Luxury hotels hit hard as political uncertainty deters foreign guests

Unique Hotel CEO discusses challenges in an interview with The Daily Star

SUKANTA HALDER

KEY POINTS FROM THE INTERVIEW

- Room occupancy rates have reached 100%
- Guests are spending less than before
- Previously, most foreign guests were business owners or CEOs
- Now, visitors are mainly mid- or junior-level employees, startup executives, or NGO representatives
- To stay competitive, hotels have reduced room rates
- Previously, a night's stay cost $200, but now it is available for $150
- More than 50% of the company's revenue comes from room bookings

Shakawath Hossain

SUGGESTIONS

- Establish an independent tourism authority
- Reduce dependency on imports by promoting local production of hospitality items
- Lower VAT and supplementary duties on imported goods

Bangladesh's luxury hotel industry is experiencing a downturn as political uncertainty reduces the number of foreign guests, according to a top executive of the local hospitality sector.

The decline in international visitors is putting pressure on high-end hotels that rely heavily on business travelers and tourists, said Shakawath Hossain, chief executive officer of Unique Hotel & Resorts PLC, which owns The Westin Dhaka, Sheraton Dhaka, and HANSA.

"We are currently going through such an uncertain situation that nothing is clear," he said in an interview with The Daily Star on February 27.

He said that there is a travel ban on Japanese and Korean citizens to Bangladesh, while restrictions on American travelers have eased slightly. Visa restrictions for Indian citizens remain in place.

Providing a financial comparison, Hossain said that if the company earned Tk 20 crore in February 2023, revenue dropped to Tk 17 crore in the same month this year.

Although room occupancy rates appear to be 100 percent, guests are spending less, he explained. Although the revenue has declined, operational costs have remained unchanged.

Previously, the majority of foreign guests at their hotels were business owners or CEOs.

Now, visitors are mainly mid or junior-level employees, startup officials or NGO representatives. Some small business owners also make up a portion of the clientele, according to the CEO.

He said a significant portion of their customers used to come from India, but their numbers have fallen sharply due to the current political climate. Likewise, Japanese and Korean visitors are absent.

Businesspeople from most European countries are also staying away, Hossain further said.

"Currently, demand is low, but supply is high," said the CEO, who has over 20 years of experience in Bangladesh's tourism and hospitality industry.

To stay competitive, hotels have had to lower room rates. Previously, a night's stay at their hotel cost $200, but now it is available for just $150.

"If rooms remain vacant, we cannot survive. Our main objective now is to retain market share. Given the situation, we are quite concerned about law and order," he said.

He added that if the company previously had a 10 percent profit margin, it has now dropped to 8 percent.

"Operational costs remain unchanged at the end of the day and we must pay staff salaries at the end of the month. Besides, dividends must be distributed to shareholders at the end of the year," he said.

More than 50 percent of the company's revenue comes from room rentals, while 45 percent is generated from food and beverage sales. The remaining 5 percent comes from transportation, fitness and spa services.

Hossain mentioned that many international companies are interested in doing business with Unique Hotel & Resorts, but the current situation is not conducive to investment.

As a result, potential partners from Saudi Arabia, Dubai, Japan and China are adopting a wait-and-see approach.

He said that due to deteriorating law and order and various business challenges, the company recently met with Chief Adviser Professor Muhammad Yunus to express their concerns.

Highlighting import challenges, he noted that taxes on interior items and hotel furniture have risen to over 200 percent, compared to around 20 percent previously.

Besides, the import of premium meat has been halted, while hard liquor imports face an average duty of 600 percent. These tax burdens need to be revised, Hossain commented.

"There are no policymakers who truly understand the challenges of this industry. We need experienced professionals at the ministry level," he said.

Hossain suggested that Bangladesh should establish an independent Tourism Authority, with the ministry focusing solely on policy. Bureaucratic red tape is causing the country to lose out on significant opportunities, he added.

He encouraged young people interested in hospitality to pursue careers in the sector, describing it as "a highway with no traffic" and full of potential for growth.

To address industry challenges, he outlined three key priorities: appointing technically skilled and internationally experienced professionals at the ministry level, reducing dependency on imports by promoting local production and lowering VAT and supplementary duties on imported goods.

Resilience -- the foundational skill that makes an entrepreneur

BEN JEFFREYS

"Entrepreneurship is about experimentation: the probabilities of success are low, extremely skewed, and unknowable until an investment is made."

After being an entrepreneur for a decade operating across Asia, I agree with this statement down to my core. It's an uncomfortable fact, but the reality is -- not everyone is built to be an entrepreneur.

The ability to get back up after failure is the defining factor between those who make it and those who don't. It's not about intelligence, funding, or even having the best idea -- it's about resilience. How you react the first time you get knocked down will tell you everything about whether this path is right for you.

