Wage gap narrows as inflation eases: BB report

Real wage growth, however, remains negative, as per BBS

FEDA AL HOSSAIN

The gap between wages and inflation, which has been narrowing gradually since February 2025, shrank further in the fourth quarter of fiscal year (FY) 2024-25, offering a slight boost to household purchasing power, the central bank said in a report released this week.

In the April-June quarter of FY25, year-on-year headline consumer price index (CPI) inflation averaged 8.9 percent, down from double-digit levels earlier in the year, according to the Bangladesh Bank's "Inflation Dynamics in Bangladesh" report released this week.

During the same period, average wage growth stood at 8.2 percent, indicating a persistent but smaller gap between earnings and prices.

The development points to early signs of recovery in real incomes for millions of low-income consumers in the country, where food and energy costs have surged in recent years. However, according to the Wage Rate Index (WRI) of the Bangladesh Bureau of Statistics (BBS), real wage growth remains negative.

Bangladesh's average wage growth remained negative for the 41st consecutive month in June, even as the inflation rate eased to its lowest level in nearly three years, according to the WRI released earlier this month.

It said year-on-year wage growth stood at 8.18 percent in June, 0.30 percentage points below the month's inflation rate of 8.48 percent.

A similar trend was observed in May, when wages across 63 occupations in the agriculture, industry, and services sectors grew by 8.21 percent, 0.84 percentage points below inflation at the time.

According to the latest BB report, food inflation, which remained in double digits during the first half of FY25, continued to decline in the fourth quarter, falling to 7.4 percent by the end of June.

Cereal products, including rice and wheat, remained the dominant driver of food inflation, contributing an average of 43.7 percent during Q4, the highest quarterly contribution observed in recent periods.

Non-food inflation, however, remained elevated, averaging 9.5 percent in the third and fourth quarters of the fiscal year. Clothing, footwear, and household energy items accounted for the largest share of non-food price increases.

The central bank noted that core inflation, which excludes food and energy, rose 2 percentage points to 49.7 percent of headline inflation in the quarter, suggesting underlying pressures remain strong despite the slowdown in food prices.

Meanwhile, food prices' average contribution to headline inflation declined to 41.3 percent in the fourth quarter from 45.3 percent in the previous quarter. The contribution of energy items, including solid fuels, held steady at around 9 percent in both quarters.

The contribution of perishable goods to overall inflation fell to 30.8 percent from 33.2 percent in the previous quarter, as vegetable and fish prices eased. Non-perishable goods, however, made up a slightly larger share at 50.8 percent, up from 50.0 percent in Q3, the report states.

The services sector's contribution to inflation saw a marginal uptick, rising to 18.4 percent in Q4 from 16.8 percent in the previous quarter.

On a month-on-month basis, inflation rose 0.6 percent in June, reversing a 0.3 percent decline in May. Similarly, m-o-m food inflation increased by 1 percent in June from a 1 percent decline in May. Non-food inflation, however, remained positive at 0.3 percent in both May and June.

The central bank's report comes as multilateral lenders project slower disinflation ahead. The Asian Development Bank (ADB), in its "Asian Development Outlook" published in April 2025, projected Bangladesh's inflation for FY25 at around 10 percent but anticipated a decline in FY26, assuming favourable weather conditions, easing international commodity prices, and stricter domestic policy measures.

The International Monetary Fund (IMF), in its "World Economic Outlook" (WEO) released in April 2025, noted that global headline inflation was likely to decline more slowly than previously expected. However, for low-income and emerging market economies, inflation may fall slightly faster than earlier projections.

The IMF expects Bangladesh's headline inflation to average around 10 percent in 2025 before gradually easing to 5 percent in the following years.

Workers maneuver a heavily loaded hand-pulled cart through a street in Fakirapool, Dhaka. Bangladesh's average wage growth remained negative for the 41st consecutive month in June, even as the inflation rate eased to its lowest level in nearly three years.

PHOTO: ANISUR RAHMAN

Sister concerns and the strain on our financial sector

MASUD KHAN

The financial sector in Bangladesh is facing mounting pressure due to the unchecked rise of "sister concerns" within large business groups. Unlike multinational corporations, which tend to stick to their core strengths, many Bangladeshi conglomerates have ventured into numerous unrelated sectors, often without proper financial analysis. The thinking seems to be: if one can turn a profit, so can I. This has led to business sprawl across 10 to 50 different industries. Most of these ventures lose money, with only a handful generating profit.

