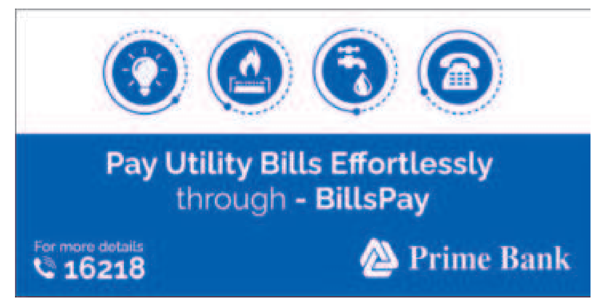
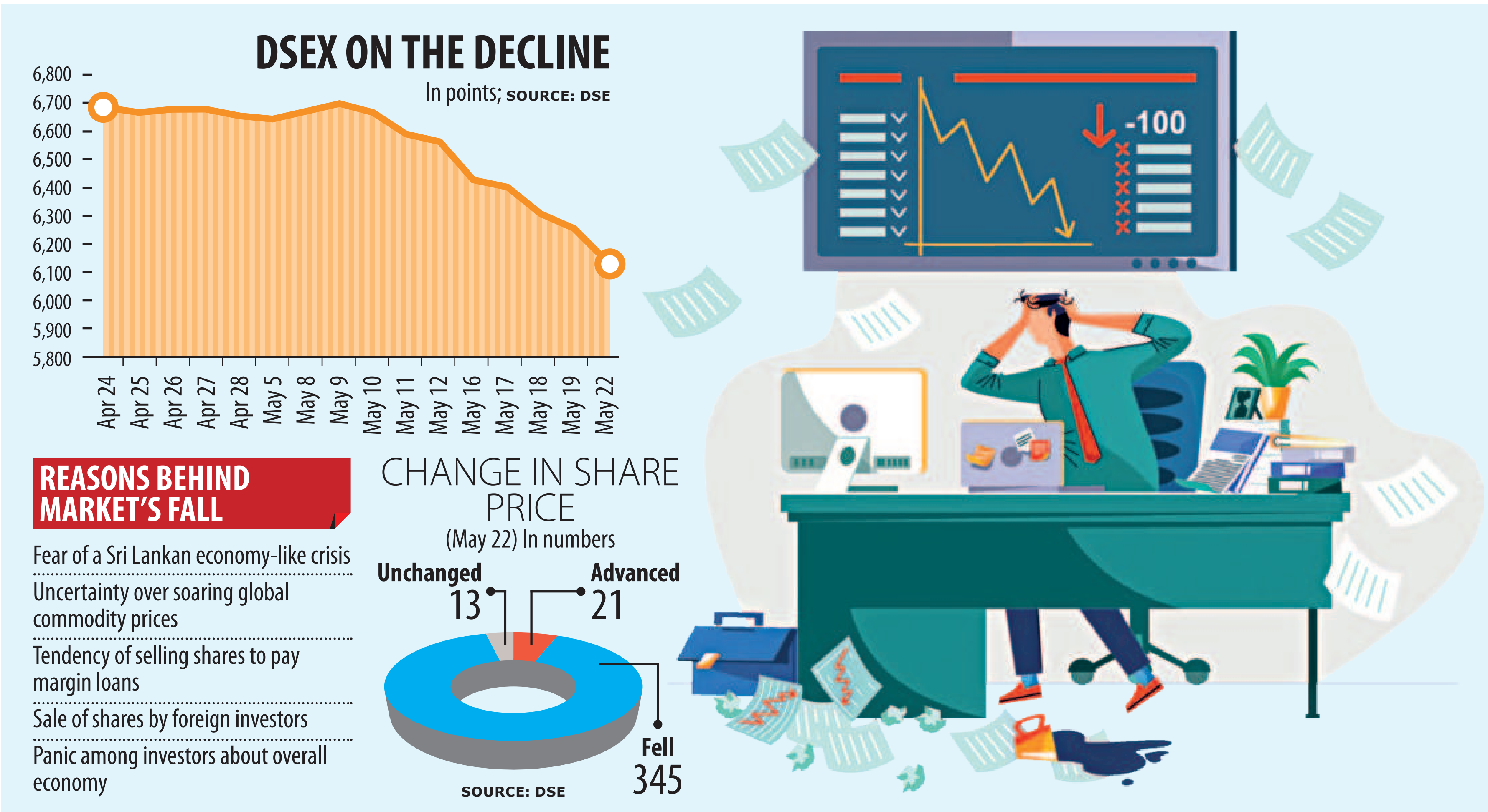
Star BUSINESS





Stocks keep bleeding as panic grips investors

STAR BUSINESS REPORT

No matter how hard the government tries to give a message that Bangladesh would not face a Sri Lanka like crisis, edgy stock market investors don't seem to be in the mood to listen.

As a result, the broad index of the Dhaka Stock Exchange (DSEX) has been falling sharply since investors fear that the country may be heading to a similar economic crisis being faced by the Island nation because of the deterioration in some macroeconomic indicators.

Yesterday, the DSEX gave up 115 points, or 1.84 per cent, to close at 6,142, the lowest in 11 months. This means the index plummeted 556 points, or 8.30 per cent, in the span of eight days.

"The market is falling for the widespread irrational panic among investors," said Shahidul Islam, managing director of VIPB Asset Management.

"The market can't decline continuously in such a fashion for economic reasons. What is more, our economy is not in that bad shape. And whatever economic pressures we are in now, they have not been created overnight."

He says an irrational fear prevails among investors that the economy may face the same kind of problems the Sri Lankan economy has been going through.

"But the situation in Bangladesh is not like that," said Islam.

Bangladesh has foreign currency reserves of more than $42 billion and export earnings are also growing at a healthy clip. The country has also no sovereign loan obligation and has never defaulted on its international loans.

On the other hand, Sri Lanka has almost run out of foreign currency reserves, forcing the government to enforce a curfew, the prime minister to quit and the nation to default on a multi-million-dollar foreign debt payment.

