DHAKA SUNDAY JULY 17, 2022, SRABAN 2, 1429 BS ● starbusiness@thedailystar.net

Star BUSINESS

47 firms get nod to import 73,000 tonnes of rice

STAR BUSINESS REPORT

The government has given go-ahead to 47 companies to import 73,000 tonnes of rice as part of its ongoing effort to contain food prices in the local market.

The firms have been asked to bring 60,000 tonnes of non-basmati boiled rice and 13,000 tonnes of non-boiled atap by August 25, according to a notice issued by the food ministry on July 13.

The government allowed firms for the third time this month to import the essential staple food amid volatility in the global market.

Earlier in the month, the government allowed 230 firms to import 655,000 tonnes of rice in two phases.

Earlier in the month, the government allowed 230 firms to import 655,000 tonnes of rice

That means, the government has so far allowed the local food firms to import 728,000 tonnes of rice in the ongoing financial year.

The companies who got the fresh permission were asked to open letters of credit (LCs) by July 31.

If they fail to comply, the import permissions would be cancelled, it said.

The importers have been asked to inform the district food offices about how much rice is imported, sold and stored.

Traders will have to sell the rice in the same bag that would be used to import the grain, according to the food ministry.

The National Board of Revenue cut the duty on rice that will be imported in a period between June 22 and October 31 to 25.75 per cent from 62.5 per cent to facilitate the purchase of the cereal from international markets.

In order to avail the tax waiver, importers will have to take permission from the food ministry for every shipment, according to the NBR.

Coarse rice is being sold for between Tk 48 to 52 per kg in the kitchen markets in Dhaka yesterday.

The prices of coarse rice remained unchanged in the past one month, according to the Trading Corporation of Bangladesh.

Farmers harvesting jute plants as the season draws to a close, earning Tk 500 per day. As per estimates of the Department of Agricultural Extension, 7.52 lakh hectares of land has been cultivated in the current season. Some 84 lakh bales were produced in fiscal 2021-22, according to Bangladesh Bureau of Statistics. The photo was taken from Faridpur's Nagarkanda upazila last week. PHOTO: SUZIT KUMAR DAS

Outlook gloomy for small garment makers

Global supply chain volatility to blame

REFAYET ULLAH MIRDHA

Big and green apparel factories are content bagging a constant stream of work orders but small, medium and subcontracting units are suffering amidst volatility in the global garment supply chain stemming from the Russia-Ukraine war.

However, the inflow of work orders based on which local garment factories would make deliveries next season declined by 20 per cent compared to the preceding season.

The next season will begin in September and would continue up until November whereas the preceding season will run from July to October.

The decrease in the inflow of work orders is mainly being felt by the small, medium and subcontracting factories as international retailers and brands give consideration to productivity and financial strength when placing work orders.

Green factories have their reputation and international retailers and brands place work orders in those units even in times of crisis as they think the demand for garments made in green factories is higher than those from others.

Jahangir Hossain, manager of Patriot Garments, a subcontractor turned direct supplier, had been faring well since September 2018.

But next season he may face a dearth of work orders as his European, Canadian and American buyers are complaining about the impacts of the Russia-Ukraine war.

As of now, he is happy with the inflow of work orders to his unit. Hossain employs 270 workers and exports $70,000-worth garments in a month.

Md Ehterab Hossain, managing director of Base Fashions, a Gazipura-based knitwear factory, said the inflow of work orders had slowed down as one of the fallouts of the war, which had ushered skyrocketing global inflation.

Hossain employs 1,000 workers and exports, mainly to Europe, t-shirts, polo shirts and other knitwear items worth $1.30 million in a month.

"My European buyers are regularly complaining about the inflation and apprehended that work orders would be reduced next season," he said.

However, the volume of work orders for September onwards has reduced to a trickle, said Hossain.

Similarly, Ahmed F Rahman, chairman of Fatullah-based Kappa Fashions Wear, said he was fully booked up to September.

