

Star

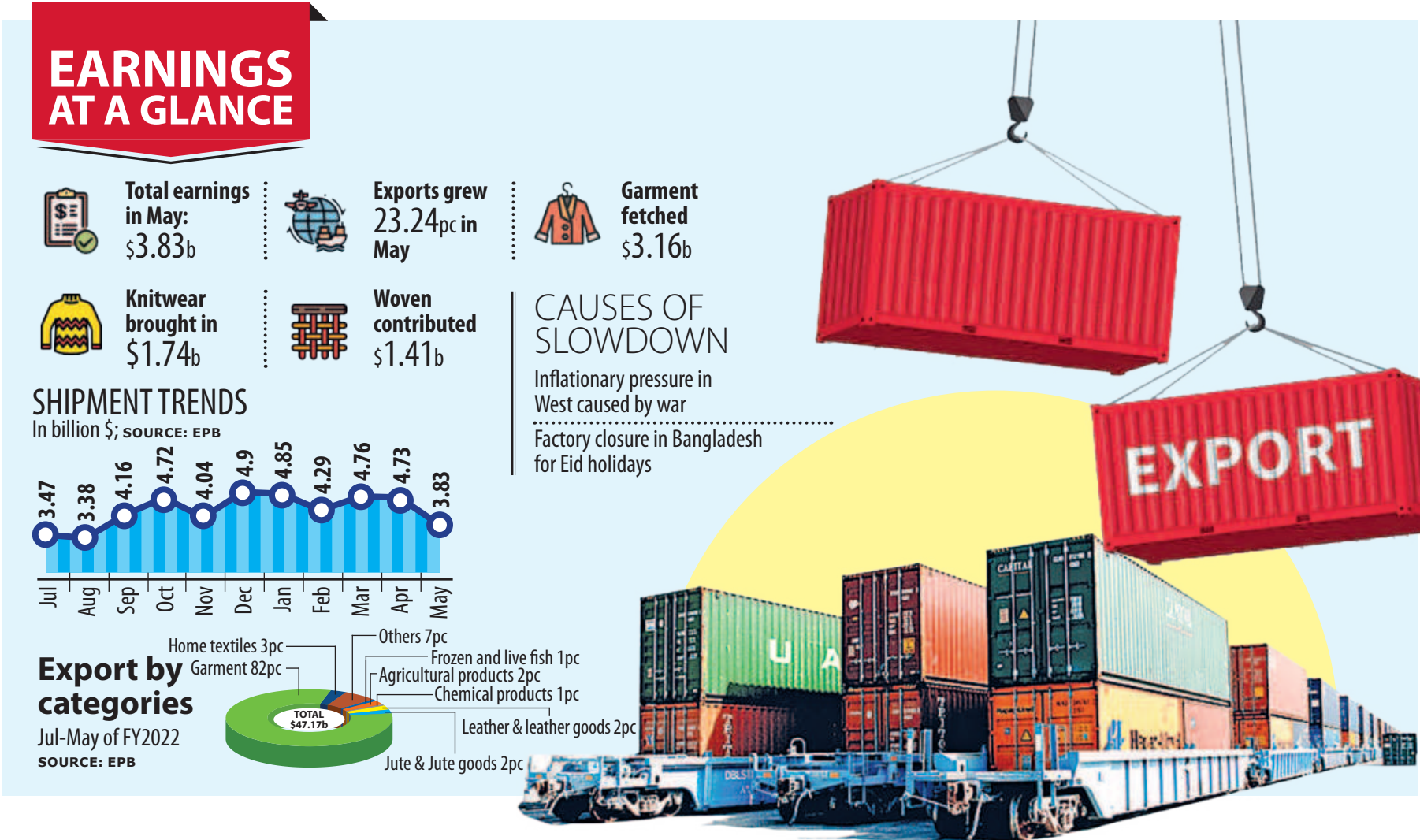
BUSINESS

ManGo Magic

Up to 12% Off at Online Fruit Festival 2022!

Prime Bank

SCAN FOR DETAILS



Urgent need to stabilise macroeconomy

SADIQ AHMED

Macroeconomic stability has been a hallmark of Bangladesh's development strategy. This has served the country well, especially in terms of providing a solid enabling environment for the private sector.

Relatively low inflation (long term average rate of 6.1 per cent over the 1990-2021 periods) has also been helpful in preserving the gains in nominal income for the poor and the fixed-income group. Periodic episodes of imbalances were quickly reversed through deft macroeconomic management involving relevant reforms.

The combination of Covid-19 global supply disruptions and the food-fuel supply crisis related to the Ukraine war has created serious global inflationary pressures. Over the past 12 months, the inflation rate has

Exports slow as raging inflation, uncertainty hit West

REFAYET ULLAH MIRDHA

Export earnings, the largest source of foreign currencies for Bangladesh, slowed in May reflecting the fall in demand in western economies reeling from the crisis caused by higher inflation, the Russian-Ukraine war and supply chain bottlenecks.

The country earned \$3.83 billion in merchandise exports last month, up 23.24 per cent year-on-year but the lowest in nine months, according to data released yesterday by the Export Promotion Bureau (EPB).

It came a day after Bangladesh Bank data showed that remittance flows, the cheapest source of US dollars for the country, declined 13.15 per cent year-on-year in May.

The deceleration in exports and the decline in money transferred by migrant workers will intensify pressure on the country's foreign currency reserves as imports have escalated owing to higher commodity prices.

From September to April, exporters raked in more than \$4.50 billion per month as demand surged in keeping with the receding pandemic.

The highest export earnings in Bangladesh's history were recorded in December when shipment brought home \$4.90 billion.

The deceleration in earnings in May means the country received almost \$1 billion less than the average registered between September and April.

