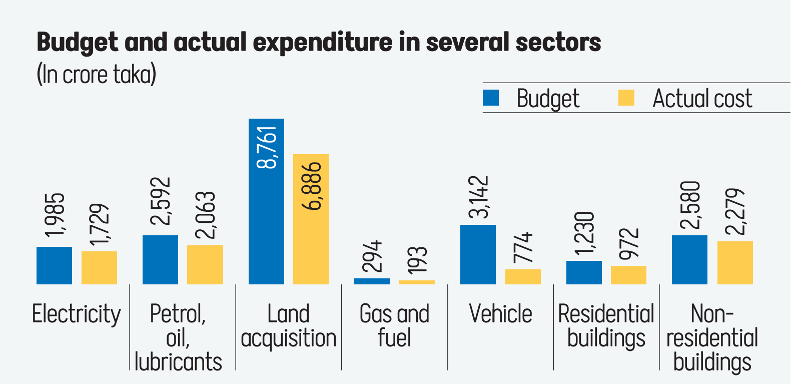
Star BUSINESS

Govt belt-tightening saved Tk 5,689cr in FY25

The amount is more than twice the previous year

COSTS REDUCED IN FY25

- Electricity: Tk **256**cr
- Petrol, oil, lubricants: Tk **529**cr
- Land acquisition: Tk **1,875**cr
- Gas and fuel: Tk **101**cr
- Vehicle: Tk **2,368**cr
- Residential buildings: Tk **258**cr
- Non-residential buildings: Tk **301**cr



SOURCE: MINISTRY OF FINANCE

REJAUL KARIM BYRON *and* AHSAN HABIB

The government cut its expenditure by 25 percent, or Tk 5,689 crore, in the fiscal year (FY) 2024-25 as part of a series of austerity measures.

This is more than twice the Tk 2,500 crore saved a year earlier.

In the last fiscal year, the development and non-development budget allocations for energy, buildings, vehicles and land acquisition totalled Tk 22,756 crore, but actual spending stood at Tk 17,067 crore.

To steer through the economic turbulence caused by the Covid-19 pandemic in March 2020, the authorities introduced the first round of belt-tightening.

Although the economy began to recover subsequently, the Russia-Ukraine war broke out in 2022. It drove up global commodity prices and inflated the import bills for the country.

The government therefore chose to maintain the austerity measures, saving about Tk 2,500 crore in FY 2023-24.

A finance ministry official said spending was reduced in several ways in FY25, making the actual implementation about Tk 150,000 crore lower than the revised budget.

In the last fiscal year, motor vehicle and water vessel costs were reduced by 75 percent to Tk 774 crore from the actual budget.

The allocation for aircraft was Tk 1,369.6 crore, while spending barely changed at Tk 1,361.33 crore.

Electricity costs dropped 13

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Delaying LDC graduation not fully in govt's hands

Says CA's Special Assistant Anisuzzaman Chowdhury

STAR BUSINESS REPORT

Delaying Bangladesh's graduation from the least developed country (LDC) status is not entirely within the government's control, as the country is firmly set to graduate by November 2026, said Anisuzzaman Chowdhury, special assistant to the chief adviser.

"If Bangladesh seeks deferral, it would require approval from the majority of member states of the United Nations, which is unlikely as we've already met all three graduation criteria," said Chowdhury, also emeritus professor at Western Sydney University and former UN-ESCAP director.

Speaking at a seminar hosted by the Economic Reporters' Forum (ERF) yesterday, he compared the graduation process to a plane's take-off, comprising initial readiness, turbulence, and mid-air adjustments.

Despite Covid-19 and subsequent economic shocks, Bangladesh met the criteria in 2018, and received official UN recommendation in 2021 following a three-year review.

GDP growth fell from 7.1 percent in 2022 to 4.2 percent in 2024, inflation hit 10.5 percent, and reserves dropped from $48 billion to $26 billion.

Chowdhury blamed capital flight and macro mismanagement for the declines, citing a $234 billion outflow between 2009-2023 and the resulting $5.5 billion bailout by the International Monetary Fund (IMF).

He noted signs of recovery under a new economic team. Forex reserves rose to $31.8 billion, and garment exports to the United States and the European Union increased by 25 percent and 18 percent, respectively.

A Smooth Transition Strategy has been initiated to improve trade facilitation and logistics, he noted.

Stating that Bangladesh's gross national income stands at $2,899 and that it has stronger macro indicators than Nepal or Laos, Chowdhury

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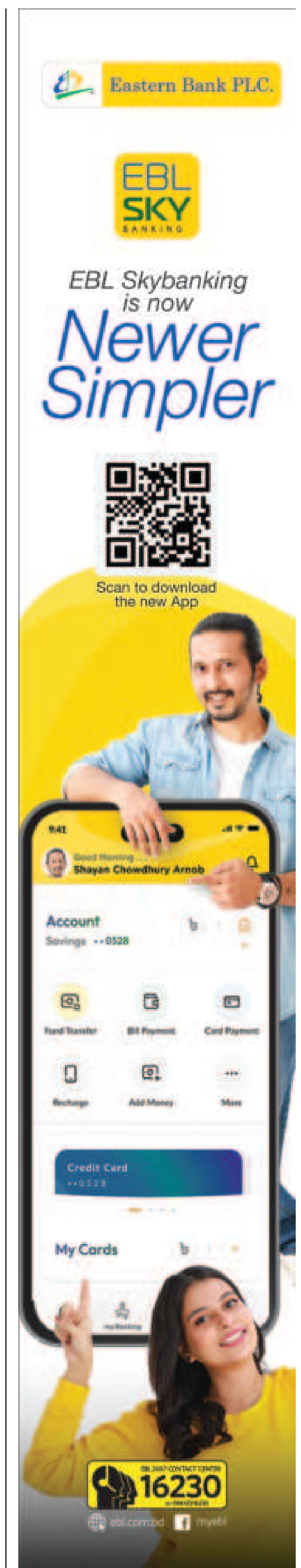


Antibiotics misuse in livestock poses serious risks: adviser

STAR BUSINESS REPORT

Indiscriminate use of antibiotics in livestock is fuelling antimicrobial resistance in bacteria, an emerging threat that could have serious implications for public health and human resources in the future, Fisheries and Livestock Adviser Farida Akhter has warned.

"We must be more conscious and responsible in our use of antibiotics," she said at the official inauguration of the 2025 workshop of the Bangladesh Livestock Research Institute (BLRI) Regional Centre at the Eque Heritage Hotel and Resort in Saidpur yesterday.

Stressing the importance of protecting local poultry breeds, the adviser said, "Bangladesh is a geographically diverse country. We must safeguard our indigenous genetic resources by considering regional variations, identifying region-specific challenges, and addressing them through targeted interventions."

She noted the fisheries and livestock sectors play a critical role in achieving self-sufficiency.

"To ensure food security, we must also reduce dependency on imported feed ingredients by developing a self-reliant feed industry. Relying on imports may disrupt the stability of our food supply," Akhter said.

Also speaking at the event, Abu Taher Muhammad Jaber, secretary of the fisheries and livestock ministry, echoed the concerns.

"When feed prices go up, the cost of poultry and eggs inevitably rises as well. Therefore, research on cost-effective feed management is essential," he said.

