Star BUSINESS

Inflationary pressure major challenge for economy

Speakers tell DCCI webinar

STAR BUSINESS REPORT

Business leaders and bankers yesterday said the economy was facing various challenges, including inflationary pressure, which may weaken the ongoing recovery.

The possibility of an increase in default loans, higher cost of doing business, lack of export diversification and skill shortages will be major impediments toward ensuring inclusive growth of the economy, said analysts.

They were addressing a webinar on "Bi-annual Economic State and Future outlook of Bangladesh Economy: Private Sector Perspective" organised by the Dhaka Chamber of Commerce & Industry (DCCI).

"The economy is yet to recover fully," said Md Jashim Uddin, president of the Federation of Bangladesh Chambers of Commerce & Industry (FBCCI).

"Businesses are still facing hardship despite the rebounding of export earnings and revenue mobilisation by the government," he said.

He said prices of various essential commodities soared, resulting from higher prices in the international market and import tariffs and taxes imposed by the revenue authority.

"Prices will escalate in upcoming Ramadan, the month of fasting, if the authority concerned does not take measures required," he said.

The global commodity market now faces volatility due to the supply chain disruption, he said.

Jashim recommended redesigning tax and customs duties to control inflation.

Inflation in Bangladesh fell to 5.86 per cent in January, the first decline in six months, in contrast to 6.05 per cent the month before.

Food inflation rose to 5.6 per cent last month, an increase of 14 basis points from 5.46 per cent a month ago.

Jashim said an energy price hike would further fuel inflation.

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Uneven recovery in garment industry

Large factories flooded with orders while smaller units languish

REFAYET ULLAH MIRDHA

Bangladesh's garment industry might be brimming with export orders from international buyers thanks to the ongoing turnaround of the global apparel supply chain, but it is the larger units that are running in full swing while smaller ones have been pushed into corners.

More than 1,000 small members of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and nearly 1,500 non-member factories are not getting enough orders to survive.

What is worse, the small factories that have been fortunate to keep factories up and running are not receiving expected prices.

Amid the slump in business, many small factories are already closed and many are planning to follow suit because of the lower flow of work orders and lower prices.

And this is happening at a time when Bangladesh's garment industry has been receiving a record volume of export orders for several months now.

In keeping with the recovery of the supply chain from the severe fallouts of Covid-19, a lot of work orders are shifting from China, Myanmar, Ethiopia, Vietnam, India and Pakistan to Bangladesh, thanks to competitive price, uninterrupted supply even during covid-19, and globally standard safety and compliance in major big garment units.

But smaller factories have been hamstrung by poor compliance, weaker financial strength, lack of modern machinery, skilled workers and negotiation skills, and their inability to produce value-added high-end garment items. As a result, most of them are involved in sub-contracting and producing basic garments.

For instance, Md Saidur Rahman, managing director of Bakul Apparels Ltd in Savar, closed his factory in July last year as he was not receiving an adequate volume of orders and prices.

His factory was shut due to the shortage of orders at the onset of Covid-19 in March 2020. At that time, he paid Tk 26 lakh every month in salaries to 150 workers. Later, he was forced to sell machines and shut the factory.

Now, he is trying to revive his garment business with three friends.

Rahman used to produce woven trousers and knitted products mainly on a sub-contract basis. "So, the price was low," said the entrepreneur, who made a foray into the business in 2019.

Since it was a small factory, it could not maintain high compliance and the retailers and brands did not place orders directly with it. Moreover, he could not avail of the soft loan from the government-sponsored stimulus fund because of the stringent conditions of banks.

"The small factories need special attention," Rahman said.

Mahbubul Alam Ripon, executive director of A R Knitting at Hemayetpur, also in Savar, says he produces 60,000 pieces of sweaters a month mainly as a subcontractor but the flow of orders is not adequate to make a good profit.

His factory lost Tk 2 lakh a month in salaries for his 30 workers and other operational costs. If orders keep coming regularly, he can make Tk 2 lakh to Tk 3 lakh per month.

In 2019 and 2020, when the business was dull, Ripon sold 12 out of 40 sweater making machines to bear expenses and survive.