When I co-founded ATEC back in 2016, we believed we had a solution that would change lives -- clean cooking technology that could replace traditional, polluting cooking as well as have a significant impact on climate change and household incomes.

The potential was both clear and enormous, but the reality was far more difficult. In Cambodia, we faced everything from sceptical customers to logistical nightmares. At times, it felt impossible to move forward.

That was the first of many moments of truth -- give up, or find a way to push through. We chose to adapt, refine our model by listening to our customers, and then grind our way to success.

But resilience isn't a one-time requirement; it's a constant test. Some 10 years, more than $10 million investments and 100,000 lives impacted later, I'm still tested every day -- potentially even more so than in the early days.

When we expanded into Bangladesh as our second market at the end of 2019, we were confident we had learned most of the hard lessons. Yet, we were confronted with new challenges -- unexpected regulatory issues, partnership promises that weren't fulfilled, and a distribution model that didn't fully translate.

Then to top it off, Covid-19 hit. Once again, we had to decide whether to fold under pressure or find another way and once again, resilience made the difference. Following the golden rule of startup recruitment -- ensuring your first hire is the best damn person you can find -- also certainly helped.

This ability to rise after failure isn't something everyone has. Some people hit that roadblock and decide entrepreneurship isn't for them -- and that's okay. Not everyone is suited for this life and we need a whole range of people in society.

But if you get knocked down and feel an instinctive drive to get back up, humbly admit where you were wrong, and try again, that's the clearest sign you are an entrepreneur. You can be born with this, or it can be learnt, the only way to find out is to thrust yourself into the uncomfortable void of trying and failing.

You do this and survive, then you're on the entrepreneurship path.

But please, save the glorified success stories for your next social media post. Every real entrepreneur knows deep down the reality that real entrepreneurship isn't glorious -- it hurts -- but we wouldn't do anything else.

The author is co-founder and CEO of ATEC Global

Baidu releases new AI model to compete with DeepSeek

AFP, *Beijing*

Chinese internet search giant Baidu released a new artificial intelligence reasoning model Sunday and made its AI chatbot services free to consumers as ferocious competition grips the sector.

Technology companies in China have been scrambling to release improved AI platforms since start-up DeepSeek shocked its rivals with its open source and highly cost-efficient model in January.

In a post on WeChat, Baidu announced the launch of its latest X1 reasoning model -- which the company claims performs similarly to DeepSeek's but for lower cost -- and a new foundation model, Ernie 4.5.

Baidu also made its AI chatbot Ernie Bot free for individual users more than two weeks ahead of schedule. Previously, users had to pay a subscription to access the company's latest AI models via Ernie Bot.

Ernie 4.5 "outperforms" US-based OpenAI's GPT-4.5 model in "multiple benchmarks", while Ernie X1 features "enhanced capabilities in understanding, planning, reflection, and evolution", Baidu said.

The Beijing-based company was one of China's first to roll out a generative AI platform publicly, in 2023, but rival chatbots from companies such as TikTok owner ByteDance and Moonshot AI have since gained more users.

Baidu faces stiff competition in the consumer-facing AI sector where startup DeepSeek shook up the industry at home and abroad with a model that performed comparably to competitors such as US-made ChatGPT, but cost much less to develop.

Since then, Chinese companies and local government agencies have rushed to incorporate DeepSeek's open-source model into their work, while other technology companies have been playing catch-up.

Sri Lanka seeks JV investments in Bangladesh

STAR BUSINESS DESK

Sri Lanka has expressed its willingness to invest in joint ventures in Bangladesh, particularly in synthetic fabric manufacturing, which holds significant potential for investors from both nations, Sri Lankan High Commissioner to Bangladesh Dharmapala Weerakkody said yesterday.

He made these remarks during a courtesy call on Taskeen Ahmed, president of the Dhaka Chamber of Commerce & Industry (DCCI), at the chamber's office in the capital, according to a press release.

Weerakkody highlighted several sectors as highly promising for joint venture investments, including healthcare, tourism, large hotels, information technology, education, and pharmaceuticals.

He pointed out that both Bangladesh and Sri Lanka are members of the South Asian Association for Regional Cooperation and have maintained a strong and friendly bilateral diplomatic relationship for many years.

He urged Bangladeshi entrepreneurs to leverage Sri Lanka's experience and technical expertise to develop the country's local tourism sector.

Weerakkody highlighted several sectors as highly promising for joint venture investments, including healthcare, tourism, large hotels, IT, education and pharmaceuticals

The high commissioner also said that Sri Lanka has already signed preferential trade agreements (PTAs) with several countries, and negotiations with Bangladesh are set to begin soon to further expand bilateral trade and investment.

