

Economic activities slowed in June: PMI

STAR BUSINESS REPORT

Bangladesh's economic activities slowed down in June from a month ago, as the construction sector contracted for the first time in eight months, while agriculture, manufacturing, and services recorded slower growth, according to the Purchasing Managers' Index (PMI).

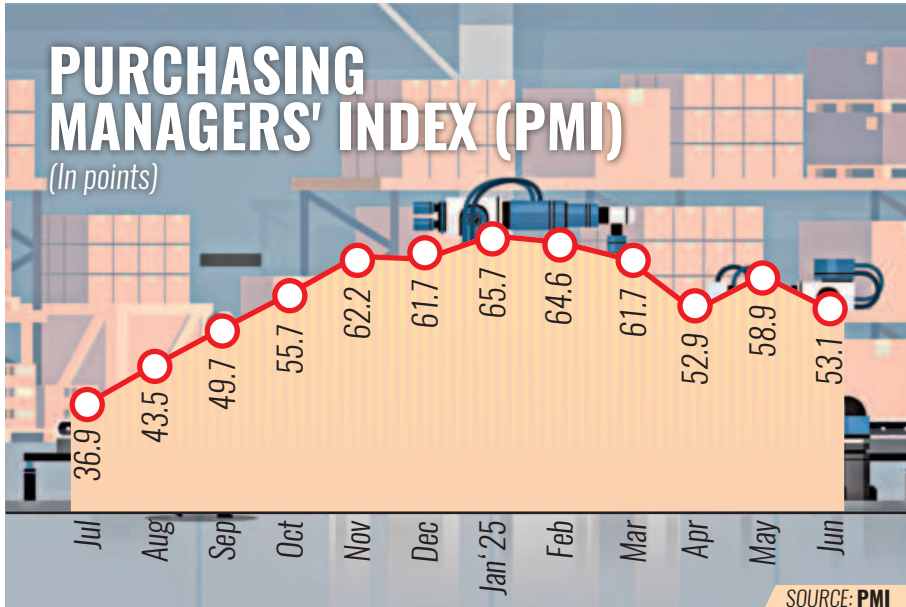
The PMI, a forward-looking indicator used globally to gauge economic direction, stated that the economy has continued to expand for the ninth consecutive month.

However, the overall reading of the index declined 5.8 points to 53.1 in June.

The Metropolitan Chamber of Commerce and Industry (MCCI) and Policy Exchange Bangladesh (PEB) jointly prepared the PMI. A reading above 50 indicates expansion, and below 50 indicates contraction.

The long Eid-ul-Azha holidays, the

The pace of expansion slowed in June, and the construction sector recorded a contraction for the first time in eight months, said a press release yesterday



start of the monsoon, and changes in taxation anticipated in the national budget for fiscal year 2025-26 impacted economic dynamism in June, according to a press statement issued by the MCCI and PEB.

The latest figures show that the agriculture sector expanded for the ninth month, but at a slower pace.

The sector posted a first-time contraction in employment, but faster expansion was recorded in new business, business activity, input costs, and order backlogs.

The manufacturing sector grew for the 10th month.

However, the pace of expansion slowed here as well.

The sector posted contractionary readings in input purchases, finished goods, imports, and employment, said the PMI.

According to the press statement, growth in new orders, new exports, factory output, input prices, and supplier deliveries was slower in June than in the previous month.

Order backlogs returned to expansion after 10 months of contraction, it adds.

On the construction sector, it states, "The sector recorded contraction in new business, construction activity, employment, and order backlogs. The input costs index posted a slower expansion reading."

Meanwhile, the services sector posted its ninth month of expansion, but at a slower rate.

The MCCI-PEB press statement also states that there was contractions in new business, business activity, and order backlogs, while faster expansion readings were recorded for employment and input costs.

The statement cites a Future Business Index, adding that slower expansion rates were recorded for manufacturing and construction, while faster expansion rates were recorded for agriculture and services.

Strengthening governance in Bangladesh

AF NESARUDDIN

Governance is essential at all levels, whether in a family, a company or a government. It is not rocket science but a matter of standard operation and administration. This includes, among other things, compliance with rules, regulations and policies, with due importance placed on avoiding misrule and mismanagement, and ultimately protecting the public interest. These are basic requirements.

Where these have not been properly followed, both the country and the economy have suffered. A small group of individuals has gained disproportionately, putting the present and future of the nation in a fragile and uncertain state. Sometimes an economy can recover with rehabilitation measures, but many companies find no way out of the damage caused by poor or absent governance. One of the clearest examples is the banking and financial sector in Bangladesh, where some banks and non-bank financial institutions are facing a severe liquidity crisis.

