Jute, jute goods exports fall for soaring shipping costs

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Exports of jute and jute goods from Bangladesh declined in the last fiscal year due to the unprecedented surge in shipping costs and the higher price of raw fibres.

Jute millers fetched $1.13 billion by selling jute and jute-made products in the fiscal year that ended on June 30, down 2.91 per cent year-on-year, data from the Export Promotion Bureau (EPB) showed.

Earnings from the main exportable yarn and twine dipped 12.67 per cent to $697.80 million.

Mohammed Mahbubur Rahman Patwari, a former chairman of the Bangladesh Jute Mills Association (BJMA), blamed the spiralling freight costs for the decline in the exports of jute and jute goods.

The container freight cost rocketed nearly 10 times to $10,000-$15,000 from $1,000-$1,500 since the pandemic struck the world.

This means if the price of a container full of products is $40,000, the total costs, which include the freight charges, come at $50,000.

"When our products reach Turkey, the total costs exceed the prices of the local products in the country," said Patwari.

So, Bangladeshi exporters are being compelled to sell their products by incurring the loss equivalent to the freight charges, he said.

"We are in hot water."

Jute yarn accounts for two-thirds of the export earnings from the sector, EPB data showed. The product is used in carpets and Turkey is the main buyer for yarns produced in Bangladesh.

But many buyers are using recyclable cotton to make carpets, Patwari said.

Higher prices of the raw jute in the local market, driven largely by manipulation perpetrated by middlemen, mean exporters can't remain much competitive in the international markets when they have to buy the raw material at higher costs.

"If the prices decline in the domestic market next season, we will get relief to some extent," Patwari added.

Exporters say a fresh blow for the industry comes several months after export receipts hit $1.16 billion in the fiscal year of 2020-21, the highest on record, driven by a higher price of raw jute and an increased demand.

According to millers who produce yarn, twine, bags, sacks and other jute goods for mainly export markets, buyers reduced orders against the backdrop of spiralling prices of the natural fibre, which hit a historic high of more than Tk 5,000 per maund in February this year owing to the stockpiling by the middlemen and a decline in production of the crop last season.

Usually, raw jute is sold at Tk 2,500-Tk 3,100 per maund, especially during the harvest period.

Patwari says costs are still high and international buyers are switching to alternatives to jute goods.

Jute sack and bag makers were the hardest hit as their shipment fell 14 per cent year-on-year to $119.23 million in FY22.

Abdul Barik Khan, secretary general of the BJMA, says there is a lack of policy support to promote the sector, which involves about five crore people.

The government formulated the Mandatory Jute Packaging Act in 2010 to cut the use of plastics and promote eco-friendly fibre. But it has not been implemented properly yet.

This prompted the association to move to the High Court this year and file a writ petition. The court, on June 28, directed 14 ministries and departments to inform it within 60 days as to why the law has not been implemented, said Khan.

He pointed out that the Bangladesh Bank has formed the Export Development Fund, which lends to exporters at only a 2 per cent interest rate to allow them to import raw materials, including yarn.

"But when we buy jute from our own farmers, we pay at least 9 per cent interest."

He demanded the fixation of the maximum price of raw jute and urged the government to take strict measures against illegal hoarding.

Amid declining export volume, the government has extended a 20 per cent cash incentive for the shipment of diversified jute products such as food-grade bags, clothes, yarns, and twines.

Exporters have to ensure the use of the natural fibre equivalent to at least 50 per cent of the export price, said the central bank in a notice recently.

The cash incentive for hessian, sacking and carpet backing cloth is 12 per cent.

Farmers in Bangladesh have grown roughly 80 lakh bales of jute annually over the past five years.

Stocks turnover hits 2-month low

STAR BUSINESS REPORT

Turnover of the domestic stock market plunged to under Tk 600 crore for the first time in about two months as investors are shaky about pouring in their funds amid the recent economic uncertainty, according to analysts.

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), remained flat at 6,324 by the end of yesterday's trading session.

However, turnover of the Dhaka bourse plunged to Tk 580 crore, down from Tk 702 crore the previous day. The stocks edged flat after a bumpy ride as most investors followed a cautious stance amid macroeconomic concerns, International Leasing Securities said in its daily market review.

The exchange rate recently reached a new high of Tk 94.35 per US dollar as the foreign reserves slipped below $40 billion for first time in two years.

"So, investors are reluctant to make fresh bets and besides, most of them are yet to return to Dhaka after celebrating Eid," it added.

At the DSE, 129 stocks advanced, 198 dropped and 55 remained the same.

Meghna Condensed Milk topped the gainers list, rising 9.96 per cent, while Bangladesh Autocars, Usmania Glass Sheet Factory, Gemini Sea Foods, and Information Services Network also advanced significantly.

NRB Commercial Bank shed the most, eroding 5.36 per cent, while Regent Textile Mills, Paramount Textiles, Evince Textile and Intraco Refueling Station were among the heavy losers as well.