But for October onwards the inflow of work orders has been slowing down as the international retailers and brands are adopting cautious measures because of the fallouts of the war and inflationary pressure, mainly in Europe, he said.

European retailers and brands are also putting pressure on local exporters to reduce prices as the profit margin is declining sharply because of the reduction of the difference in the exchange rate between the euro and the US dollar, he said.

The European retailers and brands buy garment items in US dollars and sell those in euro.

READ MORE ON B3

Local airlines face headwinds as fuel price soars

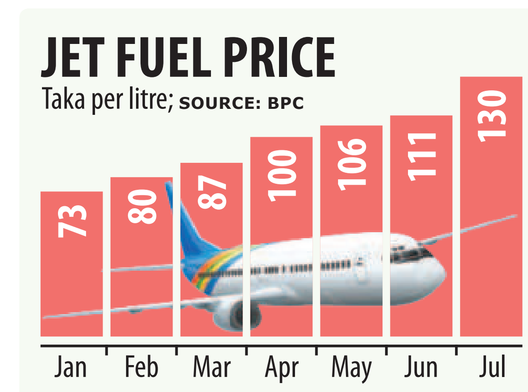
RASHIDUL HASAN

Local airlines will have to face a severe blow losing their competitiveness globally due to an unprecedented hike in the price of jet fuel in the domestic market in one go.

Padma Oil Company, a subsidiary of Bangladesh Petroleum Corporation (BPC), recently increased the price of jet fuel by Tk 19 per litre that came into effect from July 9. This took the rate to Tk 130 per litre.

Stakeholders in the aviation industry blasted the BPC for this whimsical decision, citing that there was no logic behind it as the price was decreasing in the international market.

This is the 16th time that Padma Oil Company raised the price of jet fuel in the last 20 months.



Previous hikes were in the range of Tk 2 to Tk 7. But the latest was termed unprecedented by sources at different airlines.

Air travellers will have to pay more for tickets for the hike, sources in aviation industry told The Daily Star.

In December 2020, the price of jet fuel, which accounts for up to 46 per cent of the operational costs of an airline, was Tk 48 per litre.

The price has increased 170 per cent in the last 20 months, according to sources in different airlines of the country.

there is no logic behind the BPC's decision when the international rate is decreasing, said Mofizur Rahman, secretary general of the Aviation Operators Association of Bangladesh (AOAB) and managing director of NOVOAIR.

Citing a report of International Air Transport Association, he said last week ended with the price down 8.4 per cent at $146.2 per standard barrel containing 42 United States gallons (bbl).

The price decreased 19 per cent worldwide

READ MORE ON B3

STOCKS (WEEK-ON WEEK)

