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Star BUSINESS

AT A GLANCE

- Special incentive on MMF garments to offset fallout of war
- Incentive to attract more investment to primary textile
- Millers raising investment in MMF to grab more global market share
- Global MMF garment product market is worth $700b
- Price of MMF garments is higher than cotton-made items
- Monthly garment shipments to Russia dropped

INCENTIVES

- 5pc cash incentive may be given to MMF garment exporters
- Currently 5pc incentive is provided for export of apparel made of local fabrics
- 1pc cash incentive is offered for exports to all markets
- 4pc cash incentive is given for exports to non-traditional markets

BY THE NUMBERS

- Globally, 78pc garment is made from MMF
- In Bangladesh, 74pc garments made from cotton and rest from MMF
- Investment in primary textile sector is $20b

EXTRA CASH INCENTIVE planned for non-cotton RMG exports

REFAYET ULLAH MIRDHA

The government could pay additional incentives to the exporters of non-cotton apparel items in order to help them offset the severe impacts of the Russia-Ukraine war on the shipment of garment items.

A file from the commerce ministry was sent to the finance ministry a few days ago, recommending at least 5 per cent additional cash incentive for the shipment of non-cotton garment items, which are made from man-made fibre (MMF).

The aim is to give some relief to exporters facing difficulties owing to the war, said Tapan Kanti Ghosh, senior secretary of the commerce ministry.

The move came after the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) sent a letter to the commerce ministry, demanding a 10 per cent cash incentive on the export of non-cotton garment items as the demand for MMF-made apparel products is growing worldwide and the prices are also better than cotton-based ones.

In a letter to the commerce ministry, the association also pointed out the importance of producing a diverse range of products and high-value items to remain competitive in the post-LDC era.

"So, it is the right time to pay an additional cash incentive on the export of MMF-made garments in order to accelerate garment shipment from Bangladesh and overcome the impacts of the war," Ghosh said.

The decision about the new cash incentive will come into effect very soon since it is being noticed that orders are declining in some destinations because of higher inflation, the senior secretary said.

Last week, Achim Troster, German Ambassador to Bangladesh, also said the prolonged war, energy crisis and rising inflation are likely to slow Bangladesh's present export momentum to Germany in the days to come.

Inflation in Germany recently hit a 50-year high of 8 per cent.

Inflation, along with the increasing energy price, will squeeze the purchasing power of German consumers and prompt them to spend less on consumer goods like readymade garments and leather, Troster said.

Germany is not the lone country that is suffering from higher consumer prices.

In the US, inflation accelerated to a fresh 40-year high of 8.6 per cent in May and it was 8.1 per cent in the eurozone – the two biggest export destinations of Bangladesh.

Inflation is also running high in other major markets such as the UK, Spain, France, Canada, and Italy.

Garment exports from Bangladesh to Germany, the second-largest export destination for Bangladesh after the US, stood at $5.95 billion in the fiscal year of 2020-21 and to the US market $6.97 billion.

Despite the gloomy global outlook, exports from Bangladesh hit an all-time high of $52.08 billion in the just-concluded fiscal year. Garment shipment clocked 35.47 per cent year-on-year growth, netting $42.61 billion.

In June, the shipment stood at $4.908 billion, the highest ever on record in a single month, rebounding from a nine-month low of $3.83 billion registered in May.

"We need to maintain the export growth. So, we are going to introduce this special incentive," Ghosh said.

Currently, the government pays a 5 per cent cash incentive on the sales of garment items made from locally spun yarn, a 1 per cent additional incentive for exports in all markets and a 4 per cent cash incentive in non-traditional markets. Bangladesh considers all markets as non-traditional except the US, the EU, the UK and Canada.

Faruque Hassan, president of the BGMEA, said the demand for non-cotton garment items is rising thanks to the change in fashion and styles.

For example, of the total garment items produced in the world, 78 per cent are made from MMF and the rest 22 per cent are cotton-made.

In Bangladesh, the picture is opposite.

From Bangladesh, of the total garment items shipped, 74 per cent is made from cotton fibre and the rest is manufactured from the non-cotton fibre.

The price gap between cotton and MMF-made items is also large. For instance, if a cotton-made garment item is sold at $5 apiece, the asking price of an MMF apparel item is $10.

"As a result, our exporters are getting very low prices," Hassan said.

"So, any form of incentive at the time of the war will definitely help the sector grow," he said, urging the government to continue such incentives at least until 2026, the year when Bangladesh is set to graduate from the group of least-developed countries to finally become a developing nation.

