Abdur Rahim, a farmer in Badulla Matubbarer Dangi village of Charbhadrasan upazila, Faridpur, harvests groundnuts, locally known as "chinabadam". This year, groundnut has been cultivated on 4,564 hectares of land in Faridpur. Rahim, who spent Tk 1 lakh to farm three bighas, hopes to earn between Tk 1.4 and 1.5 lakh from the sale, with current market prices at Tk 4,000 per maund.

PHOTO: SUZIT KUMAR DAS

Shares stumble after Trump's latest trade threat

AFP, *Hong Kong*

Investors were rattled on Thursday after Donald Trump said he would impose unilateral tariffs on partners in the next two weeks, reigniting trade war fears soon after reaching a deal with China to dial down tensions between the superpowers.

The mood was also shaded by geopolitical concerns after the US president said personnel were being moved from the Middle East as nuclear talks with Iran faltered and fears of a regional conflict grew.

The equity losses snapped a recent rally fuelled by talks between Beijing and Washington in London that saw them hammer out a framework agreement to move towards a pact to reduce levies.

Investors have been on edge since Trump's "Liberation Day" tariff blitz on April 2 that sent shockwaves through stock and bond markets and stoked global recession fears.

Days later he announced a pause in those measures until July 9 to allow for countries to cut deals with the White House, sparking relief rallies that have pushed some markets towards all-time highs.

However, he once again shook confidence by saying on Wednesday that he intended to send letters telling governments what levies Washington would be imposing.

"We're going to be sending letters out in about a week-and-a-half, two weeks, to countries, telling them what the deal is," he told reporters.

Investors have been on edge since Trump's "Liberation Day" tariff blitz on April 2 that sent shockwaves through stock and bond markets and stoked global recession fears

"At a certain point, we're just going to send letters out. And I think you understand that, saying this is the deal, you can take it or leave it."

While some analysts indicated that previous threats had been rowed back, the comments added to the ongoing uncertainty about Trump's policies, reviving fears about sky-high levies and the impact on the economy.

They also came not long after he had flagged the London agreement, and posted on social media that "President Xi and I are going to work closely together to open up China to American Trade", referring to his counterpart Xi Jinping.

Stephen Innes at SPI Asset Management said: "Whether this is a hardball negotiation tactic or a pressure valve reset ahead of another 90-day extension is anyone's guess -- but traders are reading it as another layer of headline risk.

"The market knows the Trump playbook: bark, delay, then deal. But the closer we get to the cliff's edge, the more likely someone slips."

Most Asian markets fell on Thursday, with Tokyo, Hong Kong, Wellington, Sydney, Taipei, Mumbai, Bangkok and Jakarta in the red after a broadly healthy run-up this week.

London was flat as data showed the UK economy shrank more than expected in April, while Paris and Frankfurt fell.

There were gains in Singapore, Seoul and Wellington. Shanghai was barely moved.

Gold climbs on rising Middle East tensions

REUTERS

Gold prices rose on Thursday, bolstered by rising tensions in the Middle East and a weaker dollar, while softer-than-expected US inflation data boosted expectations of Federal Reserve rate cuts.

Spot gold was up 0.6 percent at $3,373.09 an ounce, as of 0552 GMT. US gold futures gained 1.5 percent to $3,393.80.

The US dollar index fell to a near two-month low, making greenback-priced bullion more attractive to overseas buyers.

The weakness in the dollar index serves as a strong catalyst, said Kelvin Wong, a senior market analyst, Asia Pacific at OANDA, adding that a "bullish breakout" of the $3,346 resistance triggered technical buying.

Rising geopolitical risks aided safe-haven assets, with President Donald Trump announcing on Wednesday that US personnel were being moved out of the Middle East due to heightened security risks amid rising tensions with Iran.

Meanwhile, US consumer prices increased less than expected in May, driven by cheaper gasoline, though inflation could accelerate due to import tariffs. The data prompted renewed calls from Trump for significant rate cuts.

