

# Star BUSINESS



## Inflation eases to 8.71% in March, but war-induced risks persist

STAR BUSINESS REPORT

Inflation eased to 8.71 percent in March, offering slight relief to consumers, but analysts warn that prices may remain sticky in the coming months as the US-Israel war on Iran drives up costs and disrupts supply chains.

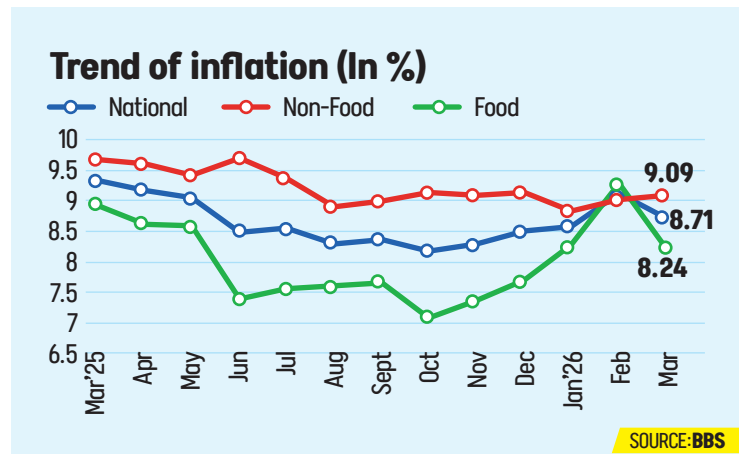
Food price inflation fell to 8.24 percent from 9.3 percent the previous month, according to data released yesterday by the Bangladesh Bureau of Statistics. Non-food inflation, however, edged up to 9.09 percent from 9.01 percent in February.

The moderation follows a spike to 9.13 percent in February, a ten-month high, when higher food prices ahead of Ramadan and increased election-related spending fuelled demand, pushing the Consumer Price Index.

Md Deen Islam, professor of economics at Dhaka University, said, "Food prices carry a large weight in the consumer basket, and the decline in inflation might be driven mainly by a moderation in food prices."

Three factors -- improved supply of food due to no major climate shock, the lagged effects of relatively tighter monetary policy, and subdued aggregate demand -- may have helped contain overall price increases, he added.

However, the persistence and slight increase in non-food inflation to 9.09 percent signal that underlying cost pressures in the economy remain strong, noted the professor.



"Non-food components such as energy, transport, and imported goods continue to be affected by exchange rate depreciation and elevated global prices," he said.

Bangladesh has been grappling with stubborn inflation for more than three years, with the burden falling hardest on poor and low-income households, who spend a disproportionate share of their earnings on food.

In March, rural inflation was marginally higher at 8.72 percent compared to 8.68 percent in urban areas.

Zahid Hussain, former lead economist at the World Bank's Dhaka office, said food inflation above 8 percent shows that price pressures persist.

"A slight easing in March is not unusual, but it does not mean inflationary pressure has disappeared," he said.

READ MORE ON B3

## Evening shop closure risks hurting 60% of retail sales

Say businesses, proposing shop hours from 1pm to 9pm and smart energy management

**CONCERN AMONG RETAILERS**

**POLICY AND TIMING**

Peak commercial hours wrongly targeted

Shops now close at 7pm

Proposed shift: 1pm to 9pm

**ECONOMIC IMPACT**

Early closure risks sales, jobs, VAT

VAT may fall 15-20%

Sector employs millions nationwide

Eid-ul-Azha sales may be impacted

**DEMAND AND CONSUMER BEHAVIOUR**

Evening drives 60% sales

**ENERGY CONTEXT**

Evening footfall crucial for demand

Marginal energy savings expected

Retail uses minimal electricity share

JAGARAN CHAKMA

Retailers have expressed reservations about the government's order to shut shops by 7pm, saying that it could deal a heavy blow to businesses, as nearly 60 percent of daily retail sales take place after dusk, making the evening hours the lifeblood of the sector.

They say the government's early closure move, meant for saving energy, may do little to ease the strain as retail businesses account for only about 3 percent of national energy consumption. And as summer sets in and temperatures rise, electricity use during the day far exceeds that of the evening, when cooling loads usually fall.

Apart from hitting sales, businesses say cutting off the peak trading window will affect employment and government revenue.

In the wake of a fuel crisis caused by the US-Israel war on Iran, the government last week announced that shops and malls across the country would close at 6pm. The decision was due to take effect yesterday.

Business leaders, however, urged the prime minister to allow shops to remain open until 8pm. In response,

the government yesterday extended the deadline by one hour to 7pm.