During the meeting, DCCI President Taskeen Ahmed stated that bilateral trade between Bangladesh and Sri Lanka reached $134.06 million in the fiscal year (FY) 2023-24.

This marked a significant increase from the $93.11 million recorded in FY 2019-20, reflecting a notable annual growth rate of 9.5 percent, he said.

Taskeen added that a substantial number of Sri Lankan investors, particularly from the banking, textile, power, construction, and pharmaceutical sectors, have already made foreign direct investments of $428.56 million in Bangladesh.

He also encouraged Sri Lankan entrepreneurs to consider investing further in agriculture and food processing, the construction industry, healthcare, tourism, IT, and fast-moving consumer goods (FMCG).

Taskeen Ahmed emphasised Sri Lanka's expertise and technical assistance in areas such as deep-sea fishing, tourism, and the shipping industry.

Fed likely to keep rates steady

AFP, *Washington*

The US Federal Reserve is widely expected to keep interest rates unchanged at its policy meeting this week, treading carefully amid uncertainty over President Donald Trump's economic policies, which include spending cuts and sweeping tariffs.

Since January, Trump has imposed levies on major trading partners Canada, Mexico and China, and on steel and aluminum imports, roiling financial markets and fanning fears that his plans could tip the world's biggest economy into a recession.

The Trump administration has also embarked on unprecedented cost-cutting efforts that target staff and spending, while the president has promised tax reductions and deregulation down the road.

But Fed Chair Jerome Powell emphasized this month that it is the "net effect" of policy changes that will matter for both the economy and monetary policy.

Analysts widely expect the central bank to hold the benchmark lending rate steady at 4.25 percent to 4.50 percent, after similarly doing so in January.

"Recent Fed commentary has reinforced a wait-and-see approach, with officials signaling little urgency to adjust policy as they assess the economic impact of recent policy shifts," said EY chief economist Gregory Daco.

Powell himself has said that policymakers are focused on separating signal from noise as the outlook evolves.

US tariff tantrum threatens pricing progress

REUTERS, *Washington*

Reading the latest US inflation report is like flicking through old vacation photos: it looks nice, but the experience was only temporary. Consumer prices in February broke a recent hot streak, coming in below economists' expectations. Problem is, President Donald Trump's haphazard trade policies risk raising costs, choking off this progress and pinching households and already-flagging growth. That raises the grim possibility of true stagflation.

Annual growth in consumer prices of 2.8 percent is still above the US Federal Reserve's 2 percent target. Still, aided by a 1 percent monthly decline in gasoline costs, the increase from January fell to 0.2 percent, the lowest reading since October. That might ordinarily be an encouraging sign that the trend is coming back under control. Yet the imposition of new 25 percent steel and aluminum tariffs, and resulting European and Canadian retaliation, just ahead of the inflation report's release on Wednesday scrambles the picture.

The Fed's Beige Book business survey, published last week, warned that firms around the country expected to pass along tariff costs, with some doing so preemptively. A National Federation of Independent Business survey found a 10 percentage point jump in the proportion of companies raising prices. The NFIB report raised concerns that core inflation, which strips out volatile food and energy categories, could reaccelerate from its February rate of 3.1 percent towards 4 percent.

There remains some narrow hope that the tariff blitz may yet force trading partners to agree to collective disarmament, resulting in a negotiated outcome that actually reduces levies around the world. A glimmer of encouragement appeared on Tuesday, as the Canadian province of Ontario backed down from threats to cut off electricity supplies to the northeastern US power grid in return for Trump nixing 50 percent tariffs on metals. But the seemingly arbitrary application of trade policy has spooked markets and driven up the risk of recession, with JPMorgan now penciling in a 40 percent chance of one in 2025, up from 30 percent.

Customers shop for produce at an H-E-B grocery store on February 12 in Austin, Texas. Annual growth in consumer prices of 2.8 percent is still above the US Federal Reserve's 2 percent target.
PHOTO: AFP

A bit of froth coming off richly valued stock markets can be a sensible readjustment. As investors rush to safer assets, 10-year treasury yields have fallen to 4.22 percent from a recent high of 4.79 percent in January. That could have a stimulatory effect by lowering financing costs and mortgage rates. But the rest of Trump's agenda, like hard-to-unwind lumber and steel tariffs and immigration restrictions, risks the worst of both worlds: higher costs, lower growth. The vacation is over, and the re-entry is rough.

The US consumer-price index rose 2.8 percent over the prior year in February, lower than economists' consensus prediction of 2.9 percent. Core prices, which exclude volatile food and energy categories, advanced at a 3.1 percent pace in February, above the Federal Reserve's target pace of 2 percent.