READ MORE ON B3

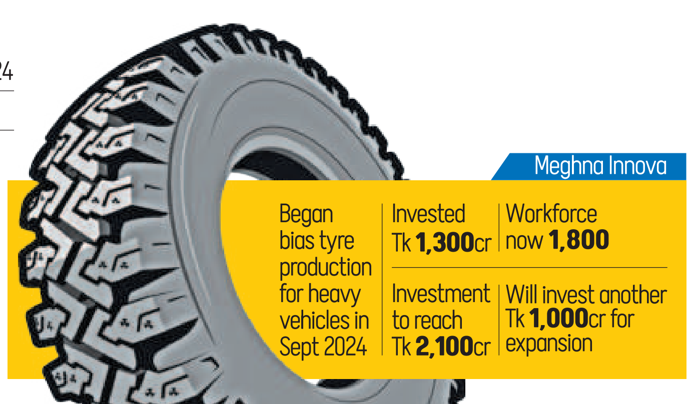
Meghna enters heavy vehicle tyre production after Gazi falls

Gazi Tyre

- Shut in August 2024
- Tk **1,000**cr lost
- **2,650** jobs gone

HEAVY VEHICLE TYRE MARKET

- Size: Tk **3,000**cr
- Till now **90%** import-dependent
- Local peers: Apex, Rupsa, Hassan, Panama, Jamuna
- Local tyres cheaper than imported ones



Meghna Innova

- Began bias tyre production for heavy vehicles in Sept 2024
- Invested Tk **1,300**cr
- Workforce now **1,800**
- Investment to reach Tk **2,100**cr
- Will invest another Tk **1,000**cr for expansion

JAGARAN CHAKMA

Meghna Innova Rubber Company Ltd, a concern of Meghna Group, is producing truck, bus, and agricultural tyres at its expanded Mirzapur facility in Tangail, which is expected to fill the gap left by the now-closed Gazi Auto Tyres.

"Our goal is to make Bangladesh self-sufficient in heavy-duty tyre manufacturing, just like we achieved with motorcycle tyres," said Md Luthful Bari, chief operating officer of Meghna Innova, in an interview with The Daily Star recently.

"With the right policy support, we can eliminate the need for imports in this sector entirely," he added.

Prior to Meghna, the heavy-duty tyre segment used to be dominated by Gazi Auto Tyres before its closure in August 2024 following a devastating fire and vandalism at its Rupganj plant after the mass uprising. Owned by ex-Awami League lawmaker Golam Dastagir Gazi, the company captured 15 to 20 percent of the market for bus and truck tyres, and 65 percent in the minibus segment before it went out of commission.

Overall, Gazi Tyres met 70 percent of the country's demand for tyres used by rickshaws, three-wheelers, and small commercial vehicles. The destruction at the Rupganj factory caused an estimated loss of Tk 1,000 crore and left around 2,650 workers unemployed.

Industry insiders estimate the heavy-vehicle tyre market at Tk 3,000 crore, with over 90 percent of demand met by imports.

With its new expansion, Meghna is likely to fill the void left by Gazi.

Operational since September last year, Meghna's Mirzapur plant features advanced technology from Germany, Italy, and China.

It currently produces bias tyres for heavy vehicles, aiming to reduce import dependence and conserve foreign currency.

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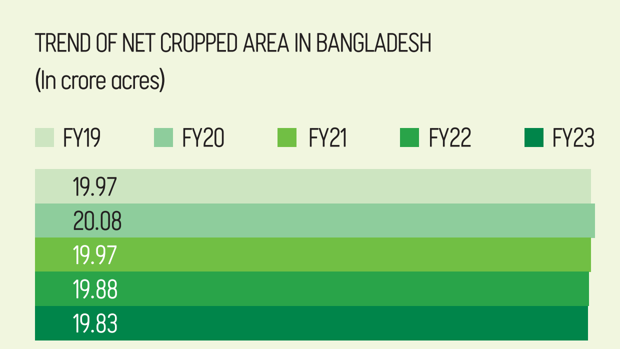

SOURCE: BBS

PHOTO: TITU DAS

Shrinking cropped area raises food security concerns

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Bangladesh's net cropped area, the total land sown with crops during a particular agricultural year, has been declining over the past few years, raising concerns among agricultural officials and experts about food security for the growing population.

The country lost one percent of its net cropped area, falling to 19.83 lakh acres in 2023 from 20.08 lakh acres in 2020, the largest decline in a decade, according to data from the Bangladesh Bureau of Statistics (BBS).

The gross cropped area, the total area of crops grown on the land during a census year, also declined during this period amid a steady reduction in farmland due to the construction of new homes, roads, other infrastructure, and industrial use.

"It is falling and there is no doubt about it," said MA Sattar Mandal, former vice-chancellor of Bangladesh Agricultural University, Mymensingh.

"Rural and urban settlement is increasing in line with population growth. We see the building of facilities even in the middle of the cropland," he added.

Mandal, a former professor of agricultural economics, warned that farmland will decline further due to industrialisation. "We will need land for industry and we cannot ignore that, given the economy and job creation."

He, however, argued that the establishment of universities on large areas of land should not be encouraged in a land-scarce country like Bangladesh, citing the allocation of 100 acres for the establishment of Rabindra University.

The economist noted that private university campuses occupy much smaller areas.

In its Bangladesh Environmental Statistics 2024, published in June this year, the BBS reported that the country lost 2 percent of agricultural land to other purposes during the period.

"Bangladesh's population will exceed 20 crore, and it will be impossible to ensure food for all if we cannot stop the conversion of agricultural land to non-farm uses," Mandal said.

In its Rice Vision for Bangladesh: 2050 and Beyond, prepared earlier by the Bangladesh Rice Research Institute (BRRI), it was stated that the population will reach 21.54 crore in 2050, when 4.46 crore tonnes of clean rice will be required.

The paper said the country would be able to meet rice demand provided that the area under rice remains unchanged.

Farmers produced nearly 4 crore tonnes of rice in the fiscal year 2024-25.

"This is a matter of grave concern. The population is growing while the farmland needed to produce food is shrinking," said Shahidur Rashid Bhuiyan, former vice-chancellor of Sher-e-Bangla Agricultural University.

"We are witnessing rice fields disappearing every day. Why cannot we demarcate certain areas in rural regions for high-rise buildings?" he questioned.

READ MORE ON B3

Bank Asia becomes primary banking partner of Ansar & VDP Welfare Trust

STAR BUSINESS DESK

Bank Asia PLC has entered into a strategic partnership agreement with the Bangladesh Ansar & VDP Welfare Trust, thereby becoming its primary banking partner.

The collaboration represents a significant stride towards strengthening financial inclusion, fostering digital empowerment, and enhancing welfare support for one of the largest uniformed forces in the country.

Maj Gen Abdul Motaleb Sazzad Mahmud, director general of Bangladesh Ansar & VDP, and Sohail RK Hussain, managing director of Bank Asia PLC, signed the agreement at the Trust's headquarters in Dhaka recently, according to a press release.

Through this partnership, more than six million members of Bangladesh Ansar & VDP nationwide will gain access to secure, inclusive, and digitally advanced financial solutions.

The alliance will encompass a comprehensive suite of services, including employee banking benefits tailored to the requirements of Ansar & VDP personnel; savings and credit facilities designed to promote financial growth and resilience; lifestyle finance solutions enabling convenient access to consumer and personal loans; and digital banking services delivered through Bank Asia's robust platforms, ensuring seamless transactions anytime, anywhere.