However, there are volatility in the global commodities market, which fuelled a surge in import payments in import-dependent countries like Bangladesh, bringing the reserves and the local currency under pressure.

If the policy-makers allow the local currency to witness the natural course of depreciation against the American greenback, foreign investors will also invest in the market, according to Islam.

"But when they fear that the local currency may see further devaluation, they halt their investment decision. But once the depreciation takes place, they come back again."

Mohammed Rahmat Pasha, managing director of UCB

Stock Brokerage, says there are rumours that have made people panic.

"There are uncertainties as well, so buying pressure has ebbed."

Uncertainties persist since the Russia-Ukraine war shows no signs of abating and commodity prices globally have remained at a higher level.

On the domestic front, the taka is under huge depreciation pressure and nobody can predict how much it would lose despite the recent bouts of devaluation.

Investors are worried about how the uncertainty will affect the profits of the listed companies, said Pasha.

He says investors are not pulling their funds out of the market to open FDRs (fixed deposit receipts) with banks.

Rather, they are waiting to buy shares at a lower price, he said.

"The market will rebound when investors get back their confidence."

Budgetary steps can be a tool to boost the confidence of investors, according to Pasha.

The Bangladesh Securities and Exchange Commission (BSEC) has raised the margin ratio. As a result, the margin-led sale pressure will drop, he added.

The regulator issued a directive yesterday allowing stockbrokers to extend the maximum limit of credit facilities to their approved clients.

Earlier, the stockbrokers were allowed to lend up to 80 per cent of a client's deposit. Now, it can be 100 per cent.

The market has been falling due to the spread of panic, said Md Sayadur Rahman, president of the Bangladesh Merchant Bankers Association.

Rumours are doing the rounds on the social media about the Sri Lanka crisis and the Russia-Ukraine war, he said.

The day traders are more nervous than the real investors and the key index has suffered more compared to the actual stress in the economy.

Rahman says there is a rumour that institutional investment in the DSE is falling, but the reality is the investment of stock dealers has risen in recent months.

However, foreign investment in the premier bourse in the country has been on the decline since the pandemic hit the world and it intensified following the imposition of the floor price in March 2020.

READ MORE ON B3

Bank staffers barred from overseas trips

BB bid to save foreign currency

STAR BUSINESS REPORT

Employees of all banks operating in Bangladesh will not be able to travel abroad from now on as the central bank has stepped up its efforts to stop the foreign currency reserves from sliding further.

The Bangladesh Bank has already imposed a number of restrictions such as discouraging the imports of non-essential items to keep the reserves in a good shape and ensure proper

currency management amid the global volatility brought on by the Russian-Ukraine war and the coronavirus pandemic.

Yesterday, the BB said the use of foreign currencies has increased as foreign travels of employees of banks for personal purposes as well as for attending training, seminars, meetings, workshops and study tours have continued.

But any foreign travels for such purposes would remain suspended until further notice, said the central bank. The decision came into effect immediately.

The move came as reserves fell to $41.92 billion recently owing to soaring imports, from $46.15 billion on December 31, amid moderate receipts of exports and remittances.

The decline in the reserves have made the taka volatile, forcing the local currency to trade at as high as Tk 102 to a dollar in the kerb market. Importers count up to Tk 95 per USD to settle import bills as the supply of the American greenback has squeezed.

The official exchange rate set by the central bank is, however, Tk 87.50 per USD.

Because of the escalated imports, the trade deficits reached a record high of $24.90 billion between July and March.

READ MORE ON B3

STOCKS

DSEX ▼	CASPI ▼
1.84%	1.96%
6,142.68	18,077.71

COMMODITIES (AS OF FRIDAY)

Gold ▲	Oil ▼
$1,846.53	$110.24
(per ounce)	(per barrel)

ASIAN MARKETS (FRIDAY CLOSINGS)

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 2.91%	▲ 1.27%	▲ 1.56%	▲ 1.60%
54,326.39	26,739.03	3,240.58	3,146.57

Home textile now second biggest export earner

SOHEL PARVEZ

For the first time, home textile has emerged as the second largest export earning sector after garments as demand remains buoyant in major markets, particularly Europe, according to exporters.

Exporters fetched $1.3 billion from shipping home textiles in the July-April period of the current fiscal year, posting 39 per cent year-on-year growth.

Receipts from shipments of home textile items such as bed sheets, pillow covers, curtains and cushion covers were higher than export receipts from agricultural products as well as leather and leather goods during the period.