US inflation edges up but Trump tariff hit limited for now

AFP, *Washington*

US consumer inflation ticked up in May, in line with analyst expectations, government data showed Wednesday as President Donald Trump's sweeping tariffs began to ripple through the world's biggest economy.

The consumer price index (CPI) came in at 2.4 percent from a year ago, after a 2.3 percent reading in April, the Labor Department said, with headline figures cooled by energy prices.

All eyes were on the data after Trump imposed a blanket 10 percent levy on imports from almost all trading partners in early April.

He also unveiled higher rates on dozens of economies including India and the European Union, although these have been suspended until early July.

Trump engaged in a tit-for-tat tariff escalation with China as well, with both sides temporarily lowering eye-wateringly-high levies on each other's products in May.

Despite the wide-ranging duties, analysts said it will take months to gauge the impact of Trump's tariffs on consumer inflation.

This is partly because businesses rushed to stockpile goods before the new tariffs kicked in -- and they are now still working their way through existing inventory.

"As that inventory level gets worked down, we'll see a larger and larger pass-through of the tariffs," Nationwide chief economist Kathy Bostjancic told AFP.

In a post on Truth Social after Wednesday's data, Trump insisted that the Federal Reserve should cut interest rates, arguing that the country "would pay much less interest on debt coming due."

This, however, overlooked that lower interest rates usually increase consumer demand and stoke inflation.

Between April and May, CPI was up 0.1 percent, cooling from a 0.2 percent increase from March to April.

While housing prices climbed alongside food costs, energy prices edged down over the month, the report added.

The energy index fell 1.0 percent in May from a month ago, as the gasoline index declined over the month.

Excluding the volatile food and energy components, so-called core CPI was up 2.8 percent from a year ago, the Labor Department said.

"Many Americans are enjoying cheaper gas prices this summer," said Navy Federal Credit Union chief economist Heather Long.

"But there are early signs of what is coming for Main Street: grocery store prices and appliance costs rose in May," she added in a note.

Samuel Tombs, chief US economist at Pantheon Macroeconomics, estimates that retailers usually take at least three months to pass on cost increases to customers.

He expects price increases for "core goods" to gain momentum in June and peak in July, while remaining elevated for the rest of the year -- assuming current tariff policies remain in place.

Bostjancic said she did not expect the latest inflation report to significantly impact the US central bank's interest rate decision next week.

"The guidance remains that there's such a great degree of uncertainty of how the increased tariffs will affect prices and ultimately the economy," she said.

"They need to wait and see, to see how this plays out over the coming months. And we should learn a lot more from the data through the summer and early fall," she added.

The Federal Reserve has begun cutting interest rates after the Covid-19 pandemic as officials monitor progress in lowering inflation to their long-term two-percent goal sustainably.

But Fed policymakers have been cautious in recent months as they monitor how the Trump administration's policies affect the economy.

Electric vehicle makers

FROM PAGE B1

"Producing lithium batteries requires massive investment. We've made it clear that the cell, which makes up a significant portion of the battery's value, must be manufactured locally," said Hasan.

"Importing cells and assembling the rest isn't true manufacturing. We want full-scale production from raw materials," he said.

Furthermore, although an environmental surcharge is applicable if an individual owns multiple vehicles, a provision has been kept exempting electric vehicles from this surcharge to promote the use of environmentally friendly vehicles.

An official of the NBR pointed out that though some companies utilised duty structures under statutory regulatory orders to set up assembly units, it did not necessarily build up an industry. "The NBR has consciously avoided the issue," he said.

"Our goal is to attract real investors with capital and technology, not mere assemblers. Even partial local production of lithium batteries would be a major step forward for Bangladesh," he said.

He also said major foreign companies were already considering shifting their battery manufacturing operations to Bangladesh. "This is a strategic opportunity."