This initiative is expected not only to strengthen the financial empowerment of Ansar & VDP members but also to make a substantial contribution to the wider vision of a "Digital Bangladesh" by encouraging cashless transactions and extending the reach of formal banking services to the grassroots, the release added.

Sohail RK Hussain, managing director of Bank Asia PLC, and Maj Gen Abdul Motaleb Sazzad Mahmud, director general of Bangladesh Ansar & VDP, exchange signed documents of the agreement at the headquarters of the Bangladesh Ansar & VDP Welfare Trust in Dhaka recently. PHOTO: BANK ASIA

Eastern Bank signs online payment gateway deal with DGePay

Shafquat Matin, director of DGePay, and M Khorshed Anowar, deputy managing director and head of retail and SME banking at Eastern Bank PLC, pose for photographs after signing the agreement at the bank's head office in Dhaka recently. PHOTO: EASTERN BANK

STAR BUSINESS DESK

Eastern Bank PLC (EBL) has recently signed an agreement with DGePay, a one-stop payment solution provider and the first licensed payment system operator (PSO) in Bangladesh, to facilitate an online payment gateway.

M Khorshed Anowar, deputy managing director and head of retail and SME banking at Eastern Bank PLC, and Shafquat Matin, director of DGePay, signed the agreement at the bank's head office in Dhaka, according to a press release.

Under the agreement, the bank's customers will be able to make payments effortlessly, while merchants will benefit from two-way functionality.

Faisal M Fathe-Ul Islam, head of m-commerce and e-commerce at the bank, and Md Masuduzzaman, head of sales at DGePay, along with other senior officials, were also present.

IFIC Bank holds town hall meeting

STAR BUSINESS DESK

IFIC Bank PLC yesterday organised a town hall meeting, titled "One Year in the Journey of Transformation", to mark the successful completion of one year of its current board of directors.

Md Mehmood Husain, chairman of IFIC Bank PLC, inaugurated the event as the chief guest, according to a press release.

In his remarks, Husain underscored the importance of establishing sound corporate governance, safeguarding the interests of all stakeholders, and fulfilling the bank's social and national responsibilities as a well-established financial institution.

He expressed his sincere appreciation to the current management and all employees for their dedication and hard work in achieving success over the past year.

During the meeting, a presentation was delivered highlighting the progress and achievements of the bank across a range of performance indicators. Strategic directions and future plans for ensuring sustainable growth were also discussed in detail.

Md Mehmood Husain, chairman of IFIC Bank PLC, attends the bank's town hall meeting, titled "One Year in the Journey of Transformation", at its head office in Dhaka yesterday. PHOTO: IFIC BANK

Russia cuts interest rate as economy slows

AFP, Moscow

Russia's central bank on Friday cut its key interest rate, but warned inflation was still too high, amid growing fears of an economic slowdown after bloated spending on the Ukraine offensive.

Russia's economy is rapidly cooling, prompting warnings it could be headed for recession or stagnation, following two years of robust growth as Moscow ramped up military spending to fund its campaign.

"We do have a cooling off, that is, a slowdown in economic growth. This is natural after overheating," Governor Elvira Nabiullina said, announcing a cut in borrowing costs from 18 to 17 percent.

The bank said Friday it expected the economy to expand by just one percent in 2025, down from above four percent last year.

Russian government spending has jumped more than two-thirds since the start of the Ukraine offensive, with military expenditure accounting for almost nine percent of GDP, according to President Vladimir Putin.

That has helped Moscow avoid predictions Western sanctions would collapse its economy, but led to a spike in inflation.

Russia's economy is rapidly cooling, prompting warnings it could be headed for recession or stagnation, following two years of robust growth

The bank is now gradually trimming interest rates from a two-decade high of 21 percent.

But inflation is still running above eight percent, more than twice the government's official target and the bank has warned price rises may remain stubborn in the coming months.

It singled out higher petrol prices, which have risen as a result of Ukrainian attacks on Russian refineries, as a particular concern.

Businesses have for months been clamouring for the central bank to cut borrowing rates, which it says are hobbling the economy and thwarting investment.

The bank had been expected to cut rates further, but BKS analyst Ilya Fedorov said a recent "weakening of the ruble" -- at its lowest against the US dollar since April -- forced it to hold back.

Russia's public finances have also been strained by weak oil prices, which are crucial to the national economy.

The government posted a deficit of around $50 billion -- equivalent to two percent of GDP -- in the first eight months of the year, three times more than at the same stage of 2024.

Nabiullina warned that if the budget expands further, the bank will be forced to push interest rates up once again. Moscow has so far been able to use a rainy day fund, built up from oil and gas proceeds in the years before it launched its Ukraine offensive, to plug the gap.

That too, however, has come under pressure, with the value of its liquid assets -- those that can be immediately called upon -- having halved from more than $100 billion before the conflict to $48 billion. Kyiv and its allies are trying to cut off Russia's earnings from energy exports to exacerbate that shortfall.

Oil gains weighed down by US demand worries

REUTERS

Oil prices rose on Friday after a Ukrainian drone attack suspended loadings from the largest port in western Russia, but gains were capped by concerns about US demand.

Brent crude futures settled at $66.99 a barrel, up 62 cents, or 0.93 percent. US West Texas Intermediate crude finished at $62.69, a gain of 32 cents, or 0.51 percent.

Early in the day, crude reacted to the drone attack on Russia's northwestern port of Primorsk, which led to a suspension of oil loading operations overnight, an official from Ukraine's SBU security service said.

"Those attacks on Russian energy infrastructure have room to drag down Russian crude and refined product exports," UBS analyst Giovanni Staunovo said.

But later in the day, gains shrank as traders continued to focus on a revised US jobs report issued earlier in the week along with higher inflation figures.

"The economic data is not supportive of a rally," said John Kilduff, partner with Again Capital. "The overall weight is down and the trend is bearish."

The US economy likely created 911,000 fewer jobs in the 12 months through March than previously estimated, the US Labor Department said on Tuesday.

The department said on Thursday the consumer price index rose 0.4 percent in August, the biggest gain since January, after increasing 0.2 percent in July.

The markets are also watching for sanctions or tariffs from the Trump administration aimed at reducing use of Russian crude by India and China.

"Any potential for the tariffs to India and China to harm exports, then we would see Russian barrels off the market," Kilduff said.

The Brent and WTI benchmarks fell by 1.7 percent and 2 percent respectively on Thursday.

The International Energy Agency said on Thursday global oil supply would rise more rapidly than expected this year because of planned output increases by the Opec+ group comprising the Organization of the Petroleum Exporting Countries and allies such as Russia, according to an agency report.

Attacks on Russian energy infrastructure have room to drag down Russian crude and refined product exports, says an analyst

However, Opec's own report later in the day made no change to its relatively high forecasts for oil demand growth this year and next, saying the global economy was maintaining a solid growth trend.

On the supply side, India's largest private port operator, Adani Group, has banned tankers sanctioned by Western countries from entering all of its ports, three sources told Reuters and documents show, potentially curbing Russian oil supplies.

India is the biggest buyer of Russian seaborne oil, mostly shipped on tankers that are under sanctions by the European Union, the United States and Britain.

Arla focuses on youth talent

FROM PAGE B4

"While we are not currently sourcing milk locally due to supply chain limitations, we are working to change that by investing in long-term solutions," Glennborn said.

"Increasing milk productivity is crucial to making local sourcing viable. Currently, milk yields in Bangladesh are low, and collection infrastructure is insufficient."