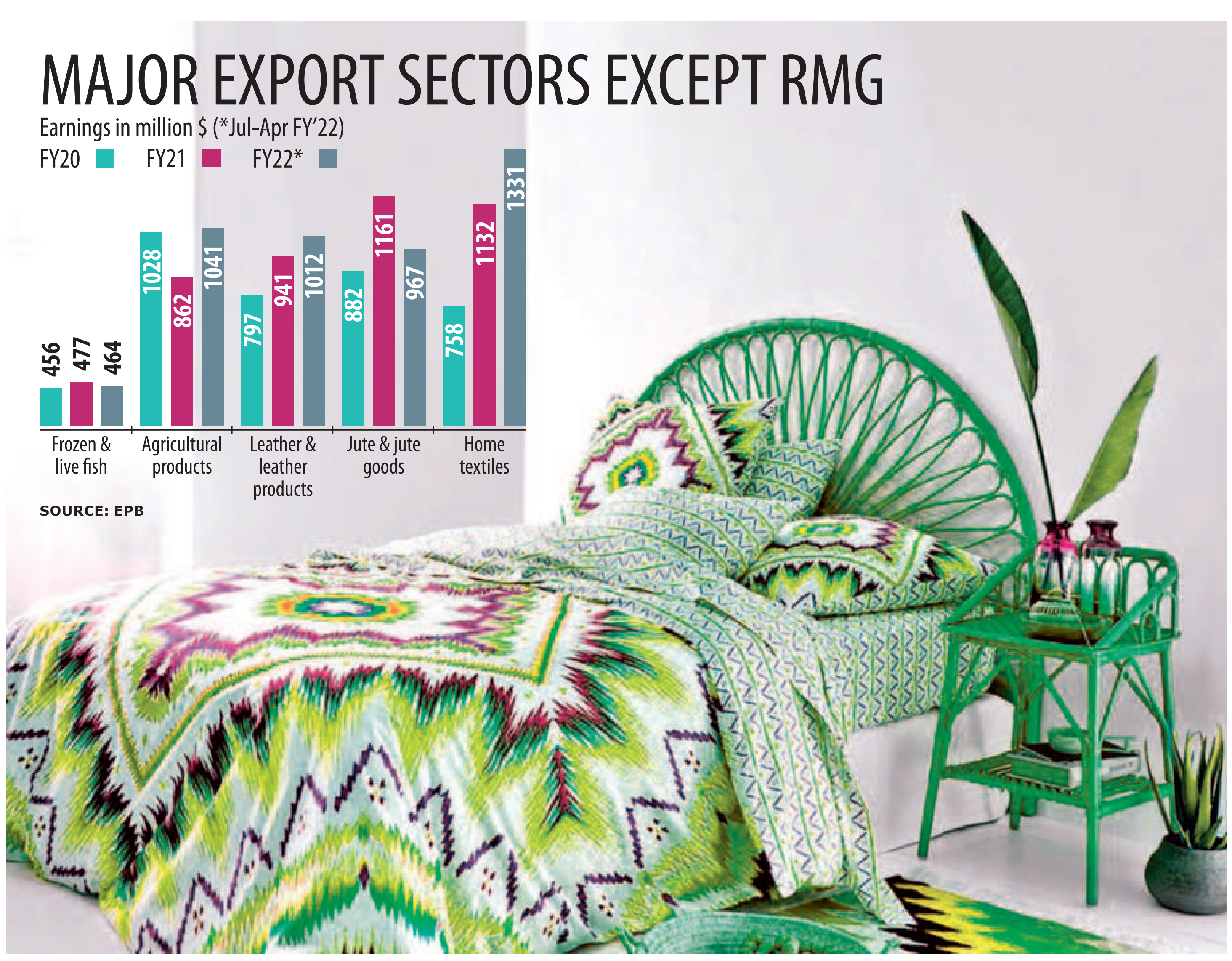
Home textile exports were 28 per cent higher than its nearest peer, agricultural products, namely dry foods, vegetables, tobacco and spices.

Jute and jute goods, which topped the export basket as the second biggest earning source in fiscal year 2020-21, fell to fifth place in the face of falling demand for jute yarn, twine, sacks and bags, according to the Export Promotion Bureau (EPB).

"We have been registering increasing demand for home textiles from the last fiscal year as people stayed home as a part of coronavirus containment measures," said Shahidullah Chowdhury, executive director of Noman Group, the main exporter of home textile. It exports $27 million worth of home textiles each month.

"Our main markets are Europe, Canada, the United Kingdom and Japan. However, our exports are increasing in new markets such as Australia," he added.

READ MORE ON B3



Lend more to farmers for import substitute crops

BB asks banks

STAR BUSINESS REPORT

Bangladesh Bank yesterday directed banks to increase lending to farmers at 4 per cent interest to encourage cultivation of import substitute crops, namely pulse, oilseeds and maize.

The central bank suggested that banks increase loan disbursements in areas where cultivation of these crops were concentrated.

The banks will have to hang banners informing of the availability of the loans in places where they are mostly likely to be noticed, Bangladesh Bank said in a circular.

The central bank also directed the lenders to conduct campaigns among farmers before seasons for the cultivation of the

READ MORE ON B3

Traps made out of bamboo and strings and meant for catching small fish from small waterways and water bodies, especially during the monsoon, are sold at a market in Atghar Kuriana of Pirojpur's Nesarabad upazila which sits every Friday and Monday. A pair sells for Tk 120 to Tk 200, depending on the size and quality. The photo was taken on Friday. PHOTO: TITU DAS

British pound: the sick man of the currency world

REUTERS, *London*

In volatile currency markets, one trade stands out as an easy bet: selling the British pound.

With the world's fifth-biggest economy grappling with a particularly unhealthy cocktail of slowing growth and surging inflation, the British currency has become the medium of choice to express a negative view.

Official data on Wednesday showed inflation reached a 40-year high of 9 per cent in April - more than four times the Bank of England's 2 per cent target while Britain's worst cost of living crisis in three decades will not subside until late this year, according to a Reuters poll.

And though the BoE was the first among major central banks to raise interest rates in December, now their predicted future path is far less steep than some of its global peers including the US Federal Reserve.

While the British economy's problems are broadly similar to what other policymakers are grappling with, a few unique factors additionally weigh on the pound.

One is the potential for a messy trade conflict with the European Union if Britain threatens to push ahead with a law to override parts of a post-Brexit trade deal for Northern Ireland.

Any protracted trade war would threaten to further widen the current account deficit and subsequently weaken the currency.

Then there is an increase in tax burdens, which followed massive temporary relief for struggling sectors during the pandemic and which has hit workers and employers already saddled with surging energy bills, adding to the drag on the economy.

"The chance of a UK recession is all but guaranteed as there are just too many headwinds facing the economy," said Wouter Sturkenboom, chief investment strategist for EMEA and APAC at Northern Trust Asset Management.

Money markets now expect only 120 basis points of cumulative rate hikes by the end of the year compared to the Fed's nearly two full percentage points. Even a more cautious European Central Bank is expected to raise interest rates by 108 basis points over that period.

Jane Foley, head of FX strategy at Rabobank says markets have slashed their UK rate hike expectations in recent weeks because recession risks have grown. Respondents in a Reuters poll assign a 35 per cent probability of a recession within a year.

Kaspar Hense, a senior portfolio manager at Bluebay Asset Management in London, said he was short the currency in his portfolios.

"The pound has the weakest outlook among all the major currencies as the central bank's reluctance to raise interest rates aggressively means it has the lowest inflation-adjusted yield among its rivals," he said.

