concerns, businesses and economists have expressed reservations about the effectiveness and timing of the VAT increase.

Regarding effectiveness, businesses anticipated that the VAT hike will slash their sales, ultimately reducing fund flow to state coffers.

On the timing, economists said that the VAT increase comes at a time when people are struggling with inflation above 9 percent for nearly two years.

The VAT hike is being linked to the conditions of the International Monetary Fund (IMF) for its ongoing $4.7 billion loan programme for Bangladesh. Besides, the NBR has an urgency to increase government revenues by an additional Tk 12,000 crore to streamline collections.

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Implications of VAT hike

- It may stoke inflation
- Middle-class people will bear the brunt
- Overall sales may come down
- SMEs may face higher compliance costs
- Businesses may go for demonstrations
- Economic growth may be squeezed

Suggestions…

- Increase VAT gradually
- Expand VAT coverage
- Take into consideration the volatile situation of economy
- Strengthen direct taxation
- Reduce govt spending instead of raising tax

First Security MD placed on forced leave

STAR BUSINESS REPORT

First Security Islami Bank PLC has sent its managing director on a forced leave over his alleged involvement in irregularities centring loans provided to companies linked with S Alam Group.

The bank's board of directors at a meeting yesterday approved the forced leave of Syed Waseque Md Ali from January 5 to April 4 this year.

Abu Reza Md Yeahia, additional managing director of the bank, has been tasked with serving as the managing director during this period.

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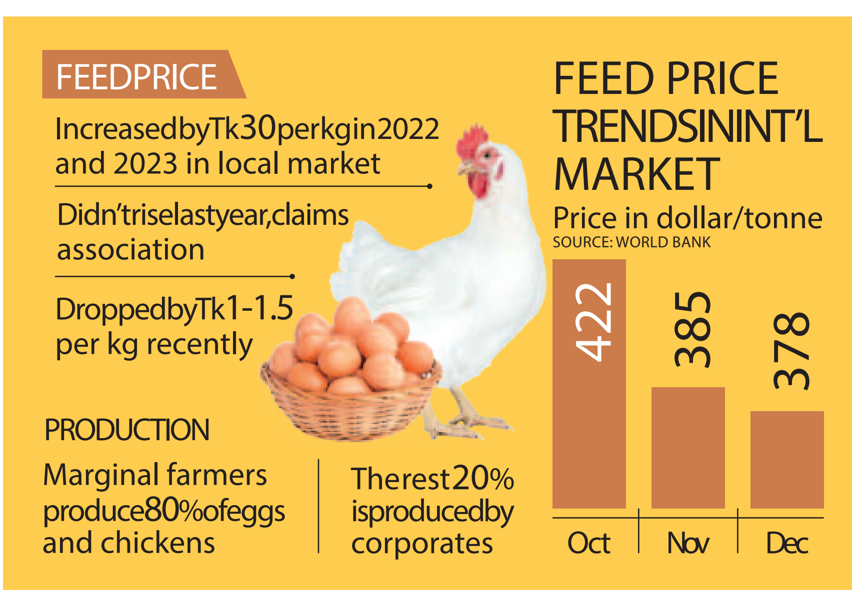
Feed prices stay high despite drop in global markets



STAR BUSINESS REPORT

The price of poultry feed remains high in Bangladesh despite its fall in global markets, said Suman Hawlader, president of the Bangladesh Poultry Association (BPA).

He informed that poultry feed prices in the international market are currently at a four-year low.

"But there has been no impact on the local market," he said while blaming the government for not taking any initiative to this end.

But on the other hand, it sparks nationwide discussions and swift government intervention when there is a rise in chicken or egg prices, he added while pointing to the government's inconsistent policies on state intervention.

Hawlader made these comments during a press conference at the Dhaka Reporters' Unity in the Segunbagicha area of Dhaka yesterday.

According to data of the World Bank, soybean meal cost about $422 per tonne in October last year while the price dropped to $385 in November and then $376 in December.

Soybean meal is used in food and animal feed, principally as a protein supplement, but also as a source of consumable energy.

The BPA chief said although the price of soybean meal recently decreased significantly in the international market, it has declined by just Tk 1 to Tk 1.5 per kilogramme (kg) locally.

Due to the Russia-Ukraine war, the price of feed per kg increased by about Tk 30 in the last two years. The price has not increased further in the last one year, he added.

Currently, the price of 1 kg of poultry feed is Tk 70 to Tk 72 while that of layer chicken feed is Tk 58 to Tk 60.

The country's marginal farmers contribute around 80 percent of the chicken and eggs produced annually while the rest is supplied by big corporate entities.

"But the production cost is higher for small-scale growers," Hawlader said.

Marginal farmers spend Tk 10.5 to Tk 11 to produce to each egg while it costs Tk 155 to Tk 170 per kg to raise broiler chicken. On the other hand, big producers spend Tk 8 to Tk 9 for producing a single egg and Tk 130 to Tk 140 on each kg of broiler chicken.

So, the corporate houses get the advantage for bulk production whereas marginal farmers are falling behind and eventually leaving the business, he added.

The BPA president urged the government to take effective measures to protect small farmers and bar corporate groups from monopolising the market.