However, the NBR has set various conditions to access the tax benefits.

Companies must employ at least 250 Bangladeshi workers, obtain International Organization for Standardization (ISO) certifications, and meet environmental and safety standards.

Besides, they must submit a detailed declaration for NBR vetting, register with Bangladesh Economic Zones Authority or similar agencies, get approval from Bangladesh Road Transport Authority, and set up dedicated manufacturing units with advanced machinery like CNC machines and molding systems.

Welcoming the move, Hafizur Rahman Khan, chairman of Runner Automobiles, said the new notifications have addressed several "unnecessary" conditions for accessing the benefits.

"Any automobile industry is always vendor-dependent. Industries don't manufacture everything themselves; they source components and assemble the vehicles," he said.

The notification that has been issued is beneficial only for industries that are established with the required machinery. However, many of the machines listed are unnecessary for the automobile industry, he said.

It seems like the focus is now more on electric vehicles and lithium battery production, but this approach needs to be more carefully considered, he said.

The policy should focus on facilitating industry growth, not creating hurdles. It needs to be more thought out, with feedback from the industries that will be directly impacted, he added.

"We will soon raise our concerns with the government," he said.

Synthetic footwear exports soar

FROM PAGE B1

He emphasised that the non-leather footwear sector holds strong potential due to its labour-intensive nature, giving Bangladesh a cost advantage over countries like Vietnam.

However, challenges persist. Delays in customs clearance for raw materials hamper lead times—a critical factor in the fashion-driven synthetic shoe market that demands quick delivery.

Despite this, demand remains robust. Shoeniverse is fully booked through March next year, with buyers seeking new slots amid potential US tariffs on Chinese goods.

A market assessment by Bangladesh Investment Development Authority (Bida) supports the trend, citing rising non-leather footwear exports due to increased orders from global brands such as H&M, Puma, Decathlon, FILA, and Kappa.

Major export destinations include Spain, France, the Netherlands, South Korea, India, Italy, and Germany.

Maf Shoes Ltd, a TK Group subsidiary exporting to France and Germany, boosted daily output from 50,000 to over 65,000 pairs. "European demand is soaring but structural barriers remain," said Managing Director Hasnat Md Abu Obida Marshall.

Europe remains the top market for Bangladeshi synthetic shoes, yet exporters face customs confusion, weak logistics, and exclusion from RMG-specific waivers.

"During Eid, our containers were stuck, but penalty waivers applied only to the BGMEA," a frustrated exporter said.

Moreover, competing with China is tough. While Chinese exporters enjoy 7 percent to 12 percent incentives and raw material self-sufficiency, Bangladesh battles high import duties, delays, and little policy support.

"We import everything and still try to compete on price," said one exporter.

The country also lags in value-added footwear. Despite paying lower wages than Vietnam, productivity remains much lower in Bangladesh.

"We are burning money just to keep factories running," the exporter added.

Some big global firms are eyeing India for relocation, drawn by availability of land, tax breaks, and better infrastructure in states like Tamil Nadu and Kerala.

"India calls investors—we don't even have an exit policy for foreign investment," said Marshall.

To unlock growth, exporters are calling for swift government action, including a dedicated synthetic footwear policy, equal customs treatment as RMG, access to technology financing, and incentives for backward linkage industries, he said.

Jakaria Shahid, managing director of Edison Footwear Limited, sees the synthetic footwear sector as a crucial driver for future export diversification, thanks to its fast-paced expansion.

However, he pointed out that major international brands like Nike and Adidas have yet to enter the Bangladeshi market, mainly because local manufacturers struggle to meet required lead times.

Bangladesh to become

FROM PAGE B1

Despite the current slowdown, the Finance Division expects a gradual recovery. It projects real GDP growth to reach between 5.5 and 6.5 percent by FY28, supported by efforts to bring down inflation, boost productivity and strengthen the external sector.

