RMG export recovery mainly volume-driven

CPD study finds

STAR BUSINESS REPORT

Local garment shipments have continued to attain an impressive recovery, largely driven by volume, as the price hike rate has been very low with normalcy restoration in the global supply chain from the pandemic's severe fallout.

The volume-driven export growth had important consequences for bottom tier entrepreneurs and their falling profit margins, said a study of the Centre for Policy Dialogue (CPD) made public at its office in Dhaka yesterday.

This is also likely to have implications for workers who are possibly having to meet higher production targets, it said.

The rise in productivity is not being realised through higher prices, although it is helping Bangladesh's apparels remain competitive. This also has important implications for wages, the CPD said in its Independent Review of Bangladesh's Development (IRBD).

Bangladesh has two main export destinations for locally made garment items -- the US, which accounts for 24 per cent of the shipments, and the European Union (EU), which accounts for 64 per cent.

The CPD study found that garment export from Bangladesh to both markets increased between July and October of the current fiscal year compared to the corresponding period of last fiscal year.

In the US market, the 23.8 per cent growth in export earnings was mostly driven by volume, which rose by 19.8 per cent, whereas in contrast the rise in price per dozen was a mere 3.3 per cent.

The CPD study also found that in case of woven garments, which is predominantly exported to the US market, average prices rose by only 1.9 per cent.

The rise in export value of 13.2 per cent was mostly driven by growth in volume of 11.1 per cent of the woven garment to the US markets.

In case of knit garments, the situation was somewhat different – export earnings rose by 44.6 per cent, with average prices increasing by 14.3 per cent while the export volume rose by 26.5 per cent of the knitwear items to the American markets.

Similarly, in the EU markets the recovery in garment shipment has been taking place but mostly in volume as the prices per kilogramme of the apparel items increased minimally.

READ MORE ON B3

GARMENT EXPORTS

Rise in % in Jul-Oct '21 over Jul-Oct '20

US MARKET				EU MARKET		
Value	Volume	Per dozen price		Value	Volume	Per kg price
44.6	26.5	14.3	KNITWEAR	13.6	10.3	3
13.2	11.1	1.9	← WOVEN →	0.8	3.0	(-) 2.2
23.8	19.8	3.3	OVERALL	8.9	7.9	0.9

SOURCES: CPD, USITC AND EUROSTAT DATA

DSE plunges, but most insurance stocks rise

STAR BUSINESS REPORT

Dhaka stocks dropped yesterday with the exception of those of insurance, most of which soared.

The DSEX, the benchmark index of Dhaka Stock Exchange (DSE), plunged 51 points, or 0.76 per cent, to 6,702.

Many investors bought insurance stocks on rumours that they would undergo manipulation and that their prices would rise soon, said a stock broker, preferring anonymity.

Among 52 listed insurance stocks, 45 rose and seven dropped, according to the DSE data.

Though these insurance stocks are already overvalued, investors rushed to buy the shares, he said, adding that investors need to be cautious.

The insurance stocks underwent huge fluctuations over the last couple of months riding on rumours, but general investors should not make investments paying heed to such gossip, he added.

Among the major sectors, general insurance rose around 2 per cent on an average while life insurance 1.51 per cent, according to UCB Stock Brokerage's daily market review.

Some stock investors rushed for low paid-up capital-based companies hoping for them to rise, said a merchant banker.

As the stock market regulator ordered all the small capital-based companies to increase their capital, general investors are trying to buy their shares, he added.

At the DSE, 82 stocks advanced, 261 declined and 35 remained the same.

