STOCKS		COMMODITIES (As of Friday)		ASIAN MARKETS (Friday Closings)			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.62%	▲ 0.62%	▲ $1,839.03 (per ounce)	▲ $49.97 (per barrel)	▲ 0.30%	▼ 0.39%	▼ 0.12%	▼ 0.77%
5,126.43	8,844.99			46,099.01	26,652.52	2,821.70	3,347.19

CURRENCIES (STANDARD CHARTERED BANK)

	$ USD	€ EUR	£ GBP	¥ CNY
BUY TK	83.95	100.65	110.09	12.64
SELL TK	84.95	104.45	113.89	13.29

Star BUSINESS

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Tk 1,000cr fund for factories' tech upgrade

AKM Zamir Uddin

Bangladesh Bank is forming a Tk 1,000 crore fund to provide cheap loans to export-oriented industries to upgrade technologies they currently use.

The eligible industries are of 32 types, all falling under top-priority and special development sectors.

They include readymade garment factories making high-value additions in production, pharmaceuticals, software and IT-enabled services, jute goods and footwear and leather goods.

The fund will run under a refinancing scheme, meaning banks will first give out the loans before being reimbursed by the central bank.

The interest rate will range between 5 per cent and 6 per cent, according to a central bank document.

The central bank will issue a notice within a week or two to this end, said a Bangladesh Bank official, wishing not to be named as he was not authorised to speak to the media.

The fund will help make the export-oriented industries more vibrant in keeping with global trends, he said.

The transformation can be brought about in 11 types of existing industrial production-related operations to replace outdated technologies with the latest ones such that industrial production gains momentum.

Replacement of outdated machinery, adoption of technology for renewable energy and upgradation of machinery used in business operations and waste management will get priority.

Interested banks and non-bank financial institutions will have to sign a participation agreement with the central bank.

They can then avail the fund at one percentage point less than the bank rate that happens to prevail at that time.

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AT A GLANCE

Maximum interest rate of the fund 6pc

Highest tenure **10** years

Borrowers to get one-year grace period

32 export-oriented industries to enjoy loan

Funds aim at transforming industrial operations

Debt and equity ratio will be **7:3**

Garment exporters face storm as new orders drop

Buyers also defer placing orders owing to the second wave

Refayet Ullah Mirdha

Apparel makers are once again facing trying times.

On the one hand, the flow of new orders for shipment during the summer has fallen. On the other hand, many buyers are deferring placement of new orders as retail sales in the West are yet to pick up because of the second wave of coronavirus infections.

This forced a large number of garment manufacturers to cut back on their production and run below capacity at a time when their overheads have not dropped to that extent.

As a result, leading manufacturers of apparels, the lifeline of Bangladesh's economy and jobs, are appealing to the government for a fresh stimulus so that the sector can come out of the troubled waters.

"We need a supporting hand from the government to cope with the second wave of coronavirus infections," said Md Fazlul Hoque, managing director of Plummy Fashions.

Hoque's factory has been affected by a slowdown in orders from buyers.

"The buyers are extra cautious in placing orders and are waiting for Christmas sales and the arrival of vaccines," said Kutubuddin Ahmed, chairman of Envoy Group.

The demand for another round of stimulus package came on the heels of a slower-than-expected recovery of global trade.

Despite substantial improvement in recent months, merchandise trade is still well below the 2019 levels, and preliminary estimates suggest services trade remains severely depressed, the World Trade Organisation said on December 5.

Local garment manufacturers have received 30 per cent fewer work orders for the next summer season because of the fallouts of the second wave in the main export destinations such as Europe and the US. The production for the next season starts in December and continues up to March.

The government has acted swiftly in introducing the first stimulus package when the crisis hit the country in March.

So far, the government has given Tk 10,500 crore to the export-oriented garment sector in three phases since April at 2 per cent service charge to help workers' salaries and allowances to be paid.

Ahmed F Rahman, managing director of Kappa Fashions, said currently, 50 per cent of his production capacity was sufficing as buyers were delaying placement of work orders.

Last week, one of his Korean buyers slashed orders to $1 lakh from the original commitment of $1.5 lakh as part of its go-slow policy.

"Every year, one of my Spanish buyers places an order of a substantial amount around this time of the year. But this year, I have not received any order from the buyer yet," he said.

AK Azad, managing director of Ha-Meem Group, said his shipments to the US had not yet been much affected by the second wave, but that to Europe had been severely impacted.

He suggested amending the rules on the disbursement of stimulus funds if a second package was unveiled to enable micro, cottage and small units to avail it.

"The micro, cottage and small units are the worst sufferers of the pandemic," he said.

A former president of the Federation of Bangladesh Chambers of Commerce and Industry, Azad himself suffered some of the worst with American company JC Penney going bankrupt.