As the war in Ukraine added more fuel to price pressures, UK growth expectations and consumer confidence tumbled because of the soaring inflation, the protracted conflict and concerns about the impact of extended Covid lockdowns on growth in China, Britain's third biggest trading partner.

Citibank indexes that measure how economic data fare compared with expectations are lower for Britain than for the rest of Europe or the United States, suggesting growing economic headwinds ahead.

That suggests any British rate hike cycle will be short-lived. Using the spread between three year and 1-year market interest rates, HSBC strategists predict interest rates will peak in June 2023, rising to 2.5 per cent, and then rate cuts will follow.

"The consumer outlook has taken a big turn for the worse, as the real income squeeze bites hard and this will make it very difficult for the Bank of England to deliver anything close to what is priced into the forward rates market," HSBC said.

HSBC now expects the pound to end the year at $1.20, some 8 per cent weaker than its earlier $1.30 forecast.

India trims tax on fuel, essentials

Bid to fight inflation

REUTERS, *New Delhi*

India on Saturday announced a series of changes to the tax structure levied on crucial commodities in a bid to insulate consumers from rising prices amid high inflation.

Finance Minister Nirmala Sitharaman announced a cut in excise duty on petrol by 8 rupees ($0.1028) per litre, and 6 rupees per litre on diesel.

The new tax regime on petrol and diesel could result in a loss of about 1 trillion Indian rupees to the government in annual revenue due to the lower collection, she said in a series of tweets.

The government also removed the import duty on anthracite, PCI coal and coking coal in a bid to reduce raw material costs for local market demand.

The latest measures will be effective from May 22, the government said in a notification after the announcement by Sitharaman, who also urged state governments to follow suit with similar reductions on fuel prices keeping in line with federal plans.

A litre of petrol currently costs 105.41 rupees, while diesel is at 96.67 rupees in New Delhi.

The government will also provide a fresh subsidy of 200 rupees per cooking gas cylinder to over 90 million beneficiaries under a welfare scheme introduced for women below the poverty line.

The subsidy will have an annual revenue implication of nearly 61 billion Indian rupees, Sitharaman said.

"Prime Minister Narendra Modi has specifically asked all arms of the government to work with sensitivity and give relief to the common man," she said.

Brac Bank offers loans for higher education

STAR BUSINESS DESK

Brac Bank recently launched "Agami Personal Loan", a customised product meant to help parents and guardians bear expenses of their children's higher education.

Up to 130 per cent of the total education expense or a maximum of Tk 20 lakh can be availed at 8 per cent interest, payable in a maximum of five years, said a press release.

Parents and legal guardians of students enrolled in universities approved by the University Grants Commission (UGC) and who have a minimum monthly income of Tk 20,000 can apply for the loan.

The loan is disbursed in phases according to the customer's preferred schedule and synchronised with the student's academic calendar.

"Every year, around one million students graduate from higher secondary level in Bangladesh. Many families find it difficult to bear the cost of university education especially in local private and overseas universities," explained Md Mahiul Islam, head of retail banking.

Managing exchange rate regime

FROM PAGE B4

a rapid pace partly facilitated by the impressive growth in export demand and partly in the anticipation of a further rise in the prices of imported investment goods in the coming days.

There was a sudden escalation in foreign exchange demand also due to the rapid rise in foreign travels by Bangladeshis for medical, pilgrimage, education and recreation purposes as entry restrictions in the destination countries were relaxed significantly.

We need to understand that the sudden spike in foreign exchange demand due to this reason is likely to be transitory, and so it does not call for immediate corrections in the exchange rate. In that case, the enhanced demand for foreign currency will have to be met by drawing down the reserves, which the BB has, in fact, been doing during the current fiscal year.

The resulting decline in the foreign exchange reserves has been interpreted by some as the ominous indication of Bangladesh eventually landing on to a Sri Lanka type crisis. This view completely overlooks the fact that the purpose of building up foreign exchange reserves, in the first place, is to provide contingency support in the event of a sudden mismatch between inflow and outflow of foreign currency.

One also needs to take into account: the transitional nature of part of the enhanced import demand; the likely negative impact on import demand due to the successive depreciation of the local currency and other policy measures taken up to curtail foreign exchange demand; and the expected positive impact on export and remittance inflow due to the depreciation of the taka and the enhanced incentive for remittance.

The medium-term problem in the foreign exchange market arises out of the weakening of major world currencies against the US dollar. If we fail to adjust our currency at a commensurate rate it would imply an erosion of the competitiveness of our products against those of our competitors.

However, the extent to which Bangladesh needs to carry out this adjustment will depend on the current state of our exports and the outlook for export growth in the medium term. Against that consideration, Bangladesh seems to be in a fairly comfortable situation as the post-pandemic export levels have been quite impressive and with more than 30 per cent growth achieved in the current fiscal year, the export prospects in the medium term seem quite optimistic. In that context, the trade-off between additional export growth and the unavoidable inflationary impact of further depreciation of the local currency may not prove to be worthwhile.

It may be prudent to postpone the required exchange rate adjustments on this count as long as the robust export growth persists. Thus the gradual depreciation of the exchange rate by the BB appears to be the right strategy for the time being.

There is one important concern, however, that needs the attention of the policymakers: remittance. If the expatriate Bangladeshis do not get adequate conversion value for their hard-earned foreign currency due to the misalignment of the taka with the dollar, there will be a greater tendency to send remittance through the illegal channel, hundi.

To address this issue, the government has raised the incentive for remittance by half a percentage point. The incentive rate may be adjusted further in light of the emerging gap between the official and the open market price of the dollar.

The long-term difficulty that the external sector of our economy now faces is the sharp rise in the commodity prices and the shipment costs in the international market following the supply-chain disruptions caused by the Covid-19 pandemic, followed by the negative global economic impacts of the Russia-Ukraine war.