READ MORE ON B3

Taka loses value vs dollar after 7 months

STAR BUSINESS REPORT

The local currency taka has officially depreciated against the US dollar after seven months as the central bank recently raised the reference rate for taka-dollar transactions by Tk 2.

The move comes amid increased volatility in the local foreign exchange market, with banks quoting remittance rates as high as Tk 129.

In response, the Bangladesh Bank (BB) adjusted the mid-rate of the crawling peg upwards to Tk 119 for spot purchases of the greenback by banks.

Following the mid-rate adjustment effective from January 1 this year, banks transacted US dollars at Tk 122 yesterday, up from Tk 120 on the first day of the year, according to central bank data.

In January last year, the inter-bank exchange rate was at Tk 110 per dollar.

This means taka has depreciated by around 11 percent against the greenback over the past year.

On May 8, 2024, the central bank introduced the crawling peg system, setting the mid-rate at Tk 117 per dollar.

This system allowed scheduled banks to freely buy and sell US dollars around the mid-rate with customers and in interbank deals.

READ MORE ON B3

Humayun Kabir becomes vice-president of SAFA

STAR BUSINESS DESK

Mohammed Humayun Kabir, a council member and ex-president of the Institute of Chartered Accountants of Bangladesh, has been appointed as the vice-president of the South Asian Federation of Accountants (SAFA) for the year 2025.

Ashfaq Yousuf Tola, ex-president of the Institute of Chartered Accountants of Pakistan, was appointed as the president of SAFA for the same year.

Kabir shall be appointed as the president of SAFA automatically for the year 2026, according to a press release.

Kabir has a professional experience of over 43 years. Apart from his roles at chartered accountant firms and financial institutions, he has been involved with the National Board of Revenue (NBR) as a facilitator of alternate dispute resolution (ADR) since March 2012.

Midland Bank signs MoU with Ship International Hospital

Futoshi Kono, director (administration) of Ship International Hospital, and Md Rashed Akter, head of retail distribution division and chief bancassurance officer of Midland Bank, pose for photographs after signing a memorandum of understanding at the latter's head office in the capital's Gulshan-2 recently. PHOTO: MIDLAND BANK

STAR BUSINESS DESK

Midland Bank PLC signed a memorandum of understanding (MoU) with Ship International Hospital Limited, a private hospital located at Dhour, Turag in the capital's Uttara.

Md Rashed Akter, head of retail distribution division and chief bancassurance officer of the bank, and Futoshi Kono, director (administration) of the hospital, penned the MoU at the bank's head office in the capital's Gulshan-2 recently, the bank said in a press release.

Under this agreement, all the bank's debit, credit and prepaid cardholders will enjoy 100 percent discount on hospital registration, along with an identical 15 percent discount on doctor consultation, and on all category beds, including cabin, intensive care unit, cardiac care unit, high dependency unit, neonatal intensive care unit.

The cardholders will also enjoy a 15 percent discount on laboratory, radiology and imaging tests.

Md Abed-Ur-Rahman, head of cards of the bank, and Sazal Ahmed, merchant relationship officer, and Md Touhidul Islam, deputy manager for business development of the hospital, were also present.

Chinese EV giant BYD reports surge in sales in 2024

AFP, *Shanghai*

Leading Chinese electric car maker BYD's vehicle sales surged in 2024, the company said in a statement, as the firm grows its overseas presence.

The EV and battery giant is the most prominent of Chinese automotive firms expanding abroad -- plans that are increasingly threatened by thorny trade disputes between Beijing and the West.

BYD sold 4,272,145 vehicles last year, up 41.3 percent from 2023's 3,024,417 units, the company said Wednesday.

In December alone, BYD sold 57,154 vehicles outside of China -- a 58.3 percent jump from the same period in 2023 .

But BYD still sold almost 90 percent of its cars in its home market in December 2024. The majority of the company's 2024 sales were for plug in hybrid models -- 58 percent of total units sold.

BYD -- which adopts the English slogan "Build Your Dreams" -- is the biggest EV manufacturer in China, the world's largest automotive market.

The company's quarterly revenue surpassed global rival Tesla's for the first time during the third quarter last year.

The initial rapid sales growth of BYD and its industry peers in their home market was facilitated in part by generous subsidies from Beijing.

The European Union has said that extensive state support has led to unfair competition, with an investigation by the bloc finding that Beijing's subsidies were undercutting local competitors.

The EU announced in October that it would levy extra tariffs of up to 35.3 percent on Chinese EVs, prompting Beijing to say it would "take all necessary measures" to protect firms' interests.

Earlier in 2024, the United States and Canada raised customs duties on Chinese EVs to 100 percent. BYD's figures come after global EV sales hit a record 1.8 million units in November, according to industry research company Rho Motion.

"This quarter has picked up significantly for EV sales globally as we see record-breaking month after record-breaking month," Rho Motion expert Charles Lester said in a press release last month.

Southeast Bank organises agent banking conference

MA Kashem, chairman of Southeast Bank, poses for group photographs with participants of the "Annual Agent Banking Conference 2025" at the bank's head office in the capital's Gulshan yesterday. PHOTO: SOUTHEAST BANK

STAR BUSINESS DESK

Southeast Bank PLC yesterday organised the "Annual Agent Banking Conference 2025" at the bank's head office in the capital's Gulshan.