Even so, top business figures said the measure would wipe out a large share of sales and might not resolve the energy problem.

"Most people are at work during the day and not shopping. Restricting those evening hours does not just inconvenience customers, it cancels purchases that would not otherwise happen at all," said Kamruzzaman Kamal, marketing director at PRAN-RFL Group, one of the largest local conglomerates.

PRAN-RFL Group runs around 3,000 outlets nationwide and employs a large workforce, including full-time and part-time staff.

Kamal said reduced operating hours could affect jobs, particularly part-time workers such as students who depend on evening shifts.

According to estimates, the retail sector employs around 84 lakh to 1.20 crore people and contributes around 14 percent to 15 percent of GDP. For many, fewer working hours mean lower incomes.

Industry estimates also suggest that cutting evening trade could reduce value-added tax (VAT) receipts by 15 percent to 20 percent.

Khalid Mahmood Khan, co-founder and chief executive of fashionwear retailer Kay Kraft, said shops draw more electricity during the day because of higher cooling loads.

"Therefore, the government's early closure policy raises questions about whether it saves energy or simply moves the pain around," said Khan, also the senior vice president of the Fashion Entrepreneurs Association of Bangladesh.

He said tightening peak-hour operations would disrupt buying patterns, reduce tax receipts and affect the production networks that feed into retail.

Saikat Azad, head of distribution at Transcom Electronics, described what the early closure policy looks like from the shop floor.

"By the time customers get through the traffic and summer heat to reach a mall, the shutters are already down," said Azad.

"For us, that lost window means lost revenue, and the VAT and tax implications follow directly," he commented.

Azad said the consumer outlook is already shifting. "With fuel shortages and

READ MORE ON B3

**Trust Retail Banking**

**TRUST KOTIPOTI SCHEME**

**Secure Your Future with Planned Savings**

- Tenure: 5 to 20 years
- Minimum amount of deposit BDT 50,000

**Trust Bank PLC.**

To Know More

**16201**

The Daily Star

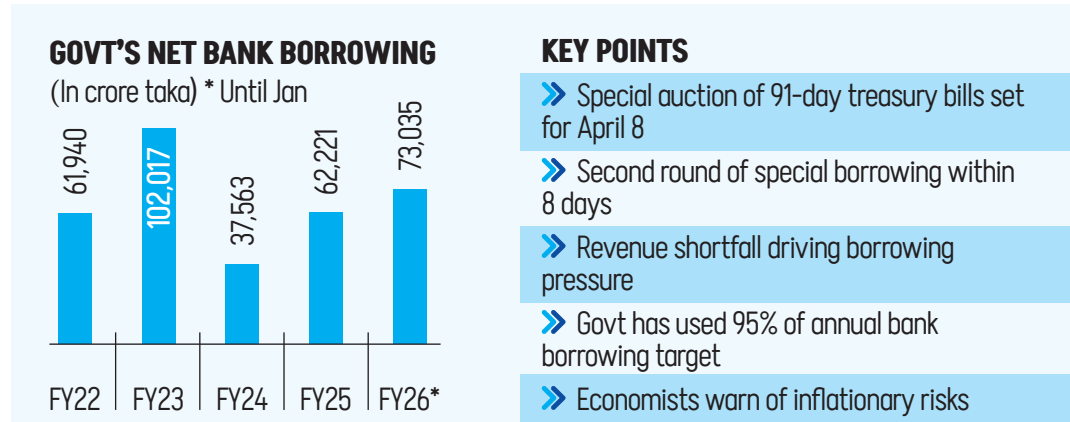
FOR ALL LATEST NEWS FOLLOW US

[/dailystarnews](#)  
[/in/dailystarnews](#)  
[/dailystar\\_bd](#)  
[/dailystarnews](#)

www.thedailystar.net

## Govt to borrow Tk 5,000cr more from banks

This will push total bank borrowing well past the full-year target



STAR BUSINESS REPORT

The government is set to borrow an additional Tk 5,000 crore from the banking sector through a special auction of 91-day treasury bills on April 8, according to Bangladesh Bank (BB) officials.

This will be the new government's second such off-cycle borrowing in just over a week, which will effectively push the total bank borrowing for the fiscal year 2025-26 (FY26) well past the full-year target set in the budget.

The surge in borrowing comes as the government struggles to balance rising expenditure against weak revenue mobilisation.

Spending pressures have mounted from several fronts: emergency fuel oil purchases amid elevated global energy costs linked to the US-Israeli war on Iran, new welfare initiatives including the family card scheme and farm loan waivers, and broader expansion in public outlays, said officials familiar with the matter.