He said one of their most significant initiatives is the Green Dairy Partnership in Bangladesh, a five-year project valued at about Tk 254 million.

"It is funded by the Danida Green Business Partnership under the Danish Ministry of Foreign Affairs, and we are working with partners such as Pran Dairy, Solidaridad Network Asia, IDRN-Bangladesh Agricultural University, SEGES Innovation, and the Danish Agriculture & Food Council."

For Bangladesh, foreign direct investment remains a priority.

In this regard, Glennborn said the country still needs improvements, from easing regulations to upgrading infrastructure, but he sees Arla's presence as a positive signal.

"We are also proud to act as a flagbearer for Danish business in the region. Through innovation, local empowerment, and strategic collaboration, Arla is committed to being an ambassador for Bangladesh on the global stage, encouraging others to invest in the country's future," he concluded.

US consumer inflation

FROM PAGE B4

While Trump has repeatedly pushed for lower interest rates, policymakers have kept levels unchanged this year as they monitored the effects of tariffs on prices.

With employment weakening, however, the Fed might be inclined to make a cut to boost the economy, as opposed to keeping rates at a higher level when seeking to contain inflation.

The August CPI boost however came as food, energy and shelter costs all increased.

"The middle class squeeze from tariffs is here," warned Navy Federal Credit Union chief economist Heather Long. "It's troubling that so many basic necessities now cost more," she added in a note, cautioning that "this is only the beginning."

While businesses stockpiled inventory in anticipation of Trump's tariffs, allowing them to stave off some immediate price hikes, they will eventually have to replenish stock at higher import costs.

Impose tariffs on China

FROM PAGE B4

China and India to pressure them to halt their purchases of Russian oil.

President Donald Trump has imposed an extra 25 percent tariff on imports from India to pressure New Delhi to halt its purchases of discounted Russian crude oil, bringing total punitive duties on Indian goods to 50 percent and souring trade negotiations between the two democracies.

But Trump has refrained from imposing additional tariffs on Chinese imports over China's purchases of Russian oil, as his administration navigates a delicate trade truce with Beijing.

Bessent is due to travel to Madrid on Friday for another round of talks with his Chinese counterpart, Vice Premier He Lifeng, that will cover trade issues, Washington's demands for Chinese-owned TikTok to divest its US operations, and anti-money laundering issues.

Trump earlier on Friday said that his patience with Russian President Vladimir Putin was running out, but stopped short of threatening new sanctions during a Fox News interview.

Inflation defences

FROM PAGE B4

Since 1981, UK inflation linked gilts have referenced changes in the Retail Prices Index. From 2030, however, payments will be tied to a different price benchmark known as CPIH. This index has historically produced a lower inflation print. The Office for Budget Responsibility reckons the change will save the government around 4 billion pounds in 2030.

Capital gains and inflation-related payments on linkers are currently exempt from capital gains tax. This tax loophole could go. The policy of keeping interest rates below inflation, known as financial repression, often involves the state taking control of private savings, according to investment strategist Russell Napier. The 2025 Pension Schemes Bill, currently going through Parliament, contains a so-called "mandation" clause that potentially allows the government to direct private pension investments. Napier suggests that if UK bond purchases were made compulsory for pension schemes, yields on nominal bonds and linkers could be pushed down.

The hardest commitment against inflation comes when the government surrenders control of the money-printing press. In the past countries achieved this by joining the gold standard. Pegging the domestic currency to a foreign one (usually the US dollar) has a similar effect. The trouble is that overly strong anti-inflation commitments can result in national bankruptcy.

Following the German hyperinflation of the early 1920s the country issued a new gold-based currency, the Rentenmark. The economy picked up for a few years. But after foreign capital flows halted towards the end of the decade, Germany experienced a severe deflation, followed by a banking crisis. It jettisoned the gold standard in 1931. Two years later the Nazi government defaulted on Germany's foreign debts.

Currency pegs can also turn nasty. Mexico's "Tequila Crisis" started in December 1994 after a sharp devaluation of the peso, which had been previously fixed to the dollar. Large dollar-denominated liabilities owed by both the public and private sector became untenable and the Mexican economy went into a tailspin. A bailout arranged by the United States and International Monetary Fund staved off a sovereign default. Argentina was not so fortunate when its currency peg broke in late 2001. Deserted by the IMF, Buenos Aires immediately defaulted.

When the euro was created in 1999, some economists saw the single currency as a proxy for the gold standard. No longer would European governments be able to prime inflation to reduce their debt burdens. Greece discovered this harsh new reality in the early 2010s and defaulted a few years later. France is the euro zone's second largest economy. Its current predicament has similarities to Argentina's a quarter of a century ago: a lack of political consensus to restore fiscal order, public unrest, large foreign debts and a weak economy.

Could another European sovereign debt crisis beckon? German economist Thomas Mayer of the Flossbach von Storch Research Institute believes not. When the Greek debt problem first appeared, the European Central Bank was a largely passive bystander. That changed in July 2012, when ECB President Mario Draghi promised to "do whatever it takes" to keep the euro zone together. The central bank then became an active buyer of government bonds, keeping debt spreads of member countries from rising out of line.

Mayer believes that the European Union will come to France's aid. Germany needs French military support against the Russian threat more than it fears any loss of price stability. Under Chancellor Friedrich Merz, the country's debt brake is off. Eurobonds beckon, says Mayer. In summary, nowhere in the Western world are there insuperable impediments that prevent governments from inflating away their debts.

Foreign accreditation needed to boost export of GI products

Industries secretary says

STAR BUSINESS REPORT

Bangladesh needs to secure accreditation from authorities in importing countries to enhance the export potential of high-value geographical indication (GI) products registered in Bangladesh, Industries Secretary Md Obaidur Rahman said recently.

"Our products are no less qualified in terms of quality and taste," Rahman said at the 10th SME Development Working Committee meeting of Business Initiative Leading Development (BUILD) held at the industries ministry on September 11.

However, he noted that they often face hurdles with foreign port authorities due to the absence of proper certification. "Without an understanding with certification bodies in importing countries, a GI tag alone will not be enough."

The secretary also highlighted the importance of creating associations of GI producers, where BUILD could play a role, and stressed the need for proper visual documentation to establish rights and raise global visibility.

> **"Our products are no less qualified in terms of quality and taste," Industries Secretary Md Obaidur Rahman said**

Rahman urged the private sector to take the lead, saying the government can only provide policy support.

Meanwhile, in his keynote address, Wasel Bin Shadat, research director of BUILD, said Bangladesh has registered 60 GI products since 2016, including Jamdani, Muslin, Hilsa and Khirsapat mangoes.

He, however, noted that around 90 percent of the applications are government-driven, limiting producer ownership and commercial impact.

Shadat recommended approving a GI tag, adopting a national commercialisation and marketing strategy, selecting high-potential products with export targets, and strengthening certification and traceability systems.

Representatives from government agencies, business bodies and development partners also shared views on strengthening protection and value addition for GI products.

Stocks end 3-week winning streak on profit-taking

STAR BUSINESS REPORT

Dhaka stocks snapped their three-week winning run last week as investors focused on profit-taking.

The capital market took a breather from its bullish momentum as investors engaged in broad based selling after a sustained rally, said EBL Securities in its weekly market review.