The question is why Bangladesh has reached this stage. There are enough laws and regulations, but they were not followed as they should have been. Leadership often prioritised personal interest and gain over the broader national interest. Independent institutions were left weak or used for self-serving purposes. Media reports were ignored. Ethical standards, professionalism, transparency and accountability hit rock bottom.

Among many contributing factors, leadership is of paramount importance. When those at the top engage in corruption and focus on personal interest, their family members and close associates are encouraged to do the same.

Corruption then spreads uncontrollably, as has been witnessed in recent years. If the top leadership refrains from such practices, most of the problems do not arise.

Leaders, whether in politics or business, must act as custodians of public resources, not as figures of power who misuse the responsibilities entrusted to them. It is also essential that wrongdoers are brought to justice through an independent judiciary. This is the only way to prevent these damaging patterns from repeating.

Similarly, the corporate sector has suffered heavily due to poor governance. Fundamental practices such as complying with internal policies, ensuring independent and competent board appointments, conducting proper internal audits and adopting credible external auditors have been overlooked. Many institutions still lack digital systems, and board members, including independent directors, have often been selected based on personal preference rather than competence. All this has contributed to the worsening of corporate governance in Bangladesh.

There is a direct link between weak governance and corruption. Without improving governance, corruption cannot be contained within even a tolerable level, let alone eradicated. If no action is taken against wrongdoing, criminal behaviour and misappropriation, governance is bound to deteriorate further.

Over time, the overall culture of governance and the management of public interest have declined to an alarming degree. There is no alternative but to reverse this trend. The current government has introduced reform agendas across several sectors. Encouragingly, the general public has expressed support for these interim efforts, knowing full well that governments formed through political parties rarely give serious attention to such issues. Lack of competent leadership and a preference for group or personal interests often take priority. Political pressures from within parties have discouraged strict adherence to governance norms.

What is needed now is strict compliance with rules and policies, the appointment of ethical and capable individuals, strong oversight, swift enforcement of laws and timely disciplinary measures. These are vital tools to curb corruption and improve the overall situation.

In the end, the four pillars of governance, people, purpose, process and performance, must be upheld and enforced consistently. Legal and punitive measures must follow without exception. This is the only way to move forward.

The writer is a senior partner of Hoda Vasi Chowdhury & Co and former president of ICAB

Indonesia, US to sign MoU on \$1.25b wheat purchases

AFP, Jakarta

Indonesia's flour mills association will sign a deal to import at least one million metric tons of US wheat annually for the next five years in a \$1.25 billion deal, it told AFP Monday, as Jakarta lays the groundwork to avoid the worst of Donald Trump's tariffs.

Chief economic minister Airlangga Hartarto told AFP last week Jakarta would step up agriculture imports from the United States to avoid tougher levies Washington says will come into force on August 1 without a new agreement.

"We already have an agreement between US Wheat (Associates) and Aptindo (to buy) one million metric tons 2026 to 2030," Indonesian Flour Mills Association head Franciscus Welirang said Monday, referring to the export market development organisation.

The deal, worth an estimated \$250 million per year, will be signed in Jakarta on Monday, he said.

"In the context of Indonesia's tariff negotiation, we as private business together with American private business, US Wheat (Associates) agreed to make an agreement," he said.

Trump said Sunday he would notify various countries of new rates this week, warning that US import levies will snap back to the high levels he set in April before announcing a 90-day pause.

Indonesia, which counts the United States among its top trading partners, is facing an extra 32 percent tariff on top of a base 10 percent.

Data from the US trade representative office shows Washington's goods trade deficit with Jakarta was \$17.9 billion in 2024, up 5.4 percent from the year before.

Airlangga, who said negotiations were ongoing with Washington, pledged that Jakarta would also step up its energy and merchandise imports to close the trade gap.

Dollar drifts near multi-year lows



REUTERS

The US dollar wobbled close to multi-year lows against major currency peers on Monday, with traders alert for any trade-related headlines in the countdown to President Donald Trump's tariff deadline.

Most US trade partners are set to see much steeper duties at the end of the 90-day moratorium on Trump's "Liberation Day" reciprocal tariffs on Wednesday. Trump clarified on Sunday that the new rates would take effect from August 1.

Trump said his administration was close to finalising several trade deals in the coming days but he will also name some dozen countries later on Monday that are receiving letters with their new, higher levies.

Trump also threatened to slap an additional 10 percent tariff on nations aligning with the "anti-American" policies of the BRICS emerging economies.

So far, only Britain, China and Vietnam have agreed any sort of trade deal with the Trump administration.

The tariff uncertainty weighed

in particular on the risk-sensitive Australian and New Zealand dollars, ahead of monetary policy decisions in both countries in the coming two days.

"Market volatility appears inevitable when the pause officially ends and new tariff levels are announced," James Kniveton, a senior corporate FX dealer at Convera, wrote in a client note.

