

# Star BUSINESS



## Inflation in Bangladesh better than neighbours' Says Kamal

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Inflation in Bangladesh is at a better level than that in nearby countries like India, Pakistan and Sri Lanka alongside Southeast Asian countries, said Finance Minister AHM Mustafa Kamal yesterday. "You can compare with nearby countries, as well as more Southeast Asian countries, and see what our inflation is and what theirs is," he told a press briefing following a meeting of the cabinet committee on government purchase.

His comment comes against the backdrop of a recent observation of the Centre for Policy Dialogue (CPD) about price hikes of commodities in Bangladesh being



substantially higher than that in other countries. "We do not have any problem in our monitoring system (to control the market). Problems are in the CPD's system. We do not have any problems here," said the minister. Since its inception the CPD has been opposing government policies, he said.

"When our inflation rate was around 5 per cent or below 6 per cent, they told us to devalue our currencies. I had been in alterations with them for a long time. I did not make a mistake," he said. "Today you can ask them, if we had devalued the currency what would have happened and where would you (people) have been now? We didn't do it," said Kamal.

Only the CPD understands all economics and no one else does — these types of concepts are incorrect, he said. "The CPD does understand and they have numerous contributions to the economy of this

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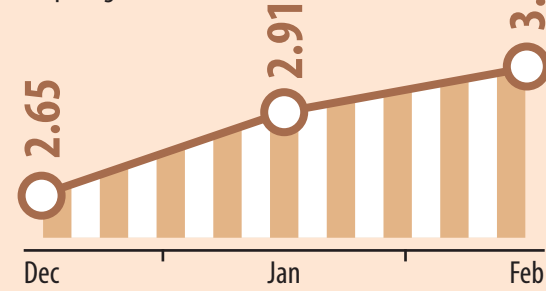
### KEY POINTS

SOURCE: WOLRD BANK COMMODITIES PRICE DATA

- Cotton price rose **9.09pc** to reach **\$1.32** per pound in one month
- Russia-Ukraine war affected price level
- Bangladesh imports **9m** bales of cotton a year
- Bangladesh spends **\$3b** on cotton import
- Cotton price rose **51pc** in local market in the last one year
- Yarn price soared **60pc** in local market over the last one year

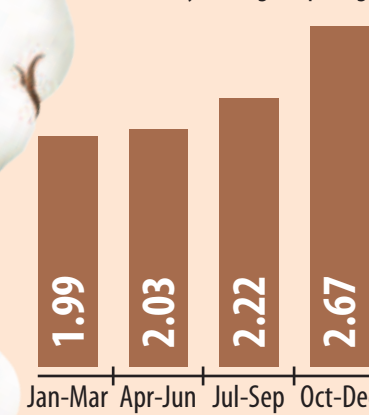
### MONTHLY AVERAGE PRICES OF COTTON

In \$ per kg



### TREND OF COTTON PRICES

Quarterly average \$/per kg



## Surge in cotton price to weigh on RMG exports

REFAYET ULLAH MIRDHHA

Cotton prices surged to more than a decade high in global market in the wake of the Russia-Ukraine war, abnormal hike in freight charge and drought in the US, which will drive up the production cost for readymade garment (RMG) makers in Bangladesh, thus affecting their profitability.

The price of the plant fibre reached \$1.3171 per pound (about 453 grammes) on the key US futures contract on Monday, the highest since July 2011, according to a report of the AFP news agency.

Even before the Russian-Ukraine war, the price of the key textile raw material had surged in the international market for pent-up demand following the reopening of economies after the pandemic-related lockdowns.

Because of the drought in some cotton-growing regions in the US, petroleum price hikes in the global markets, and the high volume of cotton purchase by China pushed up the price of the white fibre by 9.09 per cent in the past month.

As a result, the cost of production for garment

manufacturers and exporters will go up further since Bangladesh is fully dependent on imported cotton to feed its main export earning sector.

Local growers can supply less than 2 per cent of 9 million bales of cotton consumed annually in the country, forcing the country to spend nearly \$3 billion to import the raw material for the growing

while the cost of production may go up quickly whereas they might not get higher prices from their international buyers since the process involves intense negotiation.

A Matin Chowdhury, managing director of Malek Spinning Mills Ltd, a major cotton importer and user, says the cost of yarn production will go up locally since cotton is the

Association, says the country's garment exporters would face difficulties in the shipment of goods because of the cotton price hike as the country does not produce the raw material.

He has been complaining about the price hike of yarn in the local markets over the last one year as the thread's price has rocketed by nearly 60 per cent in keeping with the rise in demand for garment items in the western world following the improvement in the Covid-19 situation.

According to Mohammad Ali Khokon, president of the Bangladesh Textile Mills Association, if the buying price is \$1.32 per pound, another 20 US cents will have to be added to the total price because of the freight charge and other variable costs before they enter the mills.

"The prolonged war may hit the cotton and yarn markets further, which may also affect the garment export from Bangladesh."

Following the cotton price spike globally, the prices of yarn may go up in the local markets logically, he added.

Mohammad Hatem, executive president of

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apparel industry. Some 480 pounds, or 218 kilogrammes, make a bale.

Importers and millers say if the war prolongs, the price of cotton would jump further. This will ultimately increase the price of yarn in the local markets, which will raise the cost of production for garment manufacturing.

This will put the exporters in a difficult situation because

main raw material for the item. Apart from the war, the abnormal hike in shipping cost, Chinese voluminous cotton purchase from the international markets, drought in the US and speculation are also responsible for the cotton price hike, he said.