"Despite beginning on a bullish impulse with robust participation, the market sentiment turned cautious in the mid-week, triggering three consecutive sessions of selling pressure as investors offloaded recently appreciated holdings," the review said.

However, the benchmark index rebounded in the final trading session, supported by bargain-hunting by opportunistic investors, which partially offset earlier losses and helped the market regain some momentum, EBL Securities added.

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), lost 90.5 points, or 1.61 percent, to close at 5,523.78.

Other indices of the DSE also declined, according to DSE data.

The DS30, which tracks blue-chip stocks, fell 1.45 percent to 2,151.08, while the DSES, comprising Shariah-compliant companies, dropped 2.74 percent to 1,196.31. Turnover, a key indicator of investor activity, fell to Tk 5,748.31 crore, down from Tk 6,491.73 crore the previous week.

On a daily average, turnover stood at Tk 1,149.66 crore, lower than Tk 1,298.34 crore a week earlier.

Trump envoy hopes to resolve India tariff row within weeks

AFP, *Washington*

The United States expects to resolve a bitter tariff row with India within weeks, an envoy of President Donald Trump said Thursday, as he voiced hope for keeping New Delhi in US good graces.

India has seen outrage and a spike in anti-US sentiment after Trump imposed tariffs of up to 50 percent on some of its exports over purchases of oil from Russia, under Western sanctions for its invasion of Ukraine. Sergio Gor, nominated by Trump to be ambassador to India, said he expected progress when India's trade minister visits Washington next week.

"I do think it will get resolved over the next few weeks," Gor told the Senate Foreign Relations Committee in his confirmation hearing.

Gor has risen quickly in the Trump White House after spearheading the quick vetting for loyalty of 4,000 appointees to run the US government.

Despite his lack of formal foreign policy experience, Gor, a 38-year-old former fund-raiser for Trump, appeared prepared for his questions, deftly not replying to a senator's question on India's volatile relationship with Pakistan.

Describing the tariffs as a "little hiccup," Gor -- also named to a broad position of Trump's special envoy for South Asia -- said of concern over India's Russia ties, "We hold our friends to different standards."

Govt belt-tightening saved Tk 5,689cr

FROM PAGE B1

percent to Tk 1,729 crore. Expenditure on petrol, oil and lubricants fell 20 percent to Tk 2,063 crore, according to finance ministry data.

Land acquisition costs were cut by Tk 1,875 crore, while spending on residential and non-residential buildings was reduced by Tk 559 crore, according to finance ministry data.

"It is good work to cut costs for purchasing vehicles, most of which are high and unnecessary. Moreover, this cost does not fulfil the main target of the development," said Prof Selim Raihan, the executive director of local think tank South Asian Network on Economic Modeling (Sanem).

Raihan, also an economics professor at Dhaka University, said that the key issue is whether cost reductions affect health and education spending, which should be analysed.

"To ensure the dynamism of austerity, the vibrancy of the economy should be restored and stimulate private sector investment now. If this government waits for the next government, it would not be good for the economy. This is important," said the economist.

The interim government is continuing the austerity measures this fiscal year, too.

In July, it imposed several restrictions on budgeted spending, including foreign travel and vehicle purchases.

However, the rule on vehicle procurement may prove difficult to enforce, as about 300 vehicles will be needed for the national election expected to be held in February next year.

The spending cut across ministries, state agencies and public corporations aligns with contractionary monetary and fiscal policies adopted by the Bangladesh Bank and the Finance Division to tackle the stubbornly high inflation.

After 27 months, consumer prices in June dropped below 9 percent and reached 8.29 percent in August, according to the Bangladesh Bureau of Statistics (BBS).

Weak revenue collection was another factor behind the cost-cutting measures, according to a finance ministry circular.

The latest round, effective from July 1, lifts restrictions on electricity, petrol, oil and lubricants, gas and fuel.

For these items, ministries were allowed to use up to 80 percent of allocations in the last fiscal year.

With the exception of education, health and agriculture, no ministry is allowed to construct new residential, non-residential or other buildings under the operating budget.

However, if the construction has already completed 50 percent, agencies may continue work with Finance Division approval.

Purchases of all types of vehicles, water vessels and aircraft from allocated funds will be halted, said the circular.

However, ministries can replace vehicles over 10 years old under the operating budget. For this, Finance Division approval will be required.

Land acquisition from the operating budget has also been halted.

For development projects, land may still be acquired if all procedures are completed. For this, clearance from the Finance Division will be required.

As per the latest circular, all block allocation spending under the operating budget will remain suspended.

However, ministries and divisions will be allowed to spend block allocations under the development budget based on approval from the finance ministry.

Participation in foreign seminars, symposiums and workshops under the government budget will remain suspended. However, foreign travel will be allowed for essential purposes on a limited scale, which will also require approval from the authorities.

Shrinking

FROM PAGE B1

Stressing the necessity to improve productivity, especially in the Boro rice crop, Bhuiyan said, "We are behind India, Pakistan, and Sri Lanka in terms of yield."

"It will not be possible for us to produce all the foods we need. Given this, we should think about how we will design our agriculture to ensure the production of high-nutrition food," he added.

Agriculture Secretary Mohammad Emdad Ullah Mian said the interim government is preparing a policy to protect agricultural land from other uses in its efforts to ensure food security for the growing population.

"We have prepared the draft and have made good progress."

He said the agriculture ministry will prepare a crop zoning map in line with the farmland protection policy.

"We need to prepare an integrated work plan for the whole country. Otherwise, it will be impossible to protect agricultural land," he said, adding that croplands are being used for public projects, as well as for establishing resorts and residential complexes.

Antibiotics

FROM PAGE B1

BLRI Director General Shakila Faruque noted that as Bangladesh transitions into a middle-income country, the demand for animal-based protein will increase significantly.

"To meet this growing demand, we must boost production, and there is no alternative to research for achieving that goal," she said.

She also said the BLRI continues to prioritise indigenous genetic resources in its research and development activities, ensuring that local assets are preserved and leveraged for sustainable growth in the sector.

Meghna enters heavy tyre production

FROM PAGE B1

According to Bari, the Mirzapur plant spans 65 bighas, with an additional 5 bighas reserved for expansion, and has already attracted Tk 1,300 crore in investment for machinery and infrastructure.

It currently employs 1,500 workers and has created 300 new jobs in recent months. By 2026, total investment is expected to reach Tk 2,100 crore, adding 500 more jobs.

In addition, Bari said Meghna Group has earmarked another Tk 1,000 crore for further expansion by fiscal year 2026-27, including plans to introduce advanced tyre technologies and boost production capacity.

The company also plans to establish a dedicated radial tyre (TBR) plant to meet the growing demand for more durable and efficient tyres for long-haul transport.

The local tyre market for buses and trucks is currently served by a handful of manufacturers, including Meghna Innova, Apex Hossain Ltd, Rupsa Tyre, Hassan Rubber, Panama Rubber, and Jamuna Tyre (which focuses on passenger car radial and TBR tyres). Despite this, imports still dominate the market due to cost and policy advantages.

Bari pointed out that the sector remains vulnerable to duty-free and VAT-free imports, especially in agricultural tyres. "Imported agricultural tyres come in without VAT or customs duties, but we pay both on raw materials and finished products. It puts us at a clear disadvantage."

To level the playing field, he urged the government to either impose a 15 percent customs duty on imported agricultural tyres or exempt VAT on locally produced ones. He also recommended a 15 percent import duty, 5 percent regulatory duty, and supplementary taxes on imported tyres and tubes to support domestic manufacturers.

