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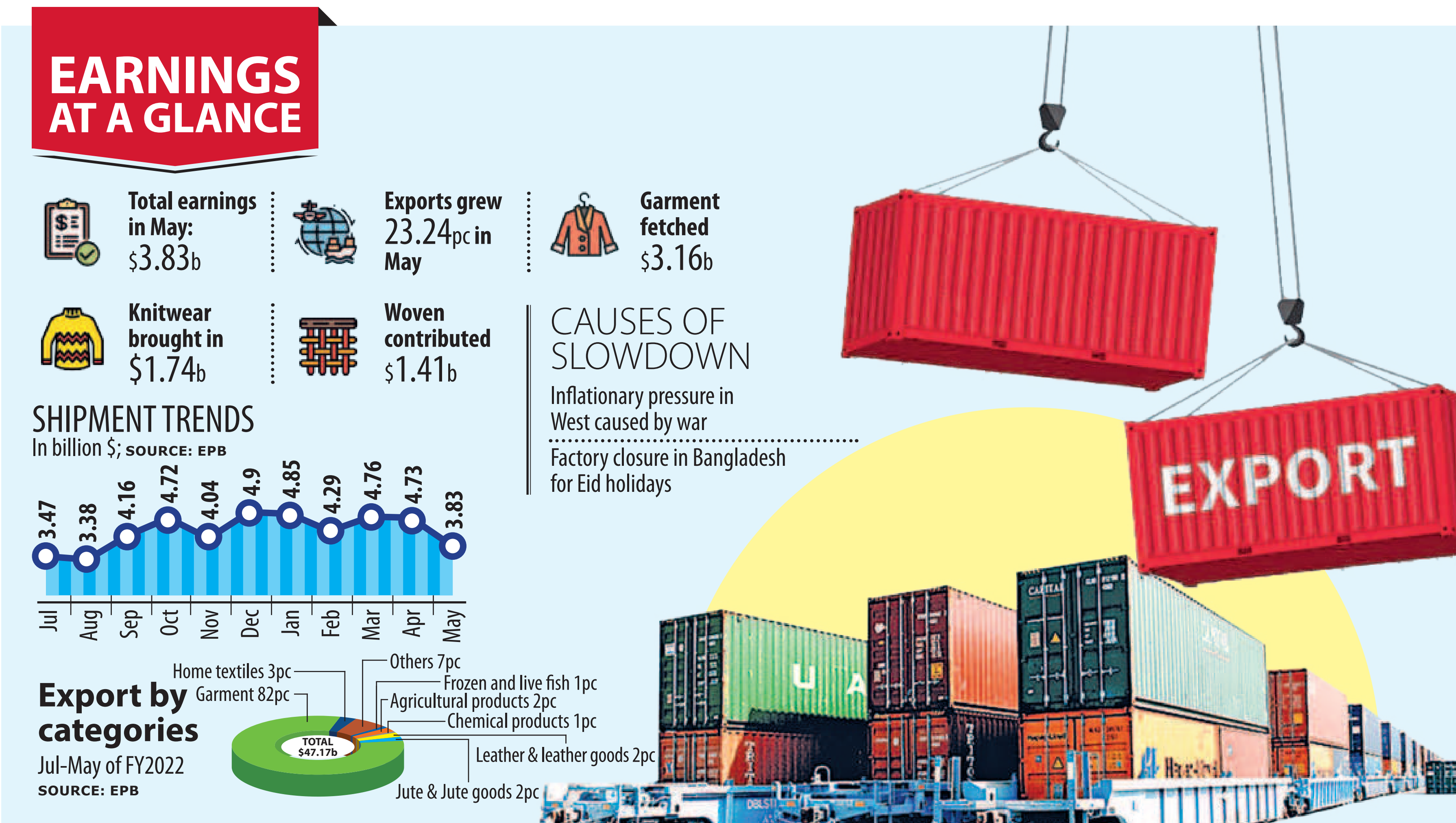


# Exports slow as raging inflation, uncertainty hit West

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.



The four are major export destinations for Bangladesh.

What is even more distressing, the odds of a recession in Europe, the US, and China are significant. If this translates into reality, demand in the western economies could fall further, hitting exporting nations like Bangladesh.

Ahmed, whose company mainly supplies denim products to European retailers and brands, said some international retailers and brands have 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 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 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

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# 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



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.

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**STOCKS**

| DSEX ▼ | CASPI ▲ |
|---|---|
| 0.28% 6,451.53 | 0.37% 18,891.73 |

**COMMODITIES**

| Gold ▲ | Oil ▼ |
|---|---|
| $1,866.8 (per ounce) | $114.48 (per barrel) |

**ASIAN MARKETS**

| MUMBAI | TOKYO | SINGAPORE | SHANGHAI |
|---|---|---|---|
| ▲ 0.79% 55,818.11 | ▼ 0.16% 27,413.88 | ▼ 0.53% 3,226.72 | ▲ 0.42% 3,195.46 |

# Padma Bank gets massive waiver

STAR BUSINESS REPORT

The Bangladesh Bank yesterday provided a fresh waiver to Padma Bank allowing it to maintain a lower amount of mandatory liquid assets in order to enable the crisis-ridden lender to improve its balance sheet and attract foreign investors.

The central bank earlier permitted the private commercial bank to maintain a 9.75 per cent statutory liquidity ratio (SLR), apart from the cash reserve ratio (CRR), against its demand and time liabilities for 2022 and 13 per cent for 2023.

Now, Padma Bank would be able to keep only 3.25 per cent of liquid assets (treasury bills and bonds) as SLR along with CRR from 2022 to 2024.

The SLR is a minimum percentage of deposits that banks have to maintain in the form of liquid cash, gold or other securities, while the CRR determines the portion of customer deposits that they must keep as a reserve with the central bank.

Padma Bank will have to raise its SLR to 6.5 per cent in 2025 and to 9.75 per cent in 2026, according to a BB notification.

As per BB rules, banks have to maintain 4 per cent of cash as CRR and 13 per cent of cash equivalent assets as SLR.

The central bank has relaxed the rule for Padma Bank to enable the scam-hit bank to attract investors and prevent it from collapsing in 2020.

The fresh relaxation comes following pleas from Padma Bank, which was earlier rescued by five state-run financial institutions -- Investment Corporation of Bangladesh, Sonali Bank, Janata Bank, Agrani Bank and Rupali Bank -- in the wake of massive financial irregularities.

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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.

PHOTO: RAJIB RAIHAN

# Trade deficit shoots up 53pc in Jul-Apr

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,

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