Unfortunately for Bangladesh, there has not been any commensurate increase in the export price index or in the wages of expatriate Bangladeshis. This means that in order to buy the same amounts of the same goods, Bangladesh needs more foreign currencies although there is no such increase in the foreign exchange supply due to export prices or foreign wage increases. Given that this new demand-supply gap of foreign currencies is likely to persist in the medium term, it naturally calls for exchange rate adjustments.

The BB can choose its own pace of adjustment but there is no escape from the need for price correction of the local currency.

The non-adherence of the banks to the BB's guideline of BC buying and selling rates and the resulting chaos in the foreign exchange market lead to the worst of both worlds: a depletion in foreign exchange reserves due to dollar sales by the BB and a rise in inflation due to the import LCs opened at a much higher rate than the BC selling rate. This is a regulatory failure and needs to be addressed by the regulator. The Bangladesh Foreign Exchange Dealers' Association has already met on this issue and has given the necessary instructions to its members.

As a developing country, we do face a persistent negative trade balance, as our import needs exceed our export capabilities. But remittance inflow has been our lifeline, often bridging the trade deficit and rendering a positive current account balance (CAB).

However, one needs to note that even in the years when Bangladesh experienced a negative CAB in the past, the impact on the foreign exchange reserves was none or marginal due to the healthy net capital inflow.

The recent adverse balance of payment situation has been somewhat unprecedented as there has been a culmination of several factors simultaneously. The supply shocks created through the Covid-19 pandemic and the Russia-Ukraine war have been exacerbated by the sudden surge in import demand. But as we cross the peak of the wave, the pressure on the foreign exchange market is expected to taper off and the cooling effects of higher exports and remittances supported by a gradual depreciation of the taka and higher remittance incentives are likely to contribute towards stabilisation of the exchange rate.

The resilience of Bangladesh's economy has been vindicated time and again. We need to pin our confidence on that and avoid unnecessary panicking.

The author is an economist

Bitter harvest

FROM PAGE B4

Farmer Navtej Singh saved half his 60-tonne wheat harvest to sell during the lean season, when prices normally rise, and is aghast at the government's decision.

Now he is scrambling to sell his remaining stock.

"This ban has come as a shock," he told AFP. "The price has dropped to the lowest and doesn't even cover our expenses. I can't even wait for a day."

The authorities had not consulted anyone and had acted "selfishly", he said.

"We were already hit with production losses this year, and the ban order has made our life difficult."

Before the war in Ukraine and the heatwave, India's wheat production of 109 million tonnes in 2021 and seven million tonnes of exports had both been expected to rise this year.

Golam Awlia, managing director of NRBC Bank, received a certificate of appreciation from Fazle Kabir, governor of Bangladesh Bank, on the central bank premises in Dhaka recently for achieving a loan disbursement target of a special refinance scheme under a Covid-19 stimulus package of Tk 5,000 crore. AKM Sajedur Rahman Khan, deputy governor of the BB, Awlad Hossain Chowdhury, executive director, Md Abdul Hakim, general manager of agricultural department, and Tanusree Mitra, senior executive vice-president of NRBC Bank, were present. PHOTO: NRBC BANK

Tarique Afzal, managing director of AB Bank, received a certificate of appreciation from Fazle Kabir, governor of Bangladesh Bank, on the central bank premises in Dhaka recently for achieving a loan disbursement target of a special refinance scheme under a Covid-19 stimulus package of Tk 5,000 crore. PHOTO: AB BANK

M Kamal Hossain, managing director of Southeast Bank, and M Shahadat Hossain Taslim, president of the Hajj Agencies Association of Bangladesh (Haab), exchanged signed documents of an agreement at the latter's office in the capital recently over depositing Hajj related fees and expenses with the Haab's members free of charge. PHOTO: SOUTHEAST BANK

UK and Mexico launch trade talks

AFP, *London*

Britain and Mexico kicked off negotiations on Friday to pin down a post-Brexit free trade deal, the UK government announced.

The talks, seeking to boost a trade relationship worth 4 billion (4.7 billion euros, $5 billion), will aim to replace a prior agreement inherited from the European Union.

"This enhanced deal would transform our relationship with Mexico, making the most of the immense opportunities its dynamic business landscape and young, growing population offer," said International Trade Secretary Anne-Marie Trevelyan in a statement.

The minister began talks with Mexican counterpart Tatiana Clouthier at midday.

Britain hopes to open up one of the world's largest consumer markets, with Mexico's population forecast to hit 150 million people by 2035.

"Mexico is a major market for UK exporters," added the statement from the government's Department for Business, Energy and Industrial Strategy (BEIS).

"It is in a strategically situated part of the world, serving as a gateway to the Americas as well as to the dynamic trans-Pacific region.

"UK negotiators will look to go further and deeper in areas like services and technology, boosting a trade relationship already worth over 4.0 billion." The UK left the European Union in January 2021 and has since been pursuing deals across the world to boost international trade.

Britain has so far clinched agreements with the EU and other European nations, and some distant countries like Australia.

Talks are still ongoing with Canada and India.

London regards a deal with Washington as a key priority but this has so far proved elusive.

A partial view of the metro rail project in the capital. Economists have called for caution during the years of 2027 and 2028 when Bangladesh will start paying interest due on four or five foreign loans taken for some mega-projects.
PHOTO: STAR/FILE

MEGA PROJECTS' LOAN INTEREST PAYMENT

Bangladesh should stay alert for 2027-28: economists

STAR BUSINESS REPORT

Bangladesh's economy should be on guard for 2027 and 2028 from when the country will start to collectively pay back the interest due on four or five foreign loans taken for domestic mega-projects, according to Bangladesh Economic Association (BEA).

The BEA issued the alert while detailing its alternative national budget proposal of Tk 20.50 lakh crore for fiscal year (FY) 2022-23, which is three times higher than that of the ongoing year.

The association of economists held a press conference in this regard at its office in Dhaka yesterday.

The BEA had proposed a Tk 17.38 lakh crore budget for FY2021-22, which was also almost three times the government allocation of Tk 6.03 lakh crore for the year.

BEA President Abul Barkat said whenever the government formulates the national budget, its first concern was about the total money being spent.