Meghna's Mirzapur plant operates with support from technical consultants from Germany, China, and India.

"It features a world-class testing lab, where every tyre model undergoes rigorous road simulation and quality checks before entering the market," said Bari.

Meghna Innova produces a full range of agricultural and off-the-road tyres, including large 28-inch tractor tyres.

To keep production sustainable, the company sources rubber locally through the Bangladesh Forest Industries Development Corporation, recycles used tyres to make reclaimed rubber, and employs energy-saving practices such as rooftop solar panels and flue-gas-based steam generation.

However, the company still relies partly on LPG-fired boilers due to delays in obtaining a natural gas connection.

"If we can secure a gas connection, our energy costs will drop significantly, improving our competitiveness even further," Bari noted.

Local tyre production also offers clear economic benefits for consumers, he said, adding that domestically manufactured truck and bus tyres are Tk 1,000 to Tk 1,500 cheaper than imported ones. Motorcycle tyres cost Tk 400-Tk 500 less.

Beyond price, the initiative holds strategic importance, Bari noted.

As the country's industrial base expands, increased domestic production in key sectors like automotive components can reduce vulnerability to supply shocks and trade imbalances, he said.

He added that with proper policy support, Bangladesh has the potential to become fully self-sufficient in tyres for trucks, buses, and agricultural vehicles.

"This would not only strengthen local industry but also create thousands of jobs and save millions in foreign exchange," Bari said.

Delaying LDC graduation

FROM PAGE B1

said key markets like the EU, the UK, and Canada would maintain trade preferences post-2026. He expects gains in pharmaceuticals, leather, and footwear, with 85 percent of drug prices remaining stable.

"If the private sector wants a delay, it must present evidence and logic," he added.

Business leaders, however, pressed for a deferral, saying Bangladesh has much to lose if it graduates next year.

"If GSP+ rules remain unchanged, we may lose EU trade benefits," said Mohammad Hatem, president of the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA).

He urged the government to engage in meaningful dialogue with exporters and address lingering customs issues. "We need clarity on post-graduation challenges and solutions. Without it, we remain in the dark."

The BKMEA president emphasised that while other countries that graduated from LDC status in the past had little to lose, Bangladesh's export-dependent economy faces real risks.

"We have a lot at stake. If the EU doesn't reform its GSP+ rules, Bangladesh could lose preferential access after graduation," Hatem cautioned.

He also highlighted concerns over previously inflated export data, which were later corrected by the Bangladesh Bank.

"The economy was on life support under the previous government. The current administration has brought some discipline, but it needs time and our support," he said.

Inamul Huq Khan, senior vice president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), sought a three-year extension. "We're not ready. Exporters face stricter compliance, carbon requirements, and certification costs."

He called for the immediate signing of free trade agreements, export diversification, green investment, SME support, and worker training. "Strategic retreat is not defeat. With time, we'll return stronger."

Meanwhile, Shafiqul Alam, press secretary to the chief adviser, said that the government has not changed its stance on graduation.

He warned that emotional debates often derail rational policymaking.

"Policy must be based on facts, not fear," he said, citing back-to-back LCs and readymade garment reforms as risk-driven successes.

He urged the BGMEA to invest in research and port efficiency while stressing private sector accountability to prevent disasters like Rana Plaza factory collapse in 2013.

Policy Exchange Bangladesh Chairman M Masrur Reaz, meanwhile, said that graduation is irreversible, but timing, impact, and preparedness require data-driven dialogue.

"We are not Laos or Nepal. Our scale and vulnerabilities demand more caution," he said, citing missed reforms between the 2021-2024 period.

He urged exporters to present facts, not just demands. "Don't just ask for delay, justify it with clear reasoning."

The seminar was chaired by ERF President Doulot Akhter Mala and moderated by General Secretary Abul Kashem.

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Memo No. CUMI/UHC/MALI/E-TENDER/2025-26/428 Date: 13/09/2025

e-Tender Notice

This is an online tender, where only e-Tenders will be accepted in e-GP Portal and no offline/hard copies will be accepted. To submit e-Tender, please register on e-GP System Portal (https://www.eprocure.gov.bd). For more details, please contract support desk contract numbers.

e-Tender are invited in e-GP System Portal (http://www.eprocure.gov.bd) by Dr. Md Al Amin Miaji, Superintendent, Maligaon 50 Bed Hospital, Daudkandi, Cumilla for the Procurement of:

Tender Id	Name of goods	Tender/ proposal publication date & time	Tender/ proposal last selling date & time	Tender/ proposal closing/ opening date & time
1146982	Procurement of diet for FY 2025-2026	14-Sep-2025 12:30	28-Sep-2025 14:30	29-Sep-2025 12:00
1146989	Procurement of washing line for patient cloth to Maligaon Hospital 2025-2026	14-Sep-2025 12:30	28-Sep-2025 14:30	29-Sep-2025 12:00
1147141	Procurement of others Monohari items to Maligaon Hospital	14-Sep-2025 12:30	28-Sep-2025 14:30	29-Sep-2025 12:00

e-Tender details can be downloaded on e-GP System Portal (https://www.eprocure.gov.bd) for pursuer.

e-Tender will be accepted only as stated in above list accepted tenders will be opened online immediate as stated in above list.

13/09/25

Dr. Md Al Amin Miaji
Superintendent
Maligaon 50 Bed Hospital
Daudkandi, Cumilla

GD-1999

Gold prices rise in global market

REUTERS

Gold prices rose on Friday, holding close to record highs hit earlier this week, as signs of a weakening US labor market reinforced expectations the Federal Reserve will deliver its first rate cut of the year next week.

Spot gold was up 0.4 percent at $3,648.55 per ounce, as of 02:25 p.m. EDT (1825 GMT), close to Tuesday's all-time high of $3,673.95. The metal has gained 1.7 percent so far this week and is poised for a fourth consecutive weekly advance.

US gold futures for December delivery settled 0.3 percent higher at $3,686.40.

"Weaker employment and spotty inflation... priced in with the Fed having to cut rates is pushing metals higher because there is the risk of longer-term inflation," said Daniel Pavilonis, senior market strategist at RJO Futures.

Recent data showing a jump in jobless claims, alongside soft nonfarm payrolls and revisions that cut 911,000 jobs from the past year, point to cooling momentum in the economy.

At the same time, consumer prices posted their sharpest monthly gain in seven months in August, but investors are giving more weight to labor market weakness than to sticky inflation in shaping rate expectations.

Fed fund futures fully price in a 25-basis-point cut at the September 17 meeting, with bets on a larger 50-bps move easing.

Arla focuses on youth talent, sustainability in Bangladesh

Says its Southeast Asia head Magnus Glennborn in an interview with The Daily Star

Magnus Glennborn

MD ZAHIDUR RABBI

Global dairy giant Arla Foods plans to expand its operations in Bangladesh with a focus on affordable nutrition, local talent and long-term investment in the country's dairy sector, according to Magnus Glennborn, vice-president and head of Southeast Asia at the company.

He said Arla has introduced smaller pack sizes to ensure affordability amid strained household spending, while fortifying products like Dano Daily Pushti with protein, calcium, and vitamins.

In an interview with The Daily Star, Glennborn said that innovation continues in family packs and value-added formats.

Besides, the Danish-Swedish multinational co-operative sees its work on local talent development as equally important.