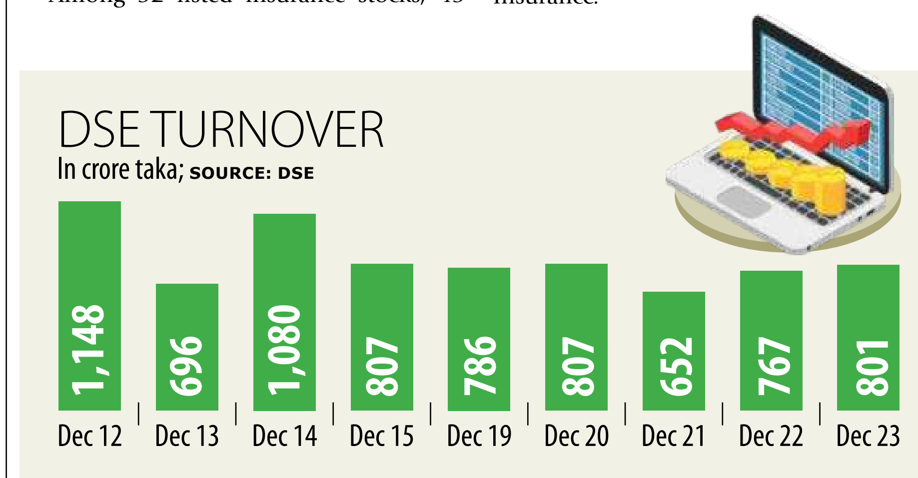
Savar Refractories topped the gainers' list, rising 9.99 per cent, followed by Dacca Dyeing, Miracle Industries, Asia Pacific General Insurance Company and Asia Insurance.

Stocks of Fortune Shoes were traded the most, worth Tk 54 crore, followed by Beximco, Beacon Pharmaceuticals, Asia Insurance and ONE Bank.

Khan Brothers PP Woven Bag Industries shed the most, dropping 8.39 per cent, followed by Imam Button Industries, Apex Footwear, Premier Leasing and Finance and Libra Infusions.

Chittagong Stock Exchange (CSE) also dropped yesterday. The CASPI, the main index of the port city bourse, dropped 133 points, or 0.67 per cent, to 19,534.

Among 297 stocks to undergo trade, 89 rose, 177 fell and 31 remained unchanged.



GLOBAL BUSINESS

Biden says govt averted US holiday supply chain 'crisis'

AFP, *Washington*

President Joe Biden argued Wednesday that by working with shipping firms and unions, his administration helped prevent a feared shortage of gifts for the holidays.

Reeling from a fresh political wound -- that his signature social spending and climate bill was potentially dead in the water -- the US leader also touted the economic recovery and falling energy prices.

"We heard a lot of dire warnings about supply chain problems leading to a crisis around the holidays," Biden said.

But after working with business and labor leaders to solve problems "the much predicted crisis didn't occur," he said during a meeting with his supply chain task force. "Packages are moving. Gifts are being delivered. Shelves are not empty."

"Global shipping snags and labor shortages have contributed to trouble finding goods and a wave of price increases that saw consumer inflation rise to its highest levels in nearly four decades and a large dip in Biden's approval rating.

The Biden administration moved in October to alleviate the biggest bottlenecks at the ports, and made fighting inflation a priority. Major ports moved to 24-hour service, and the administration imposed a fee on shippers with cargo sitting on docks for more than eight days.

The Ports of Los Angeles and Long Beach -- which handle 40 per cent of the nation's containerized imports -- moved 15 per cent more containers between January and November this year than 2018, the previous record, and slashed the number of containers languishing on the docks, according to the White House.

"Right now the number of containers moving through our ports is higher than ever," Biden said. White House initiatives also focused on improving rail links and the trucking industry, moving to train more drivers and get goods from ports to stores more quickly.

"We also need to build resilience in our supply chains. We can never again be left vulnerable the way we were in the early days of Covid-19," Biden said.

Despite limited tools to directly address inflation, the president took credit for falling gasoline prices, after releasing supply from the government's oil reserve last month. He said that prices in 21 states are now at their pre-pandemic averages over the past two decades. "That's good news for Americans hitting the road this week.

"Japan, South Korea, India and Britain also released oil reserves to help ease supply pressures.US national average prices for gas at the pump, which have fallen for six straight weeks, fell to $3.30 a gallon last week, 11 cents below the average a month before.

AFP

US President Joe Biden reacts to questions from reporters during a meeting with his administration's Supply Chain Disruptions Task Force and private sector CEOs in the South Court Auditorium of the White House in Washington on December 22.

EU details crackdown on shell companies

AFP, *Brussels*

The European Commission Wednesday outlined planned tougher rules on shell companies alongside details of its implementation of an international agreement to impose a minimum 15-percent tax on big multinationals.