"But this is a wrong way of thinking for constructing a society as money can never be the main issue. It can only be one of the means of achieving the overall goal," he added. Barkat went on to say that the process of preparing a budget begins with considering what was needed by the people to build decent lives.

"We are not in favour of balancing the budget or the economy. We are for social balance," he said.

As per the proposal, of the total Tk 20.50 lakh crore budget, Tk 18.70 lakh crore will come from government revenue while the remaining Tk 1.80 lakh crore will remain as budget deficit.

However, the BEA's proposed budget suggests that external sources would not play a role in financing the deficit.

Barkat said in order to eliminate inequality and poverty, not only in the upcoming budget but for at least the next five years, gaps in income, wealth, health and education will have to be continuously reduced until there were none.

"There has to be a fundamental structural change in income and expenditure in the budget. No tax slavery can be imposed on the poor or lower classes to determine the source of funding," he added.

The BEA president also informed that their estimates show two crore people had been eligible to come under the government's social safety net programmes before the advent of Covid-19.

During the pandemic though, this number has risen to at least 3.5 crore as many people have become unemployed, he said.

If the situation remains the same, the number of people receiving social protection will double, Barkat said.

In its budget proposal, the BEA said the total amount of untaxed income generated in Bangladesh between fiscals 1972-73 and 2018-19 was estimated at Tk 88.61 lakh crore, of which just Tk 7.98 lakh crore has been laundered.

In the upcoming 2022-23 financial year, the proposal recommends the recovery of at least 2 per cent (Tk 1.77 lakh crore) of the black money each year.

The BEA believes the recovered money could finance the budget deficit.

Annually estimated inflation should be kept between 5 per cent and 7 per cent, the association said, adding that the inflation the government talks about was much lower than the actual inflation.

"The condition is that employment should be increased and fair wages must be ensured. Inflation cannot be taken to such a level that the economy will be put in the cycle of inflation. Food inflation cannot be raised under any circumstances," the proposal said.

US, S Korea sign pact on supply chains

AFP, *Washington*

The United States and South Korea have agreed to work more closely on crucial trade and supply-chain issues, the US Commerce Department announced Saturday.

Establishing a US-Korea Supply Chain and Commercial Dialogue, the statement said, would "foster increased collaboration and strengthen the international competitiveness of US and Korean industry."

The announcement, which offered little detail about the scope or workings of the new group, followed a roundtable meeting including prominent executives from both countries and led by US Commerce Secretary Gina Raimondo and her Korean counterpart Lee Chang-Yang.

The US delegation is accompanying President Joe Biden on a five-day trip to Korea and Japan meant to reconfirm a US-Asian economic partnership that was strained under former president Donald Trump.

The US statement said the two countries recognised that closer cooperation on "semiconductors, electric vehicles and batteries for electric vehicles, fuel cell and solar technology, and the digital economy will continue to transform our societies and drive our shared economic prosperity."

Roughly 75 per cent of the world's semiconductor chips are produced in East Asia, and supply-chain issues, made worse by the Covid-19 pandemic, have resulted in severe shortages affecting major buyers including the US auto industry.

Hyundai Motor to invest $10b in US

REUTERS, *Seoul*

Hyundai Motor Group said on Sunday it would invest an additional $5 billion in the United States by 2025 to strengthen collaboration with US firms in advanced technology.

The investments, announced during a visit to Seoul by President Joe Biden, are for robotics, urban air mobility, autonomous driving and artificial intelligence, the group said.

Hyundai Motor Group, which houses Hyundai Motor Co and Kia Corp, on Friday announced plans to invest $5.5 billion in Georgia to build electric vehicle (EV) and battery facilities.

The new investment brings its planned US total through 2025 to about $10 billion, above the $7.4 billion it announced last year.

The world's third-biggest automaker by vehicles sales did not say where in the United States the additional $5 billion would be invested.

"Thanks to Hyundai, we are being part of this transformative automobile sector and accelerating us on a road where we're going to be handing to United States of all electric future," Biden told a news conference.

Standing next to him after a meeting, Hyundai Motor Group executive chair Euisun Chung said, "I am confident that this new plant in Georgia will help us become a leader in the America automobile industry with regards to building high quality electric vehicles for our US customers."

The auto group said on Wednesday it would invest 21 trillion won ($16 billion) through 2030 to expand its EV business in South Korea.

Home textile now second

FROM PAGE B1

The sector first crossed the $1 billion mark in fiscal 2020-21 thanks to a 49 per cent year-on-year hike in export earnings, driven mainly by higher costs and prices of raw cotton and other materials.

Export earnings were only 3 per cent of the total receipts of $38.75 billion for that year with garments accounting for 81 per cent, according to the EPB.

"Definitely the volume of exports has increased too," said Abul Basar, general manager of human resource, admin and compliance of Momtex Expo Ltd, another major exporter.

He said Bangladesh can offer competitive prices as labour costs here are the cheapest. Labour cost has increased in China, which once dominated the home textile market.

Political uncertainty in Pakistan has also discouraged buyers from placing orders there, Bashar said. "So, the increased order flow is likely to sustain," he added.

Harun-Ar-Rashid, managing director of Apex Weaving and Finishing Mills Ltd, said nearly 10 textile mills export home textile products from Bangladesh and the export volume is not that high. Bangladesh only has a 7 per cent share in the global home textile export market.

He went on to say that demand may decline due to a yarn shortage and the ongoing war in Ukraine.

Noman Group's Chowdhury said exports would grow if the government provides policy support. Increasing the cash incentive for exports to 10 per cent from the present 4 per cent and reducing congestion at ports will be instrumental for increasing export earnings from home textiles.

"We have political stability now but what we need is policy stability," he added.

Bank staffers

FROM PAGE B1

On May 18, the BB said its officials and employees will not be able to make any kind of foreign trips except for some emergency purposes.

In another notice earlier yesterday, the central bank imposed restrictions on the employees of banks and non-bank financial institutions, saying they will not be able to travel abroad under expenses paid for by their employers.