Shahadat Hossain Sohel, chairman of Bangladesh Terry Towel and Linen Manufacturers and Exporters

## Engineering posts highest turnover

AHSAN HABIB

Turnover of the engineering sector in Bangladesh grew at the fastest pace from 2015 to 2020 among all the sectors, reflecting the largely agrarian economy's transformation towards manufacturing.

The engineering sector of the Dhaka Stock Exchange (DSE) represents steelmakers, home appliance producers, automobile companies, and other manufacturing companies, and their sales climbed at the sharpest pace during the period among the 22 sectors used to divide the listed companies into groups.

The turnover of the engineering sector rose at 14.1 per cent on average in the five-year period. The food and allied sector saw a growth of 13.35 per cent, the second-highest, according to the data compiled by UCB Asset Management.

On average, the profit growth in the engineering sector was 3.28 per cent.

The most sales growth among the engineering companies came from steel and home appliance manufacturers.

"As per capita income of people rose, they now demand more home appliances. So, the sales growth is higher in the sector," said SM Ashraf Alam, a director of Walton Hi-tech Industries, the largest home appliance manufacturer in Bangladesh.

Companies like Walton are making products locally that are allowing Bangladesh to cut its long reliance on imports for home appliances, such as air conditioners,

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### ENGINEERING: MAIN DRIVERS OF SALES

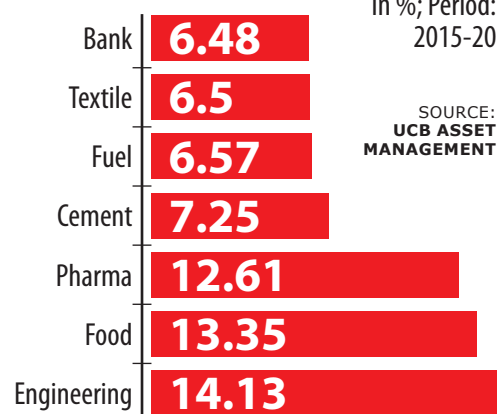
- Govt's mega projects
- Infrastructural development in rural areas
- Rise in demand for home appliances
- Boom in transport sector

### MAJOR INVESTMENTS

- GPH Ispat set up a new plant worth **Tk 2,390cr**
- BSRM Steel invested over **Tk 2,200cr** in three factories
- Runner spending **Tk 450cr** on a commercial vehicle plant
- Walton to invest **Tk 5,500cr** for making electrical, electronic goods

### SALES GROWTH OF MAJOR SECTORS

In %; Period: 2015-20



SOURCE: UCB ASSET MANAGEMENT



## Rod prices cross Tk 90,000 per tonne

JAGARAN CHAKMA

The price of steel in Bangladesh has jumped 3.34 per cent within a span of just one week, with manufacturers citing it as a ripple effect of rising global demand for scrap and a recent hike of local fuel prices.

According to data of the state-run Trading Corporation of Bangladesh (TCB), each tonne of MS rod was selling for Tk 91,500 yesterday. But in actuality, the prevailing rate was Tk 92,000, according to Mir Nasir Hossain, managing director of Mir Akhter Hossain Ltd.

It was Tk 88,500 one week ago, said the TCB. "The construction companies are about to go bankrupt due to the price hike of raw materials, particularly steel, which is one major raw material for the construction sector," he said.

According to him, some construction companies had already halted their ongoing works foreseeing loss of commercial viability and they are about to turn into loan defaulters.

Against this backdrop, the government should immediately take the initiative to adjust prices listed in ongoing projects, otherwise all development works will get stuck, he said.

He also said the implementation of projects under the government's Annual Development Programme would lose pace.

Shahriar Jahan Rahat, deputy managing director of Kabir Steel Re-Rolling Mills (KSRM), said the price of scrap steel, the sector's raw materials, reached to \$730 to \$750 per tonne.

It was selling for \$300 to \$350 in October last year before starting to rise as economies reopened and fuelled demand, prompting several countries, including India, to cut tariffs on its import.

Trade sanctions on Russia and its invasion of Ukraine exacerbated the problem as these two cater to around 50 per cent of the world's demand for pig iron, the crude form of the metal.

With the constraint of the supply of the crude form, focus shifted to scrap, propelling demand alongside prices, he said.

So Bangladesh's steel manufacturers are dealing with only the US to import scrap steel which resulted in the high prices within the country, Rahat said.

Bangladesh also sources scrap steel from Japan, Dubai and South Korea.

According to him, the present price of rod is beyond the capacity of consumers and sales have

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STOCKS	
DSEX ▼	CSCX ▼
0.31%	0.05%
6,750.40	11,880.11

COMMODITIES	
Gold ▲	Oil ▲
\$1,930.57	\$113.92
(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.53%	▲ 3.00%	▲ 0.42%	▲ 0.34%
57,684.82	28,040.16	3,364.26	3,271.03

## Telcos confirm spectrum auction participation

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The country's four mobile operators, including state-owned Teletalk, are participating in a spectrum auction scheduled to be held on March 31, having already submitted earnest money with Bangladesh Telecommunication Regulatory Commission (BTRC).

The participation of all the operators has ended speculations that one or two might not participate in the auction, said industry people.

However, it is still uncertain whether the companies will avail spectrum and by how much.

The regulator will award 60 MHz spectrum in six blocks from 2.3 GHz (2300-2400 MHz) bands and 120 MHz spectrum in 12 blocks from 2.6 GHz (2500-2690 MHz) bands through the open auction.

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