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Star BUSINESS

Cooking oil goes missing from grocery shelves, again

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Kitchen markets, including those in the capital Dhaka, are facing a shortage of both branded bottled and non-branded loose soybean oil, prompting prices to spike and causing frustration among consumers already struggling with stubbornly high inflation.

Retailers and wholesalers in several markets in major cities, including Dhaka, Chattogram and Barishal, said the oil supply has been reduced after the government rejected refiners' requests to raise prices last month.

Local refiners then cited increased import costs as the reason for seeking higher prices.

Now, the supply shortage forces consumers to search from store to store for oil, a commodity for which Bangladesh heavily relies on imports to meet its annual requirement of 24 lakh tonnes.

"I was able to buy bottled soybean oil at the third store I visited, as I couldn't find it in the first two stores in my locality," said Sabbir Hossain, a resident of Mirpur-10 in the capital.

"However, only 5-litre bottles were available. I had no choice but to buy that, even though I was looking for a smaller one," he added.

In December last year, bottled soybean oil disappeared from local kitchen markets. The situation normalised after authorities approved price hikes for the cooking staple.

"The government should investigate the matter to find the cause of this situation," Hossain added.

Several kilometres away from Mirpur-10, at Karwan Bazar, one of the largest kitchen markets in the capital, retailer Hazi Mizan said he is getting only 25 percent of the bottled soybean oil he needs daily.

Other wholesalers also reported receiving as little as 30 percent of their daily demand.

"I have heard that refiners want to increase prices before Ramadan," Mizan said.

The edible oil market, which remained relatively stable until the third week of January, has responded to the latest supply shortage.

According to official data, the price of bottled soybean oil per litre is now Tk 175 to Tk 176, marking a 1 percent increase over the past month.

Over the past week, the price of loose soybean oil per litre rose nearly 4 percent, reaching Tk 180-Tk 182 yesterday, up from Tk 174-Tk 175 per litre earlier, according to retail price data compiled by the state-run Trading Corporation of Bangladesh (TCB).

Retail prices of 2-litre bottles of soybean oil, as well as palm oil and rice bran oil, have also risen. For instance, a 1-litre bottle of rice bran oil increased by 6.41 percent to Tk 205-Tk 210 yesterday.

Wholesalers said the supply of soybean oil began to decline and its prices started to rise after the commerce ministry, during a meeting on January 22, advised refiners to refrain from increasing prices ahead of Ramadan—the month of fasting when cooking oil consumption nearly doubles.

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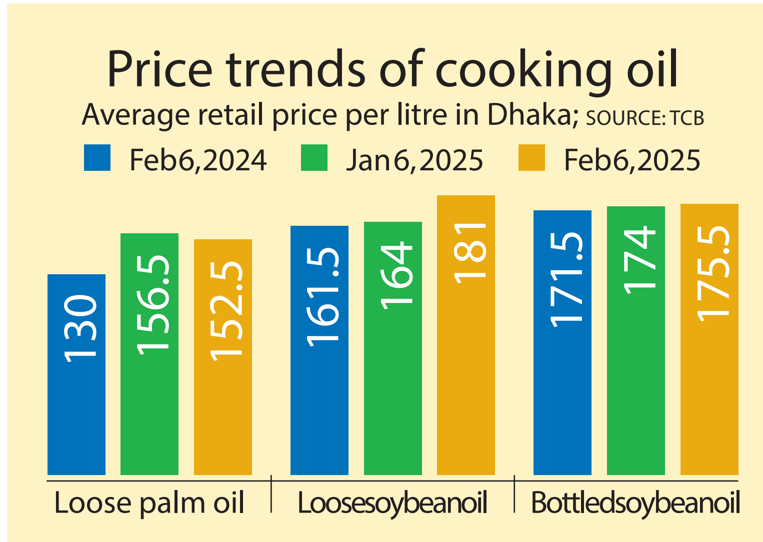

Private sector credit growth slowest since at least 2015

STAR BUSINESS REPORT

Private sector credit growth decelerated to its slowest pace in at least 11 years due to uncertainty in the investment environment following the recent political changeover.

In December last year, credit flow to private firms grew 7.28 percent, the lowest growth since at least 2015, according to data of the Bangladesh Bank.

The flow of credit to the private sector increased 7.66 percent in November.

The current investment environment, banks' go-slow strategy after the political changeover, persistent inflation, an increasing lending rate, and lacklustre loan recovery weighed on credit growth, industry insiders said.