Banks and NBFIs were instructed to refrain from releasing foreign currencies on account of registration or participation fee for attending training, seminar and workshop abroad.

The central bank also advised the authorised dealer banks to stop executing transactions for the employees of banks and financial institutions.

In order to ease pressure on reserves, the government, on May 11, banned its officials from foreign trips and postponed the implementation of less important projects that require imports.

On May 16, the Finance Division said the employees of autonomous, state-owned, semi-government organisations and state-owned banks and financial institutions can't go on overseas trips.

The taka is set to face more pressure in the coming days as the central bank of the United States is hiking its benchmark interest rate to rein in inflation, a phenomenon that would make American greenback dearer.

Lend more to farmers

FROM PAGE B1

import substitute crops begin.

Bangladesh Bank's directive comes at a time when commodity prices have gone up owing to supply disruptions, increased freight costs for the Covid-19 pandemic and the Russia-Ukraine war.

Locally, the prices of various essentials, especially edible oils, pulses and maize, have gone up. Bangladesh highly depends on their import.

In its circular, Bangladesh Bank also provided some guidelines to banks related to the disbursement of the loans among growers.

Big brands fret over China as middle-class spurns luxury

REUTERS, *Shanghai*

Chloe Kou, a 28-year old beauty brand marketing manager from Shanghai, won't be buying her usual "one or two" high-end handbags this year. Instead, she plans to save not spend, and that is a problem for luxury brands.

China's current zero-Covid policy, with its attendant lockdowns, restrictions and economic impact have taken their toll on consumers' financial security.

"Luxury clothing or handbags, I definitely think are unnecessary right now, [because of] the uncertainty around my financial situation," Kou said.

"I definitely feel that we need to protect ourselves from this uncertainty around the economy," she said.

If she is typical of many young, urban, middle class professionals in cities around China, that is bad news for luxury brands which have relied heavily on mainland China for stellar growth in recent years.

Last year, the country accounted for 21 per cent of the world's personal luxury goods market, behind North America and Europe, according to consultancy Bain & Co. It is expected to become the top market by 2025.

As life returns to normal in many places, luxury sales have spiked in recent quarters, most notably in the United States, but falling sales in China threaten the growth ambitions of luxury brands.

Stocks keep bleeding

FROM PAGE B1

Global stock markets are also feeling the pinch of the war and the pandemic.

The Dow Jones Industrial Average of the US dropped 8.27 per cent in the last month while India's BSE Sensex shed 6.06 per cent, Japan's Nikkei 225 was down 1.41 per cent, and Hong Kong's Hang Seng Index plummeted 14.84 per cent.

"The stock market witnessed another massive fall as the jittery investors went on a heavy sell-off to exit from the market," said International Leasing Securities in its daily market review.

Both the DS30, the blue-chip index, and the DSES, the Shariah-based index, lost 39.52 points and 21.31 points, respectively.

A stockbroker says as the level of trust in government data is low, investors' fear is high.

Officials of ACI Motors, the sole distributor and technical collaborated partner of Yamaha motorcycles in Bangladesh, attend the launch of R15 V4 and the FZ-X Yamaha motorcycles at the International Convention City Bashundhara in Dhaka on Saturday.
PHOTO: ACI MOTORS

M Reazul Karim, managing director of Premier Bank, received a certificate of appreciation from Fazle Kabir, governor of Bangladesh Bank, on the central bank premises in Dhaka recently for achieving a loan disbursement target of a special refinance scheme under a Covid-19 stimulus package of Tk 5,000 crore. AKM Sajedur Rahman Khan, deputy governor of the BB, Md Awlad Hossain Chowdhury, executive director, Md Abdul Hakim, general manager, and Mohammed Emtiaz Uddin, senior executive vice-president of Premier Bank, were present.
PHOTO: PREMIER BANK

Niribili Hatchery in Cox's Bazar is one of the four hatcheries in the Chattogram region that have been given permission to cultivate vannamei shrimp on a trial basis. In total, the Fisheries Department has granted approval to 11 companies in Bangladesh to run the experiential production of vannamei, which accounts for about 80 per cent of the global shrimp market. The photo was taken on Thursday.

PHOTO: COLLECTED

Trial vannamei shrimp farming to begin in Ctg

Could pave the way for commercial cultivation of the variety

MD NAZRUL ISLAM, *Chattogram*

After a long wait, the experimental farming of vannamei is set to begin in the Chattogram region that could pave the way for the commercial production of a shrimp variety that rules the roost in the global market.

The Department of Fisheries has allowed four hatcheries in the region to cultivate vannamei, also known as white-leg shrimp, on a trial basis and directed them to complete the piloting within a year.

The companies are MK Hatchery in Ukhia of Cox's Bazar, Dafa Feed and Agro Products Ltd under Karnaphuli in Chattogram, Niribili Hatchery in the Kalatali area of Cox's Bazar, and Midway Scientific Fisheries Ltd in Khurushkul of Cox's Bazar.

In order to test whether white-leg shrimp can cope with the local environment, the Fisheries Department gave permission to 11 companies in the country to farm vannamei on a trial basis for a year in April. Of them, four are from the Chattogram region.

Agreements for the experimental vannamei farming could be signed this month, according to officials of the department.

The move comes following pleas from exporters as locally grown black tiger shrimp, or bagda, and freshwater prawn, or golda, are unable to compete with cheaper varieties in western markets. And the approval is the result of

successful piloting in Khulna in 2021.

Lutfar Rahman, owner of Niribili Hatchery, says bagda shrimp farming has become risky.

"So, the government should have allowed the production of more productive vannamei eight to nine years ago. We are now far behind the neighbouring countries, which are benefiting financially by cultivating vannamei commercially."

"We can't compete globally by exporting only lobsters and bagda. If the government allows vannamei farming commercially, the shrimp export industry will revive."

Hatchery owners say the cost of production of bagda and golda is higher than vannamei. As a result, they have to ship local varieties at the prices of vannamei, in order to retain the buyers, thus incurring losses.