Titas Gas Distribution and Transmission became the most traded stock with shares worth Tk 47 crore changing hands followed by Beximco Ltd, KDS Accessories, IPDC Finance, and JMI Hospital.

Meanwhile, stocks at the Chattogram bourse dropped yesterday while its turnover also fell.

The CASPI, the all share price index of the Chattogram Stock Exchange (CSE), dropped 19 points, or 0.10 per cent, to hit 18,595.

At the CSE, 71 stocks rose, 173 fell and 38 did not move by the end of the trading hour.

Turnover of the port city bourse stood at Tk 10 crore, down from Tk 22 crore the previous day.

Oil prices drop

REUTERS, *London*

Oil prices fell on Thursday as investors focused on the prospect of a large US rate hike that could stem inflation but at the same time hit oil demand.

Brent crude futures for September were down $1.86 cents to $97.71 a barrel at 1016 GMT after settling below $100 for a second straight session on Wednesday.

US West Texas Intermediate crude for August delivery was at $94.01 a barrel, down $2.29 cents.

Oil prices have tumbled in the past two weeks on recession concerns despite a drop in crude and refined products exports from Russia amid Western sanctions and supply disruption in Libya.

"Clearly, focus is now on the demand side of the oil equation. Yesterday's weekly EIA (US Energy Information Administration) report showed sizeable builds in product inventories," Tamas Varga, analyst at PVM Oil Associates, said.

"Collateral damage of growing fears of inflation is the strong dollar, which is also bearish for oil prices. Interestingly, physical markets are still strong but the change in sentiment of financial investors is currently the dominant driving force."

$350m set to enter forex market

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It came after the foreign exchange reserves of Bangladesh slipped below $40 billion for the first time in nearly two years, owing to higher imports caused by surging commodity prices globally and the appetite in the economy rebounding from the coronavirus pandemic. Reserves stood at $39.70 billion yesterday.

Between July and May, imports increased to $75.40 billion, up 39 per cent year-on-year, whereas exports grew 33 per cent to $44.58 billion during the same period.

Full fiscal year import data has not been published yet.

Exports hit an all-time high of $52.08 billion in the just-concluded fiscal year, giving much-needed breathing space to the country amid ongoing volatility in the foreign exchange regime.

Remittances, the cheapest source of foreign currencies for Bangladesh, however, contracted in 2021-22, the first time in six years, as many remitters opted for the informal channels to send their money. The inflow stood at $21.03 billion.

Fahmida Khatun, executive director at the Centre for Policy Dialogue, welcomed the central bank's move.

"It means that the central bank is recognising the problems and is taking steps to address them."

In May, the noted economist had said the ERQ limit should be reduced to 5-10 per cent of repatriated proceeds for the next six months.

In another initiative yesterday, the BB has allowed, for the first time, the domestic banking units of banks to borrow from their offshore banking operations, to settle the import payments of capital machinery, industrial raw materials and imports made by the government.

Now, offshore banking operations can place funds with their domestic counterparts for six months with a limit not exceeding 25 per cent of the total regulatory capital of a bank.

The relaxation will remain valid till December 31 as well.

Also yesterday, the BB asked banks to report all types of foreign exchange transactions, including those of offshore banking operations, to the different web portals of the central bank on a regular basis.

As part of import monitoring, banks have been advised to submit import information to the Bangladesh Bank Online Import Monitoring System 24 hours prior to opening letters of credit.

The reporting requirement is for transactions involving $5 million and above and excludes the imports carried out by the government.

SME stocks fly high

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Nialco Alloys and Mamun Agro Products, DSE data showed.

What is even more startling is that the share of most SMEs is trading higher than that of some of the blue-chip companies, which are well-known for steady growth, strong fundamentals, and sound business practices.

For example, Bengal Biscuits, BD Paints, Nialco Alloys, Wonderland Toys, and Star Adhesive all are trading above Tk 50 whereas companies such as Brac Bank, City Bank, Eastern Bank, IFIC Bank, Islami Bank Bangladesh, non-banking financial institutions IDLC and LankaBangla, mobile phone operator Robi, electricity producer Summit Power, and gas utility company Titas Gas are trading below Tk 50.

Mohammad Rezaul Karim, a spokesperson of the BSEC, says the regulator has relaxed the conditions following requests from the associations of market intermediaries.

Since the number of listed SMEs and the number of their shares available for trade is low, their prices have gone up, he said.

"If more SMEs go public, the demand and supply gap will narrow."

Karim could not say immediately whether the SME shares are overvalued and added that such conclusion can be made after they announce dividends.

"Our surveillance team is closely monitoring to find out whether anyone is doing anything unlawfully," he said.

Sandhani readies tax-efficient mutual fund

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benefit from the new feature by selling units back to the fund manager when they reach a higher value, according to Mir Ariful Islam, managing director and chief executive officer of Sandhani Life Insurance.

The unit prices will be determined on the basis of its current net asset value and so, there is no chance for investors to get a lower price, he said.