MA Kashem, chairman of the bank, inaugurated the conference as the chief guest, said a press release.

In his speech, Kashem said, "Agents are vital business partners of Southeast Bank. Along with bringing banking services to remote areas, agent banking outlets play a crucial role in remittance collection from abroad and remitting funds to remote areas within the country."

"Their tireless efforts significantly contribute to financial inclusion and economic growth. We are grateful for their valuable contributions and are committed to working even more closely with them," he added.

The event was attended by all proprietors of the bank's 132 agent banking outlets across the country.

During the conference, the overall progress of Southeast Bank's agent banking activities in 2024 was reviewed, and various policies were discussed to achieve the business targets for 2025. Southeast Bank's agent banking facility "Shagotom" was launched in March 2021.

The bank has been working to extend banking services to remote areas of the country, focusing on farmers, small entrepreneurs, and school banking, while maintaining its commitment to financial inclusion.

PRICES OF KEY ESSENTIALS IN DHAKA CITY

	PRICE (JAN 4, 2024)	% CHANGES FROM A MONTH AGO	% CHANGE FROM A YEAR AGO
Fine rice (kg)	Tk 70-Tk 84	4.05 ↑	14.07 ↑
Coarse rice (kg)	Tk 50-Tk 55	0	7.14 ↑
Loose flour (kg)	Tk 40-Tk 45	0	-10.53 ↓
Lentil (kg)	Tk 105-Tk 110	0	0
Soybean (litre)	Tk 163-Tk 166	-1.20 ↓	4.44 ↑
Potato (kg)	Tk 45-Tk 60	-32.26 ↓	-12.50 ↓
Onion (kg)	Tk 50-Tk 85	-44.90 ↓	-20.59 ↓
Egg (4 pcs)	Tk 45-Tk 50	-3.06 ↓	9.20 ↑

SOURCE: TCB

US regulator warned banks on crypto but didn't order halt to business

REUTERS, *Washington*

A US bank regulator told banks to pause dabbling directly in crypto in 2022 and 2023, but did not order them to stop providing banking services to crypto companies contrary to industry complaints of widespread "debanking," according to documents released on Friday.

A judge ordered the Federal Deposit Insurance Corporation to provide versions of supervisory "pause letters", it sent to unidentified banks after History Associates Incorporated, a research firm hired by crypto exchange Coinbase, sued the agency to release them.

The FDIC first released the letters in December but was ordered by the judge to resubmit them with more "nuanced redactions." The new batch of 25 letters includes two additional letters sent to unidentified banks that were not included in the original FDIC submission.

The litigation is part of a campaign by Coinbase to expose what it and other crypto companies say has been a concerted effort on the part of US bank supervisors to choke off crypto companies from the traditional financial system.

Coinbase's chief legal officer, Paul Grewel, said in a post on X Friday that the less redacted letters show a "coordinated effort to stop a wide variety of crypto activity" and called for further investigation by Congress.

In a bid to combat those claims, the FDIC also on Friday published a 2022 internal memo, detailing how supervisors should assess queries from lenders looking to directly deal in crypto assets, versus offering banking services to crypto companies.

Together, the documents provide a rare glimpse into the confidential bank supervisory process. They suggest that while FDIC examiners have been cautious towards the crypto sector, which has been beset by scams, bankruptcies and volatility, they did not order banks to entirely cut off the crypto sector.

The documents are being released weeks before President-elect Donald Trump's incoming administration is expected to outline a broad crypto policy overhaul. Trump is expected to issue an executive order directing bank regulators to go easier on the sector, potentially as early as his Jan. 20 inauguration.

Several of the FDIC letters show staff directed banks to either pause entering crypto initiatives or refrain from further expanding client crypto services. In others, the FDIC required banks to answer detailed questions before proceeding further with crypto ventures.

The internal memo, meanwhile, distinguishes between a bank engaging directly in crypto activities, like holding crypto assets in custody, and offering traditional banking services for crypto clients, like lending and providing deposit accounts. The first category requires stricter scrutiny, it says.

Politicians will hinder

FROM PAGE B4

shortfalls between now and 2029 are four times smaller than what the IMF recommends.

In other words, the political masters of the biggest economies have embraced a near-permanent state of fiscal expansion. And they are not rowing back any time soon, as austerity is a sure-fire vote loser. Alberto Alesina and other economists found that a package of tax increases worth 1 percent of GDP reduces the vote share of the governing party by 7 percent on average at the following election.

Belts are already starting to loosen. In the United States, the policies pledged by President-elect Donald Trump would add up to $15 trillion to an already huge budget deficit by 2035, according to the non-partisan Committee for a Responsible Federal Budget. In Britain, the Labour government presented plans to increase public expenditures by almost 70 billion pounds a year until 2029 – and said it would fund half of that through more borrowing. Germany may follow suit, with a February election likely to usher in a freer-spending government. In Europe, seven countries, including heavyweights France and Italy, are in breach of the bloc's budgetary rules.

Politicians' penchant for fiscal expansion, and its inflationary effects, leaves central bankers with two unpalatable options. The first is to simply close one eye to deficits and debt, keep lowering rates and live with inflation above their 2 percent target. That's a path few rate setters will take because they fear that tolerating elevated prices would lead to persistently high inflation, with dire consequences for both their credibility and living standards. Powell, Lagarde and their peers were roundly criticised for letting prices spiral out of control in 2022 and 2023.