Overall, entrepreneurs posted 34 per cent year-on-year growth in export earnings to \$47.17 billion in the July-May period of the current fiscal year of 2021-22.

Garment shipment, which accounts for around 85 per cent of national international earnings, grew 34.87 per cent year-on-year to \$38.52 billion during the 11-month period.

Knitwear shipment was up 36.61 per cent to \$20.98 billion and woven garment export grew 32.85 per cent to \$17.53 billion. Home textile exports surged 41.3 per cent to fetch \$1.46 billion.

Kutubuddin Ahmed, chairman of Envoy Textile Ltd, said since the purchasing power of western consumers is declining due to accelerating inflation, the clothing items are not on their priority list.

"So, local suppliers may face work order cancellation and deferral payments again that they witnessed during the peak of Covid-19."

In April, inflation stood at 8.3 per cent in the US, 9 per cent in the UK and 7.4 per cent in Germany, the highest in 40 years in all of the countries. Inflation hit 6.8 per cent in Canada, the highest since January 1991.

already started demanding 2.5 per cent to 5 per cent discounts on consignments.

"Moreover, the import costs have started climbing up."

For instance, Ahmed opened letters of credit (LCs) for importing machinery from Italy and Germany, but the suppliers are deferring the delivery of

slowdown in orders in the near future because of higher inflationary pressure.

"We are worried because of the deceleration in orders. We are trying to overcome the challenges by grabbing more market share in the new markets in Asia and other regions."

Hassan thinks giving incentives to the manufacturers who ship products made from man-made fibres may help lift exports to a higher level as the demand for non-cotton items is rising worldwide.

Mohammad Ali Khokon, president of the Bangladesh Textile Mills Association, says no work order for yarn and fabrics has been cancelled yet despite the slowdown in exports.

"However, the delivery of goods has slowed to a bit," he said.

The entrepreneur, however, hopes that orders may make a comeback in July.

Between July and May, the shipment of leather and leather goods increased by 31.85 per cent to \$1.11 billion.

Frozen and live fish, plastic products, rubber goods, pharmaceuticals, cotton and

machinery and asking for 20 per cent more price on the excuse of the war.

"Now, we are facing a crisis because of the war," he said.

Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association, said the export slowed a bit because of the Eid-ul-Fitr holidays when factories were closed for a week, on average.

He, however, warned that there might be a further

FOR INQUIRIES CALL US AT 16704

dbi CERAMICS

ANANTA TERRACES

09610-002525

ANANTATERRACES.COM

MADANI AVENUE, 100 FEET

increased from 4.2 per cent to 8.3 per cent in the US, 1.5 per cent to 9 per cent in the UK, 2 per cent to 7.4 per cent in Germany, 3.4 per cent to 6.8 per cent in Canada, 4.2 per cent to 7.8 per cent in India, 5.5 per cent to 33.8 per cent in Sri Lanka, and 11.1 per cent to 13.4 per cent in Pakistan.

Bangladesh being an open economy is no exception. Although official CPI data show a much lower inflationary pressure (from 5.6 per cent to 6.3 per cent), this has met with scepticism in many quarters given the depth of global inflation. More importantly, individual commodity prices relating to food items show substantial increases over a 12-month period.

READ MORE ON B2

STOCKS	
DSEX	CASPI
0.28%	0.37%
6,451.53	18,891.73

COMMODITIES	
Gold	Oil
\$1,866.8	\$114.48
(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
0.79%	0.16%	0.53%	0.42%
55,818.11	27,413.88	3,226.72	3,195.46

Trade deficit shoots up 53pc in July-April

STAR BUSINESS REPORT

Bangladesh's trade deficit shot up 53 per cent year-on-year to \$27.5 billion in the July-April period of the current fiscal year as the surge in imports continued against lower export receipts, exceeding last year's total shortfall.

Bangladesh paid \$68.67 billion in import bills in the 10 months ending in April, when export earnings stood at \$41.10 billion, according to data released by Bangladesh Bank.

The amount of deficit originating from the nation's overseas trade crossed the previous peak of \$23.7 billion, registered last fiscal year, thanks to spiralling import bills resulting from soaring commodity prices in the international market for supply chain disruptions and war in Ukraine.

With its inadequate domestic production, Bangladesh has to import a number of key commodities, namely wheat, edible oil, sugar and pulses. The nation also has to import petroleum, industrial raw materials and intermediate goods to run both its domestic market and export-oriented industries.

Imports, which slowed in the last two months, were still 41 per cent higher year-on-year in the July-April period whereas exports grew 35 per cent at the same time.

The gap against the backdrop of a drop in the inflow of remittance, a major pillar of Bangladesh's \$465 billion economy, worsened the availability of foreign exchange to finance imports and increased pressure on once comfortable foreign exchange reserves.

READ MORE ON B3



Bangladesh paid \$68.67 billion in import bills in the July-April period of the current fiscal year while export earnings were \$41.10 billion. The photo was taken from a private inland container depot in Chattogram city.

BB lines up Tk 100cr for digital nano loans

STAR BUSINESS REPORT

Bangladesh Bank yesterday introduced a Tk 100 crore refinance scheme for "digital nano loan" disbursements with an aim to expand the financial inclusion of marginalised people.

Participating banks will be able to disburse loans of Tk 500 to Tk 50,000 to individual customers with up to 9 per cent interest under the scheme.

The loans have to be disbursed entirely digitally by using internet banking, mobile apps, mobile financial services (MFS), or e-wallet services, according to a central bank circular.

Scheduled banks will be able to avail the fund to disburse it to customers. Of the Tk 100 crore, Tk 50 crore will be disbursed as loans and later, another Tk 50 crore will be given as refinance benefits.

READ MORE ON B3