Other than being more tax effective, investments in no-dividend mutual funds are safe as it is a fixed-income fund and the proceeds will be mostly invested in fixed income instruments.

"So, the fund will be a perfect fit for investors who want to protect their investment against inflation and secure a stable return," Islam added.

Banks that use credit ratings offer very minimum interest rates and, in most cases when it is lower than the inflation rate, the fund could be more profitable as its investment exposure will be in government securities and investment-grade bonds.

"This offers much better returns than fixed deposit receipts or deposit pension schemes."

Bangladesh Securities and Exchange Commission approved the Sandhani Asset Management SLIC Fixed Income Fund last month and its subscription is going to start from Sunday.

The size of the fund could reach up to Tk 50 crore, of which Tk 10 crore was provided by its sponsor, Sandhani Life Insurance. The rest can be raised from general investors with the price of each unit set at Tk 10.

EU cuts euro zone growth forecasts

REUTERS, *Brussels*

The European Commission cut its forecasts for economic growth in the euro zone for this year and next and revised up its estimates for inflation on Thursday largely due to the impact of the war in Ukraine.

In its quarterly forecasts, Brussels confirmed its more downbeat outlook, which it had already discussed with euro zone finance ministers on Monday.

The EU executive now predicts growth of 2.6 per cent this year for the 19-country currency bloc, slightly less than the 2.7 per cent it had forecast in May.

But next year, when the impact of the Ukraine war and of higher energy prices may be felt even more acutely, growth is now forecast to be 1.4 per cent, instead of the 2.3 per cent previously estimated.

"A storm is possible, but we are not there at the moment," EU economics commissioner Paolo Gentiloni said, noting that the fall of the euro to parity against the dollar was a major concern largely for developing economies, rather than for the euro zone, because the euro was appreciating against other major currencies.

For the wider 27-country European Union, the growth forecast was unchanged at 2.7 per cent this year, but revised down to 1.5 per cent in 2023 from 2.3 per cent.

In a major change, the Commission also raised its estimates for euro zone inflation, which this year is now expected to peak at 7.6 per cent before falling to 4.0 per cent in 2023.

In May, the Commission had forecast prices in the euro zone would rise 6.1 per cent this year and 2.7 per cent in 2023.

Brussels warned headline inflation could move even higher if gas prices soared due to Russia cutting off supplies, which might lead to a further downward revision of growth.

Risks to the outlook from a resurgence of the Covid-19 pandemic could also not be ruled out, the Commission said.

Despite these high risks, the Commission underlined that the euro zone was not expected to tip into a recession and the forecasts could also improve if recent declines of oil and commodity prices continued.

Thanks to a strong labour market with historically low unemployment rates, the Commission said private consumption could also prove more resilient to increasing prices if households were to use more of their accumulated savings.

Germany, the EU's biggest economy, would see growth slow to 1.4 per cent this year and 1.3 per cent in 2023. The Commission had in May forecast expansions of respectively 1.6 per cent and 2.4 per cent.

France is expected to grow by 2.4 per cent this year, instead of the previously forecast 3.1 per cent. Next year, growth is estimated to slow further to 1.4 per cent, against 1.8 per cent predicted in May.

Among the three biggest economies of the bloc, Italy is the only one that is expected to grow this year by more than previously forecast. It is now seen to expand by 2.9 per cent, rather than the 2.4 per cent estimated in May.

However, the country is expected to experience a marked slowdown next year, when growth is predicted at 0.9 per cent, the lowest in the euro zone and down from a previous forecast of 1.9 per cent.

India's inflation stays above 15pc in June

REUTERS, *New Delhi*

India's annual wholesale price-based inflation kept above 15 per cent in June, government data showed on Thursday, but the slight easing from the prior month's three-decade high of 15.88 per cent strengthens prospects for more rate hikes next month by the central bank.

Economists say inflation, driven by higher global crude oil and domestic prices, has shown little sign of cooling, despite a rise of 90 basis points in the benchmark rate of the Reserve Bank of India (RBI) over the last two months and export curbs.

Wholesale prices (INWPI=ECI), akin to producer prices, eased slightly to 15.18 per cent, but stayed in double digits for a 15th straight month, the data showed.

A depreciation of nearly 7 per cent this year in the rupee currency against the dollar has pushed up prices of imported food and energy products for companies as well as consumers.

June's figure was lower than a forecast of 15.50 per cent in a Reuters poll of analysts, and compared to 12.07 per cent in June 2021.

Aditi Nayar, chief economist at ICRA, the Indian arm of Moody's rating agency, said WPI inflation could ease to 13 per cent in July, reflecting correction in global commodity and fuel prices, which surged after Russia's invasion of Ukraine in February.

"We foresee 60 basis points of rate hikes by the Monetary Policy Committee (MPC) over the next two reviews," she said, referring to the central bank's rate-setting panel.

The repo rate could rise to 5.5 per cent by September, followed by a pause to ascertain economic growth momentum, she added.