The second option is to stop cutting rates much earlier than markets expect and start raising them again at the first glimmer of rising inflation. The United Kingdom is already showing the way: investors reacted to the government's spending plans by betting that the Bank of England would abandon one of its expected rate cuts, according to derivatives prices collected by LSEG. Yet as the global fiscal expansion gathers steam in 2025, investors will have to dial back even further their hopes for looser policy. That will keep markets volatile, and government bond yields will stay elevated, driving up funding costs. As politicians insist on walking towards the fiscal abyss, homebuyers, bond investors and businesses will pay a high price.

Microsoft

FROM PAGE B4

China has started offering developing countries subsidized access to scarce computer chips and help building local AI datacenters, according to Smith.

"The Chinese wisely recognize that if a country standardizes on China's AI platform, it likely will continue to rely on that platform in the future," Smith said.

The US should move quickly to promote its AI technology as superior and more trustworthy, enlisting allies in the effort, he recommended.

For its part, Microsoft is on pace to invest about $80 billion this year to build out AI datacenters, train AI models and deploy cloud-based applications around the world, according to Smith.

Farmhands pick onion saplings from a nursery to transplant onto three bighas of land in Khowar village of Faridpur's Saltha upazila. Farmer Md Mafiqul Islam says the cultivation cost behind each bigha would be around Tk 1 lakh while the output would be around 60 maunds by June. Onion sold for around Tk 50 to Tk 85 per kilogramme in Dhaka yesterday, according to the Trading Corporation of Bangladesh. The photo was taken on Friday.

PHOTO: SUZIT KUMAR DAS

Engine oil sales double in 5 years

JAGARAN CHAKMA

Annual sales of engine oil in Bangladesh more than doubled to Tk 8,000 crore in 2024 from Tk 3,616 crore five years ago, driven by higher prices, increased mobility, industrial growth and overall economic activities.

And the sector is expected to clock more growth in the coming years, industry operators said.

"The demand for lubricants will only increase in tandem with the industrial growth. Because it is essential for the maintenance and functioning of all kinds of machinery," said Zeeshan Saif, consultant for markets and brand at Sena Lubricant.

He said consumption of engine oil grew due to an increase in economic activities, electricity generation and mobility.

Bangladesh has around 200 firms selling lubricating oil, which amounted to an estimated 1.77 lakh tonnes last year. Five years ago, around 1.6 lakh tonnes were used.

The automotive sector accounts for 68 percent of the annual demand for engine oil followed by the industrial sector with 38 percent. The marine and agriculture sector consume the rest, according to market insiders.

They said 16 to 17 companies blend base oil, the primary raw material, with chemical additives to produce lubricating oil fit for different machines.

Mobil Jamuna Lubricants Bangladesh Limited, Fuchs Lubricants Bangladesh Ltd, Trade Services International, Rahimafrooz, and Ranks Petroleum are the top five players in the engine oil market of Bangladesh.

Mobil marketed by the MJL leads the market with a 30 percent share.

It is followed by British Petroleum (BP) marketed by Rahimafrooz with a 10 percent market share and French lubricant brand Total marketed by Trade Services International with an 8 percent market share.

A good portion of the market is also catered to by lesser-known brands.

Saif said the need for lubricants would increase 8 percent annually over the next five years.

He also said the local companies that blend the base oil with chemical additives have to pay a 38 percent import duty while importers bringing in refined lubricants have to pay a 49 percent duty.

However, SM Bakhtiar, head of marketing at Trade Services International, said growth of the automotives sector would determine the size of the market.

"As new brands are entering the market, some brands are also exiting the market," he said, adding that there has been growth in the market in terms of product value.

Consumption has not increased in line with the increase in product prices, he added.

The government has repeatedly increased the price of petroleum oil. Import cost has increased too owing to a rise in tariff and the cost of the US dollar, he added. Bakhtiar said the use of engine oil has reduced in recent times because of a slowdown in industrial activities.

This was echoed by Syed Nazib M Rahman, chief marketing officer at Runner Lube and Energy Limited, the sole distributor of Servo engine oil.

The demand for engine oil has decreased significantly because of a decline in its use in industries, he added.

And when industrial production decreases, use of engine oil in trucks falls too, he said, adding that trucks were the major consumers of lubricating oil in the automotive sector.

The sector has been further impacted as industrial production suffered for labour unrest and the mass uprising which led to the ousting of the former government in early August, according to industry insiders.

BB finds Tk 82.44 lakh mismatch in BRAC Bank vault, books

Lender says it took action against the person involved

STAR BUSINESS REPORT

The Bangladesh Bank (BB) has found a mismatch of Tk 82.44 lakh between cash kept in BRAC Bank's Chokoria branch vault in Cox's Bazar and that mentioned in its books.

The difference was detected during an inspection of the central bank.

The BB started the inspection on December 22 last year based on the financial statement of the bank as of June 30, 2024.

A central bank inspection team spotted the mismatch on December 19 last year after the close of banking hours on the eve of the inspection, showed a central bank document.

Such inconsistencies are a severe form of banking irregularity, it said.