The productivity of vannamei is high. For example, a maximum 1.5 tonnes of bagda shrimps can be cultivated in one acre area whereas at least five tonnes of vannamei can be produced in the same area, they said.

Currently, vannamei shrimp is being farmed commercially in 62 countries, including 15 in Asia.

Vannamei accounts for 77 per cent of the world's shrimp trade and its demand is growing globally as its price is lower than that of other varieties.

According to the Food and Agriculture Organisation and the Global Aquaculture Alliance, in 2016, the world produced 35.5 million tonnes of vannamei, 5.5 million tonnes of bagda, 2.4 million tonnes of lobster, and 3 lakh tonnes of other varieties.

Vannamei production in the Asian countries such as China, India, Vietnam, Thailand, Indonesia and Malaysia was 23.91 million tonnes in 2016 and it rose to 31.12 million tonnes in 2019.

In India, many states have switched from tiger shrimp to vannamei over the years due to high productivity and profit margin, according to The Hindu newspaper.

As Bangladesh has not yet started commercial vannamei farming, its contribution to the global market of the variety is nil.

In fact, Bangladesh has lagged in shrimp exports in the world market of $32 billion for the last few years.

Export earnings from local varieties had fallen consistently since the fiscal year of 2014-15, because of the higher prices of the local varieties than vannamei, before its revival in recent months.

The shipment of shrimps rose 34.63 per cent year-on-year to $352.24 million in the first 10 months of the current fiscal year, data from the Export Promotion Bureau showed.

It was $328.84 million in the last fiscal year, $333 million in 2019-20 and $550 million in 2013-14.

Of 105 shrimp processing companies in the country, 30 to 35 are export-oriented.

Managing exchange rate regime: any cause for panic?

NAZNEEN AHMED

Exchange rate management has become a frontline issue in Bangladesh in recent times. The sharp rise in the price of the dollar and the significant decline in the foreign exchange reserves within a short span of time have sent shock waves across the economy.

In the backdrop of the recent Sri Lankan economic crisis, apprehensions have been expressed that Bangladesh may be on its way to facing a similar eventuality.

With the preparation of the upcoming national budget for FY23 in its final stage, intense discussions are also taking place regarding appropriate budgetary measures that will be needed to counter the inflationary impact of the depreciation of the local currency.

We observe that inflation is rising, so is the gap in the current account balance, while remittance flow is sluggish and foreign exchange reserves are going down.

As part of its exchange rate management, the Bangladesh Bank (BB) is depreciating it to contain the import surge and guard against the downfall of the reserves. However, the central bank is following a strategy of gradual depreciation of the taka to smooth out the potential inflationary impact of such depreciation on the economy.

The Ministry of Finance approved raising the incentive for foreign remittance from 2 per cent to 2.5 per cent. LC margins have been raised to discourage imports of non-essential and luxury items. Restrictions have also been imposed on official foreign visits to reduce pressure on the foreign exchange market.

The pressure on the foreign exchange market is expected to taper off and the cooling effects of higher exports and remittances are likely to contribute towards stabilisation of the exchange rate

The BB's policy of gradual depreciation of the exchange rate has been criticised by many to be inadequate to contain import surges and reserves retention. They are suggesting a drastic depreciation so that the BB's rate matches the rate at which it is sold in the market.

There has been huge criticism of the BB's "failure" in dousing the gap between these exchange rates. The dilemma is that a massive exchange rate depreciation would fuel the current inflation while the slow pace comprises the risk of further depletion of the reserves.

To assess the efficacy of these measures we need to closely examine the nature of the difficulties we are currently facing in the foreign exchange market. From a policy perspective, these problems can be grouped under three categories: short term, medium-term, and long term.

The short-term problem arises from the fact that there has been a sudden surge in imports due to the release of pent-up import demand on investment, BMRE (Balancing, Modernisation, Rehabilitation and Expansion) and expansion in production capacities in one go. These were held up for two years due to the pandemic.

With the improvement in the Covid situation, the move toward economic recovery advanced at

READ MORE ON B2

Bitter harvest for Indian farmers after wheat export ban

AFP, *Khanna*

When New Delhi banned wheat exports as prices soared over Russia's invasion of Ukraine it provoked consternation abroad and drove the cereal even higher.

Now Indian farmers and traders are fuming they have been denied a windfall as domestic prices have plummeted.

India is the world's second-biggest wheat producer, but the government -- itself the country's biggest buyer of the crop -- said it chose to protect food security for its mammoth population despite inflation concerns.

The move -- along with dwindling global supplies from Russia and Ukraine, both among the world's top five wheat exporters -- sent prices to all-time highs on commodity exchanges in Chicago and Europe.

But at Asia's largest grain market in Khanna, in India's breadbasket state of Punjab, values went the other way.

Every year, thousands of farmers from the wheat-growing region sell their produce at the facility, which is dominated by a dozen giant storage sheds, each the size of a football pitch.

From 2,300 rupees (about $30) per 100 kilograms of wheat before the export ban, prices slumped to 2,015 rupees -- the government-set minimum price at which it buys grain for its vast public distribution system.

India's hundreds of millions of small farmers eke out a borderline existence, subject to the vagaries of the weather, and some in Punjab were already reeling from production losses due to a severe heatwave.

The price fall represents the difference between a bumper payout and heartache, they say.

READ MORE ON B2

An Indian labourer uses a shovel to separate grains of wheat from husks at a local distribution point in Punjab.

PHOTO: AFP/FILE

Apple looks to boost production outside China

REUTERS

Apple Inc has told some of its contract manufacturers that it wants to increase production outside China, the Wall Street Journal reported, citing people familiar with the matter.

India and Vietnam, which are already sites of Apple production, are among the countries short-listed by the company as alternatives, the report added.

Apple last month forecast bigger supply problems as Covid-19 lockdowns slowed production and demand in China.

The report said that Apple is citing China's strict anti-Covid policy and other reasons for its decision.

Apple declined to comment to WSJ and couldn't be immediately reached by Reuters on Saturday.