This unrestrained diversification has triggered systemic financial problems. Loss-making units are rarely shut down. Instead, they survive on funds funnelled from the group's successful arms. Profitable businesses take loans from banks, then redirect the funds through intercompany lending to support the failing concerns. This practice drains the healthier entities and spreads financial strain across the group. Financial reports are often distorted, with "window dressing" used to hide losses and create a false impression of profitability. This allows companies to keep borrowing from banks under false pretences.

Banks are heavily exposed to this cycle. Much of their lending goes to these sprawling corporate groups. The money meant for viable ventures frequently ends up in the coffers of failing sister concerns. As a result, non-performing loans (NPLs) have risen, piling debt on top of interest and threatening the sector's stability.

The roots of the problem lie in a mix of influence, optimism, and denial. Powerful business groups often escape scrutiny, with banks reluctant to enforce strict conditions. Many entrepreneurs refuse to accept failure, holding on to unviable businesses out of pride or false hope. Banks, meanwhile, have often turned a blind eye to the misuse of loans and the manipulation of financial records.

This situation has created a dangerous build-up of risk. NPLs continue to grow, draining bank liquidity and weakening the overall financial system. As more businesses struggle to meet repayments, the pressure on both banks and borrowers intensifies.

Over the long term, this poses a serious threat to the economy. Instead of focusing on sustainable growth, many entrepreneurs are gambling on a rebound that may never come. Profitable businesses are being bled dry to keep loss-making ventures alive, while banks face escalating defaults.

Addressing this issue calls for a fundamental change in mindset and business behaviour. Entrepreneurs must embrace financial discipline and accept that not all ventures succeed. Failing concerns should be wound up, not propped up. Banks must play a stronger role in monitoring how loans are used and steer lending towards financially sound projects. Regulatory authorities should also enforce stricter oversight to stop the manipulation of accounts and ensure that lending decisions are based on genuine financial health.

In sum, the unchecked growth of sister concerns has created a tangled mess of mismanagement that endangers both the corporate and banking sectors. The use of profitable companies to bankroll failing ones is unsustainable and inefficient. Unless business leaders and financial institutions rethink their approach, the strain on the system will only grow, placing individual firms and the wider economy at serious risk.

The writer is the chairman of Unilever Consumer Care Ltd

BRAC Bank logs Tk 420cr profit in Q2

STAR BUSINESS REPORT

BRAC Bank PLC reported a profit of Tk 419.56 crore for the April-June quarter of 2025, saying it was driven by a rise in investment and interest income.

According to its financial statements, its consolidated earnings per share (EPS) stood at Tk 1.54 for the April-June quarter, up from Tk 1.25 in the same period of 2024.

The bank attributed the EPS increase to improvements in profitability in the first half of 2025, supported primarily by incremental investments and interest earnings.

For the January-June period, its consolidated net operating cash flows per share (NOCFPS) rose to Tk 44.24, up from Tk 30.99 in the corresponding period of the previous year.

The private commercial lender said the NOCFPS figure resulted from a rise in deposit mobilisation and bank borrowings, while loan portfolio growth slowed compared to the same period last year.

Net asset value per share also increased, supported by rising net profits and revaluation gains on government securities, BRAC Bank said.

EU defends Trump trade deal in face of backlash

AFP, *Brussels*

The European Union on Monday defended its trade deal with President Donald Trump, with EU capitals and businesses sharply divided on an outcome some branded a "capitulation".

"I'm 100-percent sure that this deal is better than a trade war with the United States," top EU trade negotiator Maros Sefcovic told journalists.

European Commission President Ursula von der Leyen clinched the framework accord with Trump on Sunday after dashing to Scotland as the August 1 deadline loomed for steep levies that threatened to cripple Europe's economy.

EU exports are now set to face across-the-board tariffs of 15 percent -- higher than customs duties before Trump returned to the White House, but much lower than his threatened 30 percent.

The 27-nation bloc also promised its companies would purchase energy worth $750 billion from the United States and make $600 billion in additional investments -- although it was not clear how binding those pledges would be.

"I'm 100 percent sure that this deal is better than a trade war with the United States," top EU trade negotiator Maros Sefcovic said

"This is clearly the best deal we could get under very difficult circumstances," Sefcovic said.