The BB started the inspection on December 22 last year based on the financial statement of the bank as of June 30, 2024

After unearthing the mismatch, the central bank on December 22 sent a letter to the chairman of BRAC Bank informing about the issue.

In the letter, the BB asked to take necessary measures to address the discrepancy and take legal measures against officials responsible for it.

The banking regulator also asked to inform about the measures within 10 working days of the issuance of the letter.

Contacted, Ekram Kabir, head of communications of BRAC Bank, told The Daily Star that the bank immediately took legal action against the person involved as soon as the matter was identified.

He said the person responsible has been handed over to the police.

"We have already recovered Tk 47 lakh and are confident about recovering the remaining amount soon," he said.

All customer deposits in the bank are fully insured, and no customer has suffered or will suffer any financial loss due to this incident, Kabir said.

"No customer has ever suffered any financial loss in our bank due to such an incident," he added.

Will VAT hike add to inflationary burden?

FROM PAGE B1

The NBR yesterday said that the revenue administration had to come up with the "special measures" to expand the VAT net and rationalise rates and amounts of excise and supplementary duties.

However, economists maintain that this move could still stifle consumer spending, leading to lower revenue earnings as individuals already face rising living costs.

However, economists maintain that this move could still stifle consumer spending, leading to lower revenue earnings as individuals already face rising living costs.

They said the government should not rely on VAT hikes as an easy toll to boost revenue collection, but instead focus on increasing direct taxation.

As part of its $4.7 billion loan programme for Bangladesh, the IMF advised the government to rationalise tax exemptions, improve compliance with tax laws and implement reforms in tax measures to enhance domestic revenue collection.

Bangladesh has one of the lowest tax-to-GDP ratios globally. This low revenue collection compels the government to resort to costly borrowing from both domestic and foreign sources.

Under a single VAT rate of 15 percent, various items will be included, such as medicine, restaurant services, residential hotels, sweets, biscuits and branded clothing.

For instance, residential hotels may have to pay 15 percent VAT, up from the current 7.5 percent. Consumers of branded clothing may also face a higher rate of 15 percent, compared to the existing 7.5 percent.

"The intention behind raising VAT was to boost revenue collection. But the ultimate outcome will likely be disastrous," said Khalid Mahmood Khan, co-founder of Kay Kraft, a retailer of fashion wear, accessories and home textiles.

He predicted a massive decline in overall sales. "A large portion of our customers come from middle-class families. They are not affluent. Ultimately, this VAT increase will lead them to cut back on their purchases," Khan commented.

He believes the government should instead focus on expanding VAT coverage, as many businesses remain outside the tax net.

According to the Fashion Entrepreneurs Association of Bangladesh (FEAB), nearly 5,000 companies operate in the fashion industry across the country.

"A large part of them are small and medium entrepreneurs," said FEAB President Syed Md Azharul Hoque.

"Our restaurant was severely impacted during the July-August protests. We are still striving to recover," said Imran Hassan, general secretary of the Restaurant Owners Association.

"Amid inflationary pressures, people are already hesitant to dine out. If the government raises VAT in this situation, it will harm our business," he added.

Hassan said the association will write to the NBR and the finance adviser and hold a press briefing to protest the decision. "If our demands are not met, we, along with the sweets and other affected sectors, will go on strike," Hassan added.

Small and medium enterprises (SMEs) will face another challenge with the standard VAT rate as the ceiling for VAT-free turnover is being lowered from Tk 50 lakh to Tk 30 lakh.

Consequently, businesses with annual turnover exceeding Tk 30 lakh will now fall under the VAT tax net.

Moreover, the VAT rate for businesses with turnover between Tk 30 lakh and Tk 50 lakh will be increased to 15 percent, up from the current reduced rate of 4 percent.

Initial lists indicate that VAT on medicine at the trading stage may increase to 3.0 percent from the existing 2.4 percent.

However, Finance Adviser Salehuddin Ahmed said that this VAT hike would not fuel inflation further. "The items are an insignificant part of the basket for the consumer price index," he said on Thursday.

Ahmed believes that the VAT hike will not impact the prices of essential commodities, citing the government's waiver of all import duties on essential goods.

Towfiqul Islam Khan, a senior research fellow at the Centre for Policy Dialogue, said policymakers should not view inflation solely as a statistical figure. "It represents the cost of living, which directly impacts all segments of society," he said.

"We do not oppose the unitary VAT system, but concerns exist regarding its timing and implementation. Given the current circumstances, this is a highly sensitive issue," he added.

Khan also said that when it comes to scrapping tax exemptions, the NBR often relies on VAT as a convenient tool for revenue collection due to its administrative simplicity.

"However, greater emphasis should be placed on income tax," he said. "The NBR should also prioritise addressing VAT evasion."

Rizwan Rahman, former president of the Dhaka Chamber of Commerce and Industry (DCCI), said, "The government should focus on reducing its expenditure rather than pursuing overly ambitious revenue targets."

"If the NBR attempts to meet these unrealistic targets, increasing taxes will not contribute to a more favorable economic climate," he said.

"Hiking VAT on 43 goods and services is not inherently wrong. However, implementing it at this time, amid soaring inflation and a historically low business climate, would be unwise," added Rahman, who also serves as the managing director of ETBL Holdings Ltd.