He supplied garment items worth $1.9 million. But so far the company has paid him only $0.5 million. Azad said he was waiting for the rest.

"The second wave is obviously affecting our business," said KM Rezaul Hasanat, CEO and chairman of Viyellatex Group.

However, the full effect of the pause in orders is yet to be known, he said.

Buyers are not cancelling orders, but there is a deferment as the stores of many retailers have remained closed due to the second wave. The presence of customers is thin at stores, said Bakhtiar U Ahmed, chief operating officer of Fakir Apparels.

"The impact is that we are approximately 20 per cent behind our sales target and overheads are growing very high. This situation may continue until March."

"We need a policy support from the government to survive and sustain these mainstream industries in such a critical situation," he said.

The second wave is more severe for the garment sector of Bangladesh as the exporters, particularly the small and medium-sized firms, are not getting adequate support from the stimulus package, said Sheikh Danial, managing director of Finesse Apparels.

Mahmud Hasan Khan Babu, managing director of Rising Group, has witnessed a deferment of an order involving $1.6 million after the second wave hit the western nations.

"We expect that the government will enhance the repayment period of our previous loans from one year to at least three to four years," he said.

READ MORE ON B3

KEY POINTS

Factories are running between **60**% and **70**% capacity

Retailers and brands placed **30**% fewer work orders for December – March season

Economists and manufacturers demand for second stimulus package

Retail sales declined **9**% in EU and USA in September slipped down to **13**% in October

Government gave Tk**10,500**cr in first phase of stimulus package

Import, export cost goes up as freight rates rise

Dwaipayan Barua, *Chattogram*

Freight charges have risen in the last few weeks due to the adverse effects of Covid-19 on the global shipping sector, pushing the cost for importers and exporters in Bangladesh, industry people said.

Major mainline operations have increased the freight rates citing an acute shortage of empty containers following a surge in demand for imports.

Besides, the ongoing coronavirus pandemic has disrupted the global supply chain, causing delays in shipment and congestion at several ports, they said.

CMA-CGM, the fourth largest container shipping line in the world, has recently announced that it would implement new freight charges for the routes between base ports in Northern Europe and the Indian subcontinent.

The new rates are set to come into effect on January 1.

Similarly, the operators running feeder vessels between Chattogram and various hub ports such as Colombo, Singapore and Port Klang of Malaysia, last month increased the freight charge by imposing an emergency cost recovery surcharge of $75 for each loaded container and $37.50 for an empty container.

The congestion at several ports is causing a pile-up of containers, and this has led to additional operating costs for vessels, forcing shipping lines to increase the freight rates, according to Ahsanul Hoq Chowdhury, chairman of the Bangladesh Shipping Agents Association.

Masudur Rahman Bhuiyan, a Chattogram-based fruit importer, is importing 18 containers of apple from China with the cargo set to arrive by the end of December.

"Last month, I paid $3,200 to ship a single 40-foot container from China. Now, the freight charge has risen to $4,200 for the same container," said Bhuiyan, adding that he had no other option but to increase the price of his goods to make up for the extra expense.

Local buyers have started importing various food items such as chickpeas, lentil and wheat from countries like Australia, Canada and Egypt with an eye on next Ramadan.

Abul Bashar Chowdhury, a commodity importer based in Khatunganj, said freight charges from importing countries have already increased.

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Negotiations for FTA with Asean underway

Refayet Ullah Mirdha

Bangladesh has formally initiated negotiations with the Association of South-East Asian Nations (Asean) to sign a free trade agreement to enjoy greater market access in the bloc after graduating from the least developed country grouping.

"I signed the negotiation letter today [Sunday] and sent it to the foreign ministry to open formal negotiations with the Asean headquarters, so that we can sign an FTA with this major trade bloc," Commerce Secretary Md Jafar Uddin told The Daily Star.

Bangladesh has launched the negotiations mainly for three reasons.

First is because the Asean is a big market where Bangladesh can do well while the second is to safeguard the duty privilege after graduation.

Third, if Bangladesh can sign an FTA with the Asean, it does not need to sign any bilateral agreement with any of the 10 member countries of the bloc.

"Otherwise, we have to sign either a Preferential Trade Agreement (PTA) or FTA with the Asean member countries like Indonesia or Malaysia so that we can exploit the business opportunities of this major trading bloc," Uddin said.

Currently, Bangladesh is at the final stage of its negotiations with Indonesia for a PTA for duty privileges on select goods traded between the two countries.

However, the negotiation is now facing a stalemate since Indonesia disagrees with some terms, particularly in regards to some major export items such as garments, under the proposed PTA.

"Still, we are continuing negotiations with Indonesia to sign the deal as soon as possible," he said.