Election expenditure by the interim

government had also drained state funds.

At the same time, the National Board of Revenue fell short of its eight-month collection target by 28 percent, leaving a gap of Tk 71,472 crore.

According to central bank data, the government had already raised Tk 5,000 crore through a similar special auction on April 1. Combined with regular borrowing, the two tranches will effectively breach the Tk 1,04,000 crore ceiling set for banking system borrowing in the FY26 budget.

Between July last year and April 1, the interim government and the new BNP-led government had together borrowed at least Tk 1,03,526 crore, or 99.54 percent of the annual target, with nearly three months of the fiscal year still remaining.

A year earlier, net borrowing over the same period stood at Tk 27,739 crore.

Of the amount borrowed so far this fiscal year, Tk 17,386 crore came from the central bank

READ MORE ON B3

## Stocks plunge amid war, energy tensions

MD ABU TALHA SARKER

Bangladesh's stock market fell to a nearly two-and-a-half-month low yesterday, with the benchmark index dropping more than 2 percent amid rising concerns over global energy prices following escalating tensions in the Middle East.

The DSEX, the prime index of the Dhaka Stock Exchange, declined by 107.46 points, or 2.06 percent, to close at 5,112.27. The index last hovered near this level on January 26.

Market participants attributed the downturn to growing uncertainty surrounding the conflict involving the United States, Israel and Iran, which has heightened fears of prolonged energy price volatility.

"As tensions escalated over the weekend, investors became concerned that energy prices could rise further or remain elevated for a longer period," said Asif Khan, chairman of EDGE AMC (Asset Management Company) Limited.

The other two indices on the DSE also declined.

The shariah-based DSES fell 18.47 points, or 1.74 percent, to 1,041.10, while the blue-chip D30 index dropped 35.02 points, or 1.77 percent, to 1,945.34.

Turnover stood at Tk 512 crore, down 18.21 percent from the previous trading session. The pharmaceuticals sector dominated trading, accounting for 17.1 percent of total turnover.

Block market transactions amounted to Tk 17.51 crore, representing 3.4 percent of the day's turnover.

READ MORE ON B3

## RMG tax breaks may be phased out: NBR chief

STAR BUSINESS REPORT

The current reduced corporate tax rates of 10 to 12 percent for the ready-made garment (RMG) sector may not last much longer, said National Board of Revenue (NBR) Chairman Md Abdur Rahman Khan.

Speaking at a pre-budget meeting with stakeholders at the NBR headquarters in Agargaon yesterday, Khan signalled a gradual return to the standard corporate tax rate of about 27.5 percent.

Export-oriented knitwear and woven garment manufacturers, along with green certified factories, currently enjoy lower corporate tax rates of 10 percent and 12 percent, respectively. These incentives are designed to boost exports and encourage sustainable industrial practices.

However, Khan said these incentives are temporary and could be removed as part of wider tax reforms to ensure fairness.

"Such reduced rates won't last long," he said during a discussion at the meeting with the Women Entrepreneurs Network for Development Association (WEND) on corporate tax incentives for women-led businesses.

He added that exporters already enjoy a 50 percent income tax exemption on export earnings, which greatly lowers their actual tax burden. For example, with the standard corporate tax rate at 27.5 percent, the exemption reduces the effective rate to about 12 percent.

Nadia Binte Amin, president of WEND, suggested equalising corporate tax rates and reducing the 1 percent tax deducted at source (TDS) on export earnings for fully women-owned businesses.

She also proposed a 10 percent tax rebate for companies investing in research and development, innovation, training,



and sustainable development. AMCHAM PROPOSALS AHEAD OF BUDGET

The American Chamber of Commerce in Bangladesh (AmCham) shared its budget recommendations at the meeting. They proposed rationalising the current 1 percent minimum tax on annual turnover.

Khan responded that there is pressure to increase, not reduce, the minimum tax.

AmCham also suggested maintaining a level playing field in the banking sector by applying a uniform 37.5 percent tax rate to both foreign and local commercial banks.

Additionally, they recommended lower tax rates for Offshore Banking Units (OBUs), similar to other Asia-Pacific countries, where rates range from 0 to 20 percent.

"These measures would attract more foreign direct investment, improve exporters' competitiveness, and increase overall investment and revenue," said AmCham President Syed Ershad Ahmed.

Other proposals included reducing the supplementary duty on carbonated and sweetened beverages from 30 percent to 15 percent, simplifying procedures under Double Taxation Avoidance Agreements (DTAA), speeding up certification processes, introducing a standard foreign currency conversion method in line with

READ MORE ON B3