Taka loses

FROM PAGE B1

After the recent upward adjustment of the peg, the BB said that commercial lenders can now buy and sell dollars with a 1.5 percent to 2.0 percent fluctuation from the mid-rate.

According to the BB, the maximum exchange rate for remittance collection by banks will be Tk 123 per US dollar.

Importantly, the exchange rate for both remittance collection and export earnings will be the same.

As some banks in December quoted higher rates for remittance collections due to increased demand for the greenback to settle overdue letters of credit (LCs) and open new ones for Ramadan essential imports, the central bank issued a warning to commercial lenders against spurring exchange rate volatility.

The BB said that banks found to be contributing to foreign exchange market volatility would face financial penalties, starting from a minimum of Tk 10 lakh.

Banks were also instructed to operate within a reasonable band on both sides of the mid-rate.

The difference between buying and selling rates should not exceed Tk 1 per US dollar, according to the BB.

Feed prices

FROM PAGE B1

The BPA plans to start selling eggs, frozen chicken and other agricultural items at fair prices from January 12 this year to ensure affordable poultry products during the upcoming month of Ramadan.

The association will first start the initiative at 20 locations of Dhaka city before gradually expanding it to 100 locations in phases, Howlader said.

First Security MD placed on forced leave

FROM PAGE B1

On being contacted, Mohammad Abdul Mannan, independent director and chairman of the bank, said the bank sent Ali on a forced leave as a special audit would be conducted.

Ali did not receive phone calls from The Daily Star for comment till filing of this report last night.

He was appointed to the post in March 2015.

Officials of the bank said an internal audit found his involvement in loan irregularities concerning S Alam Group, for which he was sent on a forced leave.

The audit report cited one instance of a loan facility of Tk 40 crore being provided in favour of M/S Times Securities Ltd from the bank's Dilkusha branch whose manager at that time was Ali.

The company's chairman is Farzana Begum and managing director Marzina Sharmin, both sisters-in-law of Mohammed Saiful Alam, chairman of S Alam Group, stated the report.

Moreover, as of September 2024, 56 percent of the bank's loans were disbursed to companies linked to S Alam Group, according to an internal inspection of the bank.

In other words, those companies account for Tk 33,791 crore of the bank's Tk 60,272 crore loan portfolio.

These loans were disbursed through 24 of the bank's branches in Chattogram to over 100 trading companies linked to S Alam Group, according to bank officials involved in assessing the commercial lender's exposure to the business conglomerate.

Mohammed Saiful Alam, chairman of S Alam Group, who was close to deposed prime minister Sheikh Hasina, was also chairman of the bank.

After the fall of Hasina's government on August 5 last year, Bangladesh Bank reconstituted the boards of directors of 11 banks, including that of First Security Islami Bank.

Oil heads for weekly gains

REUTERS, *Houston*

Oil prices edged higher on Friday and were on track for weekly gains as cold weather in Europe and the U.S. as well as additional economic stimulus flagged by China helped push prices in the previous session to their highest in more than two months.

Brent crude futures were up 69 cents, or 0.9 percent, at $76.62 a barrel by 12:49 p.m. ET (1749 GMT) after settling on Thursday at the highest level since Oct. 25. US West Texas Intermediate crude gained $1.11, or 1.5 percent, to $74.24.

Brent was on track for a 3.3 percent weekly gain, while WTI was set for a 5 percent increase.

Signs of Chinese economic fragility heightened expectations of policy measures to boost growth in the world's top oil importer.

"China just is unceasing at this point in terms of their announcements about trying to stoke economic activity, and the market's taking note of that," said John Kilduff, partner at Again Capital in New York.

Gold slips from three-week high

REUTERS

Gold prices retreated from a three-week high on Friday, pressured by a robust dollar, while markets braced for potential economic and trade shifts under US President-elect Donald Trump.

Spot gold eased 0.6 percent to $2,641.52 an ounce at 01:41 p.m. ET (1841 GMT), after hitting its highest level since Dec. 13 earlier in the session. Bullion is up about 0.8 percent for the week so far.

US gold futures settled 0.5 percent lower at $2,654.70.

The new president's agenda that supports higher tariffs has boosted the dollar and created significant underlying pressure on metal markets, said Nitesh Shah, commodity strategist at WisdomTree.

The dollar index was set for its strongest weekly performance since mid-

November, making gold pricier for overseas buyers.

"For most of the metals, the slowing of global trade has typically been coupled with a slowing economy and therefore slowing demand for metals," Shah said, referring to the potential impact of Trump's proposed trade tariffs.

A headwind from a stronger dollar is likely to persist for gold, but it looks like debt will continue rising in the US and other countries, and geopolitical issues aren't going to end soon, so it should stay supported, he added.

Trump is set to take the oath of office on Jan. 20. His proposed tariffs and protectionist policies are expected to fuel inflation.

This could slow the US Federal Reserve's interest rate cuts, limiting gold's upside. After three rate cuts in 2024, the Fed projects only two reductions in 2025 due to persistent inflation.

Gold, which thrives in low-rate environments, is currently benefiting from seasonal demand.

Bangladesh has 21 private inland container depots that handle almost 90 percent of export containers.