The rules have the goal of "tightening the screws on shell companies -- or letterbox companies -- used as vehicles for tax avoidance or evasion", EU economy commissioner Paolo Gentiloni told a media conference.

The plan needs final approval from the European Parliament and all 27 EU member states before coming into force with a target date of the start of 2024.

It consists of three benchmarks, looking at a company's passive income, whether most of its transactions are cross-border, and if its management and administration is outsourced. If all those boxes are ticked, the firm would be considered a shell company subject to new tax reporting obligations and unable to benefit from tax breaks.

Also, one EU country could require another EU country to carry out a tax audit of a firm with shell company characteristics.

Those characteristics include indications that a company gets more than three-quarters of its global revenue elsewhere than from its business activity, or if more than three-quarters of its assets are in expensive property or high-value dividends.

The European Commission at the same time presented its proposed legislative text to impose a 15-per cent minimum tax on corporations as worked out between OECD countries and then approved by the G20.

The EU intends to be the first jurisdiction to implement the agreement and the text provides common rules to be applied by all 27 nations in the bloc.

"The directive we are putting forward will ensure that the new 15 per cent minimum effective tax rate for large companies will be applied in a way that is fully compatible with EU law," Gentiloni said.

China regulator suspends cyber security deal with Alibaba Cloud

REUTERS, *Beijing*

Chinese regulators on Wednesday suspended an information-sharing partnership with Alibaba Cloud Computing, a subsidiary of e-commerce conglomerate Alibaba Group, over accusations it failed to promptly report and address a cybersecurity vulnerability, according to state-backed media reports.

Alibaba Cloud did not immediately report vulnerabilities in the popular, open-source logging framework Apache Log4j2 to China's telecommunications regulator, according to 21st Century Business Herald, citing a recent notice by the Ministry of Industry and Information Technology (MIIT).

In response, MIIT suspended a cooperative partnership with the cloud unit regarding cybersecurity threats and information-sharing platforms, to be reassessed in six months and revived depending on the company's internal reforms, the notice said.

This latest measure highlights Beijing's desire to strengthen control over key online infrastructure and data in the name of national security. The Chinese government has asked state-owned companies to migrate their data from private operators such as Alibaba and Tencent to a state-backed cloud system by next year.

The suspension highlights Beijing's concern at a vulnerability that has triggered a wave of panic among corporations and governments around the world. Apache Log4j2 is a Java-based tool that is widely used in enterprise systems and web applications.

"This vulnerability may lead to remote control of equipment, which may lead to serious harms such as the theft of sensitive information and interruption of equipment services. It is a high-risk vulnerability," the telecommunications regulator said in a statement last week.

Alibaba Cloud recently discovered a remote code execution vulnerability in the Apache Log4j2 component, notifying the US-based Apache Software Foundation, according to the statement.

MIIT said it then received a report from a third party about the issue, rather than from Alibaba Cloud.

Alibaba Cloud declined to comment on the suspension.

US extends pause on student loan repayment

REUTERS

President Joe Biden said on Wednesday that his administration was extending the pause on student loan repayment for an additional 90 days, citing the impact of the Covid-19 pandemic.

"Today my Administration is extending the pause on federal student loan repayments for an additional 90 days - through May 1, 2022 — as we manage the ongoing pandemic and further strengthen our economic recovery", Biden said in a statement released by the White House. In August, the Biden administration extended the pause through Jan. 31, 2022. read more

"We know that millions of student loan borrowers are still coping with the impacts of the pandemic and need some more time before resuming payments," Biden said on Wednesday. The extension of the pause comes as cases of the Omicron variant of the coronavirus surge across the United States.

Nearly 41 million borrowers benefited from a freeze on interest accruals and about 27 million borrowers have not had to pay their monthly bills since the forbearance began.

The Student Borrower Protection Center, a nonprofit group, described the step by the Biden administration as "a lifeline to student loan borrowers in the face of economic and public health reality."

Democratic lawmakers including Senate Majority Leader Chuck Schumer and Senator Elizabeth Warren welcomed Biden's announcement and continued to call on the administration to cancel up to $50,000 in student debt.

"We continue to call on President Biden to take executive action to cancel $50,000 in student debt, which will help close the racial wealth gap for borrowers and accelerate our economic recovery," the Democratic lawmakers said in a statement.