China dominates the $700-billion global market of MMF-made garments.

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Locally made AI chatbot pulls global clients

MAHMUDUL HASAN

Local technology company Reve Chat is now facilitating access to information for citizens of Mexico while protecting their personal data with its AI-enabled chatbot, underscoring the Bangladesh tech industry's growing clout in the global markets.

Reve Chat developed Cavinai for the National Institute of Transparency, Access to Information and Protection of Personal Data (INAI), an autonomous body of the Mexican government.

"Our local talent developed the chatbot," M Rezaul Hassan, CEO of Reve Group, the owning company of Reve Chat, told The Daily Star.

It can answer complex questions asked by citizens and provide them with fast support, he added.

The citizens of the North American country can access information from the INAI's website and over WhatsApp.

"The government authority seeks to ease communication with the citizens using the latest technology as we have proved our technology's effectiveness in different countries," he added.

Cavinai is a new tool to facilitate, accessible and direct communication with the citizens.

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Trade deficit hits historic high

STAR BUSINESS REPORT

Bangladesh's trade deficit hit a historic high of $30.81 billion in the first 11 months of the 2021-22 fiscal year, intensifying the pressure on the macroeconomic zone.

The country has been facing the higher trade deficit in recent months due to the escalation of imports against lower exports.

Trade deficit in the first 11 months of FY21 stood at $20.70 billion, according to data from the Bangladesh Bank.

This has already created a tremendous pressure on the foreign exchange reserves, prompting a foreign exchange crisis in the banking sector.

Between July and May last fiscal year, imports

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STOCKS

DSEX ▼	CASPI ▼
0.20%	0.02%
6,346.88	18,693.37

COMMODITIES

Gold ▲	Oil ▲
$1,808.6 (per ounce)	$109.81 (per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.62%	▲ 0.84%	▲ 0.8%	▲ 0.53%
53,234.77	26,153.81	3,120.24	3,405.43

GP sees stocks fall while Robi enters bull run

AHSAN HABIB

Stocks of Grameenphone have been falling ever since the government banned the country's top telecom company from selling new SIM cards at a time when shares of its main competitor, Robi Axiata, have entered a bull run.

The Bangladesh Telecommunication Regulatory Commission (BTRC) has banned Grameenphone from selling SIMs until the operator improves its service quality and reduces the rate of call drops.

Investors believe the BTRC's decision will put a halt to new customer acquisition for Grameenphone and so, the company's share price fell, said Md Moniruzzaman, managing director of IDLC Investments.

In contrast, investors think that Robi's new business acquisition will be easier now for the same reason.

"So, its stocks started a bull run," he added.

Grameenphone's share price plunged to Tk 282 yesterday, down 6.62 per cent from Tk 302 on Tuesday, according to data from the Dhaka Stock Exchange (DSE).

However, it should be mentioned that the circuit breaker imposed by the Bangladesh Securities and Exchange Commission (BSEC) prevents any stock from dropping more than 2 per cent daily but on the other hand, it allows share values to rise by a maximum of 10 per cent each day.

From Tuesday onwards, Robi's stocks soared 27 per cent to Tk 36.4 from Tk 28.6 previously, the data shows.

Moniruzzaman, who worked as issue manager for many top companies like Robi, said the government

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The history of Bogura's sweetened curd is ancient, dating back at least 150 years, with the Ghosh family of Sherpur being the industry pioneer. The production process is meticulous, requiring bacterial fermentation of milk for around 12 hours alongside use of varying temperatures, including use of charcoal in underground stoves. With each kilogramme priced at Tk 220, the region's annual sales can reach anywhere from Tk 300 crore to Tk 400 crore. The photo was taken at Chalk Pathalia village of Sherpur upazila recently.

PHOTO: MOSTAFA SHABUJ

NBR extends VAT cut for edible oil imports

STAR BUSINESS REPORT

The National Board of Revenue (NBR) yesterday extended the opportunity for edible oil refiners to import and refine the essential commodity by paying only 5 per cent value added tax (VAT) at the import stage until September 30 this year.

The NBR also extended the VAT exemption at the production and trading stages of palm oil and soybean oil, imported mainly in crude form by refiners, according to notifications issued by the NBR.

The moves are being considered as prices of edible oil are still high even after refiners cut soybean oil prices by up to Tk 6 per litre on June 26.

Consumers currently buy a litre of bottled soybean oil for Tk 190 to Tk 200, down 3 per cent from Tk 195

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