Bangladesh has been a member of the Asean Regional Forum since 2006, which would be an advantage for the country during negotiations, Uddin added.

The Asean has become a vital market for Bangladesh due to its immense size. The southeast Asian nations are also an important source of raw materials for the country's garment sector and other industries.

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Govt floats tender to import 50,000 tonnes rice

Star Business Report

The government has floated a tender to buy 50,000 tonnes of parboiled rice from international markets to increase stocks and rein in the soaring prices of the staple in domestic markets, according to a notification from the Directorate of Food.

This was the third tender floated by the food office in the last one month.

The government previously approved two previous tenders to buy 100,000 tonnes of rice from two Indian suppliers.

The move comes at a time when the price of rice is soaring due to a shortage in public warehouses that stems from sluggish procurement during the current Aman harvesting season.

Since the beginning of the procurement period for paddy and rice this year, the Directorate of Food could procure just 115 tonnes of paddy and 5,900 tonnes of rice from farmers and millers as of December 10.

The amount of paddy and rice purchased was no more than 1 per cent of the targets for this year.

This resulted in the gain shortage at state go-downs.

As of December 10, rice and wheat stocks stood at 7.7 lakh tonnes, down 44 per cent year-on-year from 13.85 lakh tonnes.

Sarwar Mahmud, director-general of the Directorate of Food, said his office plans to buy more rice.

"We are also going to float a tender to buy 100,000 tonnes of wheat from the international market," he added.

The government imported 2.15 lakh tonnes of wheat between July 1 and December 10 this fiscal year. The amount purchased was 59 per cent of the government's total rice import in fiscal 2019-20 when it was 3.67 lakh tonnes.

Stocks ride on blue-chip, multinationals

Star Business Report

The stock market rose yesterday riding on the blue-chip stocks and multinational companies.

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), rose 31 points, or 0.62 per cent, to 5,126.43.

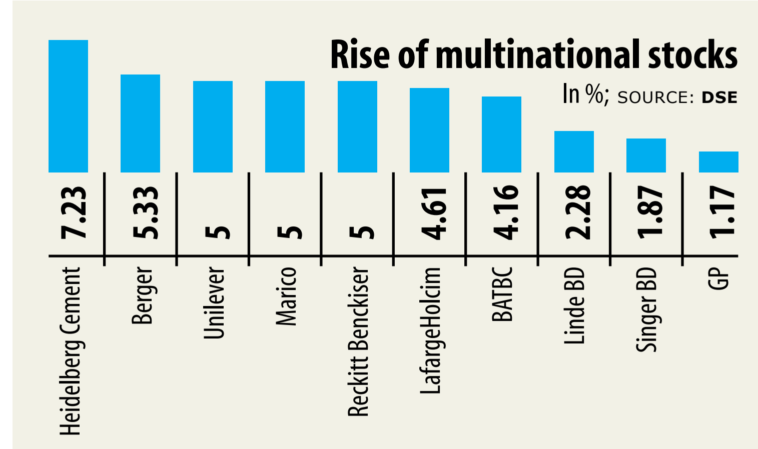
Stocks of most of the multinational companies rose more than 4 per cent thanks to higher demand from institutional investors ahead of dividend declarations.

Of the 12 multinationals listed with the DSE, seven witnessed a rise of over 4 per cent and three by 1 to 2 per cent. The remaining two saw no change.

Several banks and non-bank financial institutions are increasing their investments in the stock market as their lending business is not in their usual shape, said Khairul Bashar Abu Taher Mohammed, CEO of MTB Capital.

Many lenders have not been able to recover loans this year due to the pandemic-induced economic pressure. So, many of them do not want to lend, he said, adding that credit growth of the banks fell during the last few months.

Most of their investment is in the multinational and blue-chip stocks, indicating that they were cautious about their investment this time around.



On the other hand, December marks the end of the year for most multinationals, and they will declare a dividend soon, said Taher, also a former secretary-general of the Bangladesh Merchant Bankers Association.

Among the multinationals, HeidelbergCement rose 7.23 per cent, Berger Paints was up 5.33 per cent, and Unilever advanced 5 per cent.

GlaxoSmithKline Bangladesh was recently renamed Unilever Consumer Care following the purchase of 82 per cent of its shares by Unilever Group.

Institutional investors are expecting handsome dividends this year despite the scourge of the pandemic, said a top official of LankaBangla Securities.

Most multinationals maintain financial reports based on the calendar year, so the time for them to declare dividends is closing in, he said.

This prompted many institutional investors to pour money to avail the stocks of the companies that have always paid good dividends, he added.

Multinationals in Bangladesh are still lucrative considering their earnings and potentials, so investors are buying their stocks, said Syed Adnan Huda, vice-president of UCB Capital Management.

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