PHOTO: RAJIB RAIHAN

Container handling at private ICDs rose 16% in 2024

KDS Logistics retains top spot

DWAIPAYAN BARUA, *Chattogram*

Six out of the 21 private inland container depots (ICDs) have come up as the major handlers of export and import-laden containers in the just concluded year of 2024, when business in the ICDs rose 16 percent year-on-year.

Like previous years, an intense competition was seen among the private ICDs seeking to handle the highest amount of import and export cargoes, which helped ease congestion at the Chattogram port by facilitating the quick clearance of shipments.

KDS Logistics Limited managed to retain its top position among these ICDs in handling export and import-laden containers in 2024.

This is the seventh consecutive year that the KDS clinched the top spot.

There are 21 privately owned ICDs located in and around the port city. Two out of these 21 currently handle empty containers and are yet to start handling export and import-laden containers.

The remaining 19 ICDs have been facilitating quick clearance of both export and import-laden containers as well as the handling of empty containers.

Almost 90 percent of the export-laden containers are handled by these ICDs before their shipments through the Chattogram port.

Exporters from different parts of the country send their cargoes on trucks and covered vans to these ICDs, where these cargoes are filled into containers, checked by customs and sent to the port.

The ICDs handle 23 percent of the total imports as they are allowed to process 38 types of imports. The containers bearing these goods are sent to the ICDs after being unloaded at the port for delivery to the consignees.

A total of 1,019,058 TEUs (twenty-foot equivalent units) of import and export-laden containers were handled in the 19 ICDs in 2024.

This is a rise of around 16 percent from the 877,689 TEUs handled in 2023.

These ICDs handled 7.50 lakh TEUs of export-laden containers, a 13.5 percent increase from that in 2023.

In case of import-laden containers, they handled 2.68 lakh TEUs, a 24 percent increase year-on-year.

The ICDs handle 23 percent of the total imports as they are allowed to process 38 types of imports

Such a volume increase indicates the enhanced capacities of the private ICDs, said Mohammad Ruhul Amin Sikder, secretary general of Bangladesh Inland Container Depots Association (Bicda).

"The ICDs are capable of handling more export and import volumes," he said.

"A considerable portion of their capacity is being utilised for handling a huge volume of empty containers generated from the delivery of containerised imported goods from the port," he added.

The 21 ICDs handled 6.24 lakh TEUs of empty containers in 2024.

Sikder stressed on letting the ICDs handle more import-laden containers for the delivery of goods to consignees.

He opined that the direct delivery of containerised imports from the port yards was the root cause behind all operational hurdles at the port, which has been chipping away at the productivity of both the port and ICDs.

Six leading ICDs jointly handled 613,944 TEUs, around 60 percent of the total volume handled by all the ICDs together.

Among them, KDS Logistics was on top by handling 162,222 TEUs of export and import-laden containers, which is nearly 16 percent of the total volume.

It is followed by five others -- Portlink Logistics Centre Limited, two units of Summit Alliance Port Limited (East and West), Incontrade Limited and Ispahani Summit Alliance Terminals Limited (ISATL).

The ISATL came up in the top six last year, toppling Esack Brothers Industries by handling a mammoth 37 percent more exports and imports than the previous year.

The remaining five top ICDs also saw a noticeable increase in business in 2024.

Handling of export and import containers increased by 12 percent in the KDS, nearly 12 percent in the Portlink, around 15 percent in the SAPL (East and West) and nearly 18 percent in Incontrade.

The KDS also clinched the top position in handling export-laden containers by managing 1.19 lakh TEUs while the Portlink became the top imports handler by managing 66,000 TEUs.

KDS Logistics Executive Director Md Ahsanul Kabir said they always focused on developing efficiency by adding modern equipment and ensuring good management to provide quality service to clients.

Salvaging business and employment

MAMUN RASHID

Despite some episodic spikes here and there, the economy of Bangladesh is still struggling, and the government isn't sure what the top priority should be. Businesses are under pressure as inflation rises beyond 9 percent and GDP growth slows to 5.2 percent in FY24 with further downward trend.

As we know, family-run and promoter-led firms dominate the Bangladesh economy, especially in the textile, export and manufacturing industries. Nearly 4 million people work in the readymade garment industry alone. Many company leaders/owners have been put behind bars or are absconding due to recent upheavals, which have interrupted operations and made decision-making more time-consuming. Further degradation will cause closures, pay reductions, and rapid layoffs.

In response to similar problems, nations like Vietnam and India offered financial aid and tax breaks to save domestic companies. But Bangladesh rather eliminated incentives and reportedly raising taxes, which may make recovery far more challenging.

What's at stake if large companies fail?

The collapse of large companies would shock Bangladesh's job market. Over 80 percent of formal occupations are directly or indirectly related to these companies. Layoffs will cause families to experience immediate financial instability and income loss.

Not only the manufacturing industry but also transporters, raw material suppliers, port personnel, and logistics providers would all see a sharp drop in business, which would result in a large number of job losses. The loss of jobs in the unorganised sector, which is heavily reliant on the spending power of those in corporate occupations, would make poverty worse.

The economy as a whole will suffer from a deteriorating labour market. As incomes decline, consumer spending will also decline, which will force more businesses to shut down or scale back operations. There will be more protests and strikes, which will lead to higher unemployment rates and more instability in society. Similar periods of political and economic instability have been experienced by nations like Pakistan and Sri Lanka as a result of delayed interventions. Bangladesh is unable to afford to take the same path.