"However, the abnormal price hike of raw materials like yarn and needles are affecting the business," he said.

Shamim Ahsan, managing director of Bluetex Knitwear Ltd, a Savar-based small factory, has been able to attract orders as he has improved the compliance. He employs 250 workers.

"But the price is not up to the mark," he said.

Ahsan also faced a lot of challenges but he is hopeful that he will be able to come back as he is getting orders now.

The entrepreneur ships garment items worth $2.50 lakh per month.

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Fortune Shoes nets more profit from risky stock investment

AHSAN HABIB

Fortune Shoes earned more money from its stock market investment than its core business of footwear selling in the first half of the current financial year.

What is more, most of the investment it made was in risky stocks, which already doubled or tripled in recent months.

This led financial analysts to warn investors that they should be cautious before investing in the listed shoemaker as its profits may plunge anytime with the fall of the shares where the company has poured its funds.

In the July to December period of 2021-22, the profit of Fortune Shoes more than tripled to Tk 32 crore, year-on-year.

It logged in profit before tax of Tk 18 crore from its shoe operation whereas Tk 19.39 crore came from the stock market investment, according to its financial statements.

The income from the investment was zero in the first half of the previous year.

A merchant banker says when listed companies were involved in share business in the past, many of them collapsed, so they should focus on their own business.

The portfolio of Fortune Shoes seems it has the intention of participating in manipulation, he said. "Otherwise, why such a big amount of fund was invested in the shares that see ups and downs frequently?

"Most of these shares have risen abnormally in the recent past."

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Four firms to invest $50m in Bepza economic zone

STAR BUSINESS REPORT

Three foreign companies and one local firm are set to invest $50 million collectively at the Bepza economic zone in the Bangabandhu Sheikh Mujib Shilpa Nagar (BSMSN) in Mirsarai, Chattogram.

Through their investment, the companies plan to establish manufacturing units at an economic zone operated by the Bangladesh Export Processing Zones Authority (Bepza) inside the industrial city.

The companies are US-based Campex (BD) Ltd, China's Fengqun Composite Material Company (BD) Ltd, Sri Lanka's Univogue Garments Company Ltd, and Bangladesh's TexTrim Labels Ltd.

Bepza yesterday signed land lease agreements with the respective firms to this end. This is the first time such investments have been made at its economic zone in the BSMSN.

The deals were signed at an event at the Bepza office, where Ahmad Kaikaus, principal secretary to the prime minister, was present as chief guest.

The investment will generate 23,453 jobs, according to a press release.

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STOCKS (WEEK-ON WEEK)

DSEX	CSCX
1.33%	1.51%
6,991.36	12,283.45

COMMODITIES (AS OF FRIDAY)

Gold	Oil
$1,897.36 (per ounce)	$91.09 (per barrel)

AS ON THURSDAY STANDARD CHARTERED BANK

	USD	EUR	GBP	CNY
BUY TK	85.05	95.34	114.52	13.19
SELL TK	86.05	99.14	118.32	13.87

ASIAN MARKETS (FRIDAY CLOSINGS)

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
0.10%	0.41%	0.37%	0.66%
57,832.97	27,122.07	3,428.90	3,490.76


Containers are stacked as far as the eye can see at Chittagong Port, which earlier this month launched direct shipping services to a port in Italy. The photo was taken recently.

PHOTO: RAJIB RAIHAN

More EU countries keen for direct shipping with Ctg port

DWAIPAYAN BARUA, *Chattogram*

The prospect of direct container shipping from Chittagong Port to European destinations is widening as at least four more countries have expressed interest in directly transporting goods by sea from Chattogram to Europe.

After an Italian shipping company launched direct services between Chattogram and Italy earlier this month, Portugal, Slovenia, the Netherlands and Denmark have shown interest to follow suit.

Meanwhile, a new container vessel is expected to arrive at the port in the early weeks of March to take away export cargo to Italy.

Export cargo from the country has so far been transported to Europe, the US and other destinations through four regional transhipment ports, including Colombo and Singapore as well as Tanjung Pelepas and Port Klang of Malaysia and some ports in China, by connecting to bigger mother vessels.

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