Full details of the agreement -- and crucially which sectors could escape the 15-percent levy -- will be known in the coming days, although the EU says it has avoided steeper tariffs on key exports including cars and medicines.

The reaction from European capitals -- which gave von der Leyen the mandate to negotiate -- ranged from muted to outright hostile.

French Prime Minister Francois Bayrou said it was a "dark day" for Europe and that the accord was tantamount to "submission".

Speaking for Europe's biggest economy, German Chancellor Friedrich Merz said his country would face "substantial damage" from the tariffs but that "we couldn't expect to achieve any more".

He argued that the deal's negative effects "will not only be limited to Germany and Europe, but we will see the effects of this trade policy in America as well". Spanish Prime Minister Pedro Sanchez said he gave his support for the deal "without any enthusiasm".

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EBL's profit rises 11% in Apr-Jun quarter

STAR BUSINESS REPORT

Eastern Bank PLC's (EBL) profit grew 11 percent year-on-year in the second quarter of 2025.

The private commercial lender posted a profit of Tk 196.28 crore for the quarter.

Its consolidated earnings per share stood at Tk 1.23 for the April-June period, according to a post on the Dhaka Stock Exchange (DSE) website yesterday.

It was Tk 1.11 in the same period last year.

EBL's consolidated net operating cash flow per share was Tk 13.49 in the first half of 2025, up from Tk 12.79 a year ago.

As of June 30, sponsor-directors held 31.44 percent of the bank's shares, while institutions owned 43.44 percent, according to DSE data.

US policy incoherence sets a tariff trap

ANALYSIS

REUTERS, *Washington*

In July, the White House set the pillars of its economic strategy: a 15 baseline tariff on key trading partners and gutting corporate and income taxes. Revenue from import duties has now reached a level unseen in decades, over $100 billion so far in 2025. Problem is, the administration spent that money and much more on $4 trillion of tax cuts, while other goals - like onshoring production - will whittle down collections. Given the size of the fiscal hole, the temptation will be to come back for more.

Customs duties in June hit $27 billion, a month during which the average effective tariff rate was 15.6 percent, according to the Yale Budget Lab. Trade deals with Japan and the European Union announced in recent days include a baseline 15 percent levy, meaning that an even higher average rate looks plausible when factoring in more punitive levels on China and specific categories of goods.

If this level holds, Treasury Secretary Scott Bessent's estimate that annual customs revenue could hit $300 billion will end up being about right. President Donald Trump has gone further, though, claiming that tariffs can replace the federal income tax. Commerce Secretary Howard Lutnick narrowed that to exempting those making $150,000 or less. Right now, that's a big stretch. The federal income tax raised $2.4 trillion in 2024, with around $565 billion coming from the bottom 90 percent of earners, according to Treasury Department data.

The gulf will only grow. Tariffs are effectively a tax on consuming imports. Many consumers and manufacturers will look to avoid it, either purchasing or producing US goods instead. Where substitution is impossible or costly, it may just dent demand, thereby reducing economic activity: budget scorekeepers tend to assume that $1 of tariff revenue leads to a $0.25 decline in income and payroll tax revenue.

Yet while incentivizing domestic production is ostensibly the overarching goal of the trade war, extra revenue is becoming all the more crucial. Trump's signature fiscal legislation, signed earlier this month, adds $3 trillion in debt over the next decade, according to the Congressional Budget Office, primarily to codify individual and corporate tax cuts. Rolling back those reductions is a non-starter for Republicans, while even opposition Democrats have signed onto policies like exempting tipped income.

Even just collecting owed rates is getting harder. The Internal Revenue Service estimated that there was a $600 billion "tax gap" in 2022 that could be closed with better enforcement. The administration has instead proposed a 50 percent cut to the budget for tax collectors. When fiscal reality sets in, there are few other places to turn than back to the tariff well.

The United States has collected more than $100 billion in customs levies in 2025 as effective tariff rates have climbed far beyond their average in prior years of around 2 percent.

US Commerce Secretary Howard Lutnick has said that tariffs could ultimately replace income taxes for those making $150,000 or less. The federal income tax raised $2.4 trillion in 2024.

Forklifts move shipping containers at a port in Miami, Florida. The US has collected more than $100 billion in customs levies in 2025 as effective tariff rates have climbed far beyond their average in prior years of around 2 percent.

PHOTO: AFP/FILE