What the government must do now

Large companies and promoters need immediate breathing space to survive. The government must step in with low-interest loans, deferred taxes, and grace periods for repayments. Vietnam saved thousands of businesses this way. Bangladesh must act similarly to prevent layoffs and closures. Investment incentives must also be restored to attract capital and revive confidence in economic zones that are now stagnant.

The workforce needs skill development badly. Mismatched skills keep 40 percent of graduates unemployed. The 'Skill India' mission trained millions and increased employment. Bangladesh must duplicate such initiatives to prepare its workers.

Reviving clothing export orders necessitates careful attention. Simplifying trade regulations, offering export incentives, and lowering transportation costs can all help. Vietnam invested $1.2 billion in textiles to compete; Bangladesh must do the same or risk falling behind.

Equally important is simplifying regulations. Endless red tape slows corporate growth and hiring. To grow and stabilise employment, the government must streamline processes.

A last chance to act

Bangladesh's large companies don't just create jobs -- they sustain entire ecosystems. If these companies collapse, millions of jobs will vanish, poverty rates will spike, and social unrest will escalate. Countries like Vietnam and India acted fast to prevent such outcomes with bold interventions. Bangladesh, however, risks falling further behind if it continues to delay action.

The time for hesitation is over. The government must step up with financial support, regulatory reforms, and investment incentives to protect jobs and stabilise corporations. Employment must be prioritised to prevent economic disaster and ensure Bangladesh's long-term recovery. Reconstituting boards or temporarily releasing funds to ailing businesses would not help. Business continuity, including corporate and large loan restructuring for distressed companies, is key here. Policy makers need to think beyond and act sensibly.

The author is chairman of Financial Excellence Ltd

Microsoft expects to spend $80b on AI this fiscal year

AFP, *San Francisco*

Microsoft president Brad Smith on Friday said the company is on track to pump about $80 billion into artificial intelligence (AI) this fiscal year.

Smith contended AI is poised to transform all aspects of life, and it is imperative that the United States be the global leader when it comes to the technology, he wrote in an online post.

"In many ways, artificial intelligence is the electricity of our age, and the next four years can build a foundation for America's economic success for the next quarter century," Smith said.

"The United States is poised to stand at the forefront of this new technology wave, especially if it doubles down on its strengths and effectively partners internationally."

Smith called on President-elect Donald Trump and Congress to expand support for AI innovation with moves such as increased funding for research at universities and the National Science Foundation.

China and the United States are racing to spread their AI systems to other countries in an effort to become the de facto standard, according to Smith.

"Given the nature of technology markets and their potential network effects, this race between the US and China for international influence likely will be won by the fastest first mover," Smith reasoned.

"Hence, the United States needs a smart international strategy to rapidly support American AI around the world."

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Politicians will hinder central banks' easing plan

REUTERS, *London*

In 2025, the global economy will be in a much better place than at any time since the outbreak of Covid-19. Growth will be solid, and inflation will finally abate. Those are ideal conditions for central banks to lower interest rates. But the virtuous circle of an easier monetary policy feeding faster expansion will hit a big snag: governments' inability, or unwillingness, to reduce their huge debts.

Barring a major external shock -- and there are plenty of candidates to supply one -- 2025 could be a placid year for the world economy. Global GDP will expand by 3.2 percent -- keeping pace with 2024 and faster than the 2.9 percent recorded in 2019, according to the International Monetary Fund. Advanced economies are on course to grow by 1.8 percent in 2025, not far from the 1.9 percent cruising speed they had reached in the nine years prior to the pandemic.

Admittedly, world growth will still be below its long-term average, largely because China's days as an economic locomotive are behind it. And developed economies' performances will vary widely, with yet another strong showing by the United States offsetting weakness in Europe and Japan. Still, the relatively benign outlook should also be accompanied by subdued price growth. Inflation will be around the 2 percent level targeted by major central banks in all advanced economies in 2025, the IMF reckons.

This economic environment is usually blissful for central bankers. After playing the Grinch for a couple of years, squeezing living standards with sharp hikes in interest rates, the likes of U.S. Federal Reserve Chair Jerome Powell and European Central Bank President Christine Lagarde should be in a position to dole out presents to citizens and businesses by lowering borrowing costs. Indeed, the Fed, the ECB and the Bank of England have all begun cutting rates and markets expect them to continue doing so in the next 12 months.

PHOTO: REUTERS/FILE

The US Federal Reserve building is seen in Washington. There are some ideal conditions for central banks around the world to lower interest rates this year.

In normal times, steady growth, low inflation and falling rates would have another positive outcome: encouraging governments to cut public debt. But politicians, especially in developed countries, will squander the chance to tighten their belts.

That's not because the world's fiscal house is in order. In fact, it resembles a family home after teenage kids staged a party while their parents were away for the weekend. The IMF calculates that global public debt is on course to hit 100 percent of GDP -- 10 percentage points above the 2019 level -- by the end of the decade. Countries accounting for 75 percent of world GDP, including the United States, Japan, France, Italy, China and Brazil, are set to run large budget deficits of more than 3 percent of GDP until 2026 at least. And their plans to reduce their budgetary

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