Glennborn described it as "a deliberate investment" in "empowering people on the ground".

He said, "In smaller markets, centralised control does not work. You need to empower people on the ground."

Born in Sweden, the Arla vice-president studied international business in English before moving far from home.

He spent time in the United States and later in Taiwan. After an internship in Saudi Arabia, he joined Arla's graduate programme and took up posts in Dubai, Denmark, Sweden and Australia.

He now heads the company's Southeast Asia operations from Malaysia.

"The more countries I have worked in, the more I have seen the commonalities in people rather than the differences," he said, describing his approach as engaged, passionate and empowering.

Glennborn called Bangladesh's human capital one of its greatest resources. "Bangladesh has a vibrant and fast-evolving talent pool," he said.

"What stands out is the ambition, adaptability, and openness to learning that professionals here demonstrate."

The top executive said Arla runs leadership schemes, functional training and regional programmes to expose Bangladeshi staff to global best practice. Many now hold positions across Arla's network.

The company is best known in the country for its flagship brand Dano. For many families, the red-and-white packet of milk powder is more than a consumer product. Rather, it is a daily ritual and a trusted source of nutrition.

However, inflation, currency movements and shifting consumer habits are changing household spending.

"One key shift is focusing more on powdered dairy. It is scalable, shelf-stable, and cost-effective," Glennborn said.

He said Arla has introduced smaller pack sizes to ensure affordability, while fortifying products like Dano Daily Pushti with protein, calcium, and vitamins.

The company has also adapted to local purchasing habits with small sachets priced at Tk 10, allowing families to buy daily without compromising quality.

This approach, Glennborn said, supports the United Nations Sustainable Development Goals on hunger and health.

Citing the Bangladesh Nutrition Monitoring Report, he said, "About 26 percent of children under five are stunted, and 22.6 percent are underweight. Micronutrient deficiencies, particularly in vitamin A, zinc, and iron, remain widespread. That is why we have focused on inclusive dairy nutrition through products like Dano Daily Pushti, introduced in 2016."

The company's Gazipur factory operates to European safety and hygiene standards and won a national award in 2022. It now looks to deepen its presence in Bangladesh by investing directly in the local dairy sector.

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TAKEAWAYS FROM INTERVIEW

TALENT & LEADERSHIP

Arla sees Bangladesh's young professionals as a vibrant, ambitious talent pool

Leadership programmes expose Bangladeshi employees to global best practices

Glennborn stresses empowering local teams over centralised control

SUSTAINABILITY & LOCAL INVESTMENT

Arla launched a Tk **25.4** crore Green Dairy Partnership to boost local productivity

The Gazipur factory operates at European standards, winning a national award in 2022.

Arla plans long-term investment in local dairy sourcing despite infrastructure gaps

INVESTMENT AMBASSADOR | Arla sees itself as an ambassador for Bangladesh, encouraging others to invest in the country's future

AI reshaping banking, NBFIs

MAMUN RASHID

The financial services industry stands at a decisive moment. Traditional models of banking and lending are being reshaped by rapid technological advances and shifting customer expectations. In this environment, artificial intelligence (AI) has emerged as the most transformative force. For banks and non-bank financial institutions (NBFIs), AI is no longer simply an innovative tool but a strategic necessity for growth, efficiency and survival.

Customer expectations have changed dramatically in recent years, influenced by the seamless digital experiences offered by companies outside the financial sector. Consumers no longer compare their banks only with other banks but with platforms such as Uber, Netflix, Foodpanda, Bkash or Pathao, which deliver personalisation, convenience and instant responses. To meet these expectations, banks and NBFIs are reimagining customer engagement by embedding AI at the heart of their operations. Intelligent systems can anticipate user needs, recommend tailored solutions and deliver seamless service across multiple channels.

AI is transforming banking into a more personalised and frictionless experience. Apps can analyse spending patterns to provide relevant suggestions, enable secure payments through biometric features and offer rewards based on lifestyle habits. They also help customers manage finances intelligently by prioritising payments, recommending savings and investment options and providing daily overviews with reminders. By integrating with other apps and delivering a consistent service across channels, AI makes banking more convenient, proactive and tailored to individual needs.

Beyond customer engagement, the strength of AI lies in its ability to enhance decision-making across an organisation. Banks and NBFIs are increasingly using machine learning to process vast datasets and generate insights that guide lending, risk management, fraud detection and collections. A loan that once required days of paperwork can now be approved within seconds by analysing cash flow data, behavioural patterns and external signals. For microfinance institutions and alternative lenders, AI offers a way to serve individuals and small businesses lacking traditional credit histories by using alternative data such as mobile usage or transaction records. These capabilities increase efficiency and expand financial inclusion by allowing institutions to reach underserved segments with confidence and accuracy.

Realising the full potential of AI requires modernising the technology infrastructure at the core of financial institutions. Legacy systems, designed for stability and compliance, often lack the flexibility for real-time AI applications. To overcome these challenges, banks are investing in scalable cloud-native infrastructure, open API frameworks and centralised data management systems that eliminate silos and provide a unified view of the customer. By upgrading these foundations, institutions can enable faster innovation, reliable risk monitoring and seamless external integrations. Many NBFIs, unburdened by legacy systems, are able to leapfrog directly into these modern architectures, giving them a natural advantage in building agile, AI-led operations.

Technology alone, however, is not enough. To become truly AI-first, financial institutions must transform their operating models and talent strategies. The traditional division between business and technology teams has to give way to cross-functional, agile groups embedding data scientists, AI engineers and product managers who handle customer journeys and product performance as part of daily operations. At the same time, institutions need to rethink their culture, promote collaboration, experimentation and continuous learning, and reskill existing staff for the demands of an AI-driven future.

The journey to becoming an AI-first financial institution is ambitious but increasingly essential. Financial institutions that embrace this transformation will be able to build deeper and more lasting relationships with their customers, expand their market share and achieve sustainable profitability in an industry reshaped by digital ecosystems. Those that delay risk being overtaken by fintech innovators, technology giants and new platforms embedding financial services into everyday life. AI is not just a tool for efficiency but the cornerstone of a new era in financial services, where intelligent, personalised and seamless experiences define value. For banks and NBFIs, the path forward lies in fully harnessing the power of AI to innovate, compete and thrive in the digital age.

The writer is a banker and economic analyst

US consumer inflation heats up

But unlikely to deter rate cut

AFP, *Washington*

US consumer inflation rose last month to its highest level since January, government data showed Thursday, although analysts believe that this will not deter the central bank from an interest rate cut next week.

The data also underscored cost-of-living pressures on households as President Donald Trump's tariffs filter through the world's biggest economy, complicating the Federal Reserve's role in maintaining stable prices.

The consumer price index (CPI) picked up to 2.9 percent in August, accelerating from 2.7 percent on a year-on-year basis in July, said the Labor Department.

The figure was in line with analysts' expectations, as economists try to gauge if Trump's duties will trigger a one-off price increase or lead to persistently higher costs.

On a month-on-month basis, CPI rose 0.4 percent in August, the report said, also picking up from 0.2 percent in July.

A measure of underlying inflation, stripping away the volatile food and energy components, was up by 3.1 percent from a year ago.

"We are seeing some impact from tariffs, especially with higher prices on cars and clothes," said LPL Financial chief economist Jeffrey Roach.