At the same time, "the impact may prove more muted this time," he said. "Unlike previous announcements where tariff levels exceeded expectations, current proposals are largely anticipated. Moreover, markets appear to be pricing in continued deadline extensions."

Options data also reflected that currency markets were pricing in limited volatility resurgence ahead of the tariff deadline on expectations that there could be further extensions.

The dollar was flat at 0.7959 Swiss franc on Monday, edging back towards the July 1 low of 0.7869 franc, a level not seen since January 2015.

The euro slipped 0.3 percent to \$1.1750, while the dollar firmed 0.38 percent to 145.15 yen, reversing an earlier decline.

Despite multiple rounds of negotiations, progress on agreements with Japan and the European Union has been slow and markets are concerned that Tokyo and Brussels might not be able to secure deals with Washington ahead of the deadline.

Where do trade talks stand in the rush to avert higher US tariffs?

AFP, Washington

US President Donald Trump has said he will send letters to select trade partners facing tariff hikes as early as Monday, piling pressure on countries to strike a deal with Washington before a new August 1 deadline.

The White House announced sharp levies on dozens of economies in April, citing a lack of "reciprocity" in trade relations, which were set to kick in on Wednesday, July 9.

Trump announced on Friday the levies' imposition would be pushed to August 1 to allow time for talks to wrap up, but said he signed 12 letters to inform some countries of rate hikes, which will likely be sent on Monday.

With Treasury Secretary Scott Bessent saying the administration was "close to several deals," where do things stand for economies from Taiwan to the European Union?

EU: 'READY' FOR DEAL

The European Union said it is "ready for a deal" with Washington, with the bloc's trade chief meeting his US counterparts Thursday.

European Commission President Ursula von der Leyen said the EU was

targeting an "agreement in principle" when it came to the initial July 9 cutoff.

Bessent said the European Union is "making very good progress" after a slow start.

With no deal, the US tariff on EU goods doubles from the "baseline" of 10 percent to 20 percent – with Trump previously threatening a 50 percent level.

VIETNAM: A PACT WITH UNCERTAINTIES

Washington and Hanoi unveiled a trade pact Wednesday with much fanfare and few details, but it allowed Vietnam to avoid Trump's initial 46 percent tariff.

Under the agreement, Vietnamese goods face a minimum 20 percent tariff while products made elsewhere face a 40 percent levy – a clause to restrict "transshipping" by Chinese groups. But there remain questions on how the higher levy would apply to products using foreign parts.

There is also a risk that Beijing will adopt retaliatory measures, analysts warned.

JAPAN: RICE, AUTOS AT STAKE

Despite being a close US ally and major source of foreign investment,

Japan might not escape Trump's tariff hike.

Tokyo's trade envoy Ryosei Akazawa has made numerous trips to Washington through the end of June. But Trump recently criticized what he described as Japan's reluctance to open up further to US rice and auto exporters.



In this file photo, US President Donald Trump signs an executive order after delivering remarks on reciprocal tariffs during an event at the White House in Washington, DC.

PHOTO: AFP/FILE

Negotiations between both countries have been going well for weeks, and Trump himself suggested at the end of June that a "very big" agreement was imminent.

Ajay Sahai, director general of the Federation of Indian Export Organizations, said the feedback he received "suggests positive developments." But he maintained that the situation was fluid.

Finance Minister Nirmala Sitharaman has stressed that agriculture and dairy products remain "very big red lines."

SOUTH KOREA: MUTED OPTIMISM

Seoul, which is already reeling from US tariffs on steel and autos, wants to avert a sweeping 25 percent levy on its other exports.

Cooperation in shipbuilding could be a bargaining chip, but "at this stage, both sides still haven't clearly defined what exactly they want," said new President Lee Jae Myung on Thursday.

"I can't say with confidence that we'll be able to wrap everything up by July 8," he added.

INDONESIA, THAILAND, TAIWAN IN THE WINGS

Other Asian economies including Indonesia, Thailand and Cambodia, which faces a 49 percent tariff, wait with bated breath.

Indonesia has indicated willingness to boost energy, agriculture and merchandise imports from the United States.

Bangladesh is proposing to buy Boeing planes and step up imports of US agriculture products.

Taiwan, for whom Washington is a vital security partner, faces a 32 percent duty without a pact.

Although both sides have faced bumps along the way, Taiwanese Vice President Hsiao Bi-khim said "negotiators from both sides are working diligently" to find a path forward.

SWITZERLAND: HOPE FOR DELAY

Switzerland's government said Washington has acknowledged it was acting in good faith, and assumes its tariff level will remain at 10 percent on July 9 while negotiations continue.

But without a decision by the president as of the end of June, Switzerland did not rule out that levies could still rise to a promised 31 percent.