"Investors, both local and foreign, do not invest without predictability," said Fahmida Khatun, executive director of the Centre for Policy Dialogue.

She said that historically, private investment remained almost stagnant, between 23 percent and 24 percent of the country's GDP, over the past decade for multiple reasons, including bureaucratic red tape, corruption and infrastructural bottlenecks.

At the end of December last year, total outstanding loans with the private sector stood at Tk 1,685,077 crore.

The central bank data showed that December's growth was 2.52 percentage points lower than the target of 9.80 percent for the July-December period of 2024.

Private sector credit growth has slowed due to several local and global factors, such as persistent inflation, a weak law and order situation, and the lack of uninterrupted power and gas supplies.

Another reason for the slowdown in credit growth is the repeated hikes to the policy rate, which have caused lending rates to increase.

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Govt revises down forex reserve target

REJAUL KARIM BYRON *and* MAHMUDUL HASAN

The interim government has revised its aim for foreign exchange reserves, saying it expects to have $28.6 billion by June this year, capitalising on strong growth in inward remittances, exports, and budgetary support from development partners.

The budget initially set a target of $31.6 billion, based on the central bank's gross calculation.

As of January 29, the gross forex reserve stood at $25.32 billion, down from $26.20 billion in June last year, according to Bangladesh Bank (BB).

Bangladesh Bank now publishes two types of forex reserve figures—one of which is based on a calculation method advised by the International Monetary Fund, known as BPM6. Based on this, reserves stood at $19.97 billion as of January 29.

On Wednesday, the finance ministry presented the revised forex reserve and other macroeconomic indicators at a meeting at the Chief Adviser's Office, chaired by Chief Adviser Prof Muhammad Yunus.

To meet the revised target, forex reserves need to increase by $3.28 billion by June.

According to the finance ministry, substantial growth in remittances and exports will help increase the forex reserve.

There is also a high possibility of receiving $2.5 billion in budgetary support from three major development partners, including the International Monetary Fund, the Asian Development Bank, and the World Bank, by June.

Other bilateral and multilateral budgetary support is expected to contribute an additional $500 million to the forex reserve.

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Under-invoicing skews cardamom market

Consumers pay three times the import rate

MOHAMMAD SUMAN, *Chattogram*

Chattogram-based Especia International Trading received the delivery of a 10-tonne cardamom consignment in mid-January. The trader declared the import price at $7.5 per kilogramme.

After adding import expenses, customs duties, and shipping charges, the price of the spice reached around Tk 1,450 per kg.

But the company sold the spice at Tk 4,200 per kg in wholesale, while the prices rose to Tk 4,500 in retail.

Compared to the import cost, cardamom is being sold at more than three times the price in the retail market.

Is the import price of cardamom really $7.5 per kg?

Although cardamom is an essential spice item, a steep 59 percent duty is levied on its import. Market insiders say this prompts importers to bring in the item through under-invoicing to evade the duty, with declared prices as low as $7.5 per kg against actual costs of $15-$20.

When contacted, Tanmoy Das, the proprietor of Especia International Trading, declined to comment on the issue.

Several importers, speaking on condition of anonymity, said that the actual import cost ranges from $15 to $20 per kg.

However, to evade duties, they declare only $7 to $7.5 per kg through banking channels, while the remaining payment is made via informal money transfers or hundi.

They further explained that the product carries around 59 percent customs duty, amounting to Tk 540 per kg of cardamom. If the actual import price was declared, the duty payable would rise to Tk 1,100 to Tk 1,150 per kg.

The importers argue that cardamom should be classified as a necessary item rather than a luxury product and that the duty rate should be reduced to 20 percent to 30 percent from the existing rate of 59 percent.

Reducing the tax burden would encourage truthful import declarations, as the high duty rate is the main reason for the underreporting, they claimed.

Shah Alam, a retailer at Riazuddin Bazar, stated that consumers are not reaping any benefits, even though cardamom was being imported through tax evasion.

Importers have raised the price of cardamom by Tk 200 per kg in the past few days without any reason, he added.

Evidence of under-invoicing in cardamom imports has surfaced, but customs officials have yet to confirm the matter.

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A variety of spices are on display at a footpath stall in Dhaka. Although cardamom is an essential spice item, a steep 59 percent duty is levied on its import. Market insiders say this prompts importers to bring in the item through under-invoicing to evade the duty. PHOTO: STAR/FILE