Cost-of-living pressures weigh on households as President Donald Trump's tariffs filter through the world's biggest economy

He added that grocery costs also clocked their biggest jump since 2022, adding to consumers' stress.

Since returning to the presidency in January, Trump has imposed a 10-percent tariff on almost all trading partners and higher rates hitting dozens of economies.

He has separately targeted sector-specific imports such as steel and autos, and economists warn that the cumulative effect will take time to reach consumers.

All eyes are on inflation numbers given their potential bearing on the Fed's interest rate decisions.

But the central bank is poised to start cutting rates at its next policy meeting from September 16-17 even with slightly hotter inflation, Nationwide chief economist Kathy Bostjancic told AFP.

"The jump in initial jobless claims to its highest reading since October 2021 overshadows the importance of the inflation report," she said, referring to a separate set of data released Thursday.

The uptick signals that the labor market is losing steam "and reinforces that the Fed needs to start cutting rates next week."

International Monetary Fund spokesperson Julie Kozack told reporters Thursday that "some strains are beginning to show" in the US economy, with demand cooling and job growth slowing.

"There is scope for the Fed to begin to lower policy rates," she added at a press briefing, noting risks to the employment market.

A rate reduction, which would be the first since December, will likely also be the start of a series of cuts, Bostjancic said.

Traders widely anticipate that the Fed will lower the benchmark lending rate by 25 basis points at the end of its September meeting.

READ MORE ON B2

Impose tariffs on China, India over Russian oil purchases

US calls on G7, EU

REUTERS, *Washington*

Group of Seven nations' finance ministers discussed in a call on Friday further sanctions on Russia and possible tariffs on countries that they consider "enabling" its war in Ukraine, as the US called on its allies to impose tariffs on purchasers of Russian oil.

Canadian Finance Minister Francois Philippe Champagne chaired the G7 meeting, which was held to discuss further measures to increase pressure on Russia to end its war against Ukraine, according to a statement from Canada, the head of the rolling G7 presidency.

The ministers agreed to speed up discussions to use frozen Russian assets to fund Ukraine's defense, and discussed a "wide range of possible economic measures to increase pressure on Russia, including further sanctions and trade measures, such as tariffs, on those enabling Russia's war effort," the statement said.

The ministers agreed to speed up discussions to use frozen Russian assets to fund Ukraine's defense, and discussed a "wide range of possible economic measures to increase pressure on Russia

US Treasury Secretary Scott Bessent told finance ministers during the call that they should join the US in imposing tariffs on countries that purchase oil from Russia, Bessent and US Trade Representative Jamieson Greer said in a separate statement following the meeting.

"Only with a unified effort that cuts off the revenues funding Putin's war machine at the source will we be able to apply sufficient economic pressure to end the senseless killing," Bessent and Greer said.

Bessent and Greer welcomed commitments made during the call to increase sanctions pressure and explore using immobilized Russian sovereign assets to benefit Ukraine's defense, according to the joint statement.

Earlier in the day, a US Treasury spokesperson called on G7 and European Union allies to impose "meaningful tariffs" on goods from

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Inflation defences are no match for debt burden

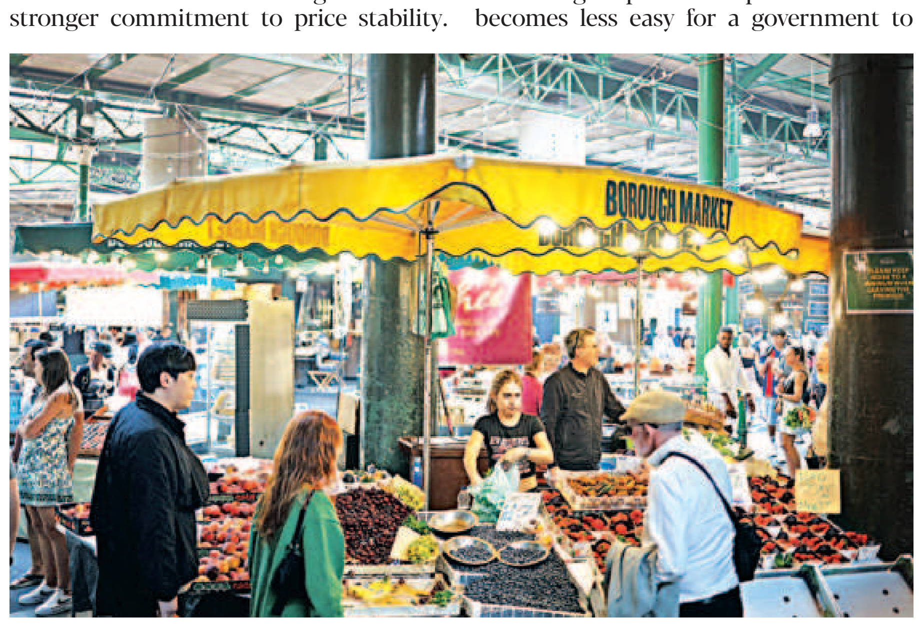
REUTERS, *London*

Countries across the Western world are over-indebted. In theory, they could grow their way out of the debt or rein in their fiscal deficits. But the richer countries have a miserable recent growth record. And as the fall of French Prime Minister François Bayrou this week shows, there's no public appetite for austerity. The siren of inflation calls. Whether countries succumb depends on how tightly they have lashed themselves to the mast.

Anti-inflation commitments vary in strength, from weak to strong. The weakest is central bank independence. Central bankers do not usually face the sack for missing their inflation target. Keeping monetary policy tight presents a bigger career risk, as Federal Reserve Chair Jay Powell has learned. Although the US central bank is notionally independent of the executive, President Donald Trump wants easy money and has taken to publicly berating Powell's decisions.

Trump is following a well-trodden path. Presidents Lyndon Johnson and Richard Nixon both pressured their top central bankers to ease policy. At one fractious meeting, LBJ is said to have pushed Fed Chair William McChesney Martin against a wall. Martin's successor, Arthur Burns, failed to stand up to Nixon and unwittingly unleashed the Great Inflation of the 1970s.

Governments that issue inflation-linked bonds are making a much stronger commitment to price stability. When the United Kingdom issued its first government bonds whose principal and interest was tied to the price level in 1981 a Treasury paper opined: "Indexed borrowing imposes discipline in that it becomes less easy for a government to inflate as a way of resolving immediate difficulties ... only a government committed to a sustained reduction in inflation would wish to issue them."



People shop for fruit and vegetables at Borough Market in London. If inflation picks up again, the British government might tweak the inflation numbers used to calculate payments.

PHOTO: AFP/FILE

Today, nearly a third of Britain's outstanding gilts are so-called "linkers". The Spectator magazine frets that this mountain of indexed borrowing will cause the public finances to crash. In June, the government paid just short of 11 billion pounds in interest on index-linked bonds, equivalent to 63 percent of its debt-servicing costs. The inflation "uplift" on the nominal 423 billion pounds of outstanding linkers has added 254 billion pounds to the national debt.

Still, such fears are probably overdone. The June spike in interest costs was anomalous. Over the past couple of years, inflation-linked gilts have accounted for 30 percent of total debt-servicing costs, in line with their share of the public debt. Furthermore, most outstanding inflation-linked debt carries very low coupons. For instance, the 2073 index-linked bond was issued with a coupon of just 0.125 percent.

If inflation picks up again, the British government has several options to limit the costs. For instance, it might tweak the inflation numbers used to calculate payments. It has already taken a step in that direction.

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