"The government's efforts to control inflation, enhance productivity, and maintain external resilience will be critical for ensuring macroeconomic stability," said the policy statement.

Following the Covid-19 pandemic, Bangladesh struggled to keep its exchange rate stable as foreign currency reserves depleted fast.

For FY25, the Finance Division revised the estimate for foreign exchange reserves to $26.7 billion, down from $31.8 billion in the original projection.

In FY24, actual forex reserves were at $26.9 billion.

The government expects reserves to rise to $34 billion in FY26, with a slight increase the following year.

Professor Rahman said the target could be met, but only under certain conditions.

"Gross reserves might cross $34 billion, but that depends on assumptions that import growth stays low at around 6 percent and export growth remains strong," he said.

But sluggish import growth could spell trouble, he said.

"If import growth stays this low, it does not bode well for GDP growth, investment or job creation. This trend is mainly due to falling imports of capital machinery.

"What we need is higher imports of capital machinery, not just a push to increase foreign currency reserves," he added.

The central bank currently uses two methods to measure foreign currency reserves. According to Bangladesh Bank data, gross reserves stood at $25.8 billion on May 29, while the BPM6 method by the IMF recorded it at $20.6 billion.

"We need to maintain reserves at a sustainable level," said Rahman. "But we must also remember that reserves will be used if investment rises and capital machinery imports go up."

"I would prefer strong investment, higher growth, stable reserves and a steady exchange rate rather than low investment, weak growth and artificially high reserves," he added.

Imbalanced tax structure

FROM PAGE B1

greater than one indicates that tax revenues are growing faster than GDP, while a coefficient of less than one suggests the opposite.

For Bangladesh, revenue buoyancy was calculated using real GDP growth rates and real revenue growth rates from FY13 to FY24. The average revenue buoyancy over this period is 0.83, indicating that tax revenues are growing at a slower pace than GDP, the report said.

Towfiqul Islam Khan, a senior research fellow at the Centre for Policy Dialogue, said when tax collection is skewed towards indirect taxes, the burden of tax is disproportionately borne by people with lower incomes.

"The primary weakness of the tax collection structure in Bangladesh is tax evasion. The share of income tax collection is very poor in Bangladesh compared to similar countries in terms of per capita income. There is a serious mismatch between the wealth we see around us and the tax paid.

"We have been advocating for years to integrate databases across government agencies. The land and flat registration databases should be matched to see if they are fully reported in the tax files of the owners," he said.

Effective VAT rate much lower than standard rate

Revenue potential also exists in VAT.

The MTMPS said the effective VAT rate, which is calculated by comparing VAT revenue to total consumption in the real sector, fluctuated within a narrow range of 3.5 percent to 3.9 percent from FY16 to FY24.

In FY24, the effective VAT rate was recorded at 3.7 percent, substantially below the standard rate of 15 percent on goods and services.

"This gap indicates significant potential for improving VAT efficiency and compliance."

To address these challenges, the government has taken several reform initiatives, including separating tax administration from policy, mandating online submission of income tax returns, applying the standard 15 percent VAT rate on goods and services, and removing exemptions.

Over the next three years, the government forecasts that revenue collection will grow by an average of 10.4 percent annually, reaching Tk 697,000 crore by FY28.

Islamic banks'

FROM PAGE B1

percent in March 2025, compared to a growth of Tk 149,240 crore or 9.25 percent in March 2024.

The quarterly rise in deposits was mainly driven by a Tk 25,277 crore or 1.94 percent increase in deposits at private banks.

Deposits at state-owned banks rose by Tk 12,067 crore or 2.72 percent, specialised banks by Tk 2,359 crore or 4.51 percent, and foreign banks by Tk 89 crore or 0.10 percent.

Year-on-year, private banks saw the largest growth in deposits, with a rise of Tk 121,267 crore or 10.07 percent, followed by state banks, specialised banks, and foreign banks.