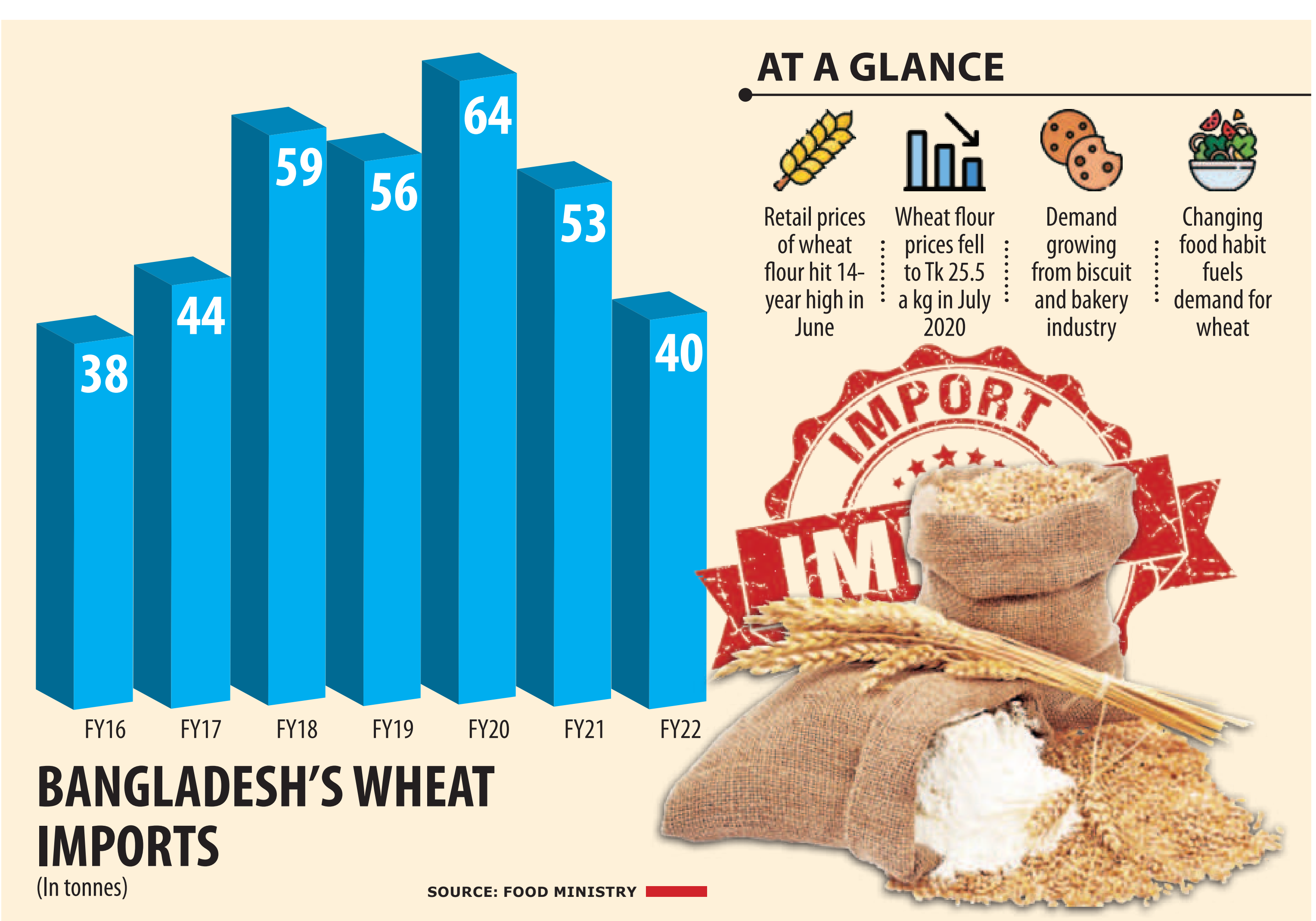
DSEX ▼	CSCX ▼
0.67% 6,324.50	0.83% 18,595.40

COMMODITIES (AS OF FRIDAY)

Gold ▼	Oil ▲
$1,707.27 (per ounce)	$97.63 (per barrel)

ASIAN MARKETS (FRIDAY CLOSINGS)

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.65% 53,760.78	▲ 0.54% 26,788.47	▲ 0.28% 3,099.15	▼ 1.64% 3,228.06



Wheat imports plunge to 6-year low

SOHEL PARVEZ

Bangladesh's wheat import fell to its lowest in six years as many consumers switched to rice irked by surging prices of the grain.

Public and private importers brought in 40 lakh tonnes in fiscal year 2021-22, down 25 per cent year-on-year as businesses drastically cut imports, according to food ministry data.

Of the import in fiscal year 2021-22, the amount of wheat bought in by the government from abroad through tenders increased 19 per cent year-on-year to 5.46 lakh tonnes.

Private imports dipped 29 per cent to 34.6 lakh tonnes in fiscal year 2020-21.

This is the second consecutive year that wheat imports declined since total arrivals hit the highest 64 lakh tonnes to feed growing demand from the biscuit and bakery industry and changing food habits of people.

"Many price-sensitive consumers have switched to rice because of exorbitant prices of wheat flour. Besides, demand for wheat among bakers is declining," said Abul Bashar Chowdhury, chairman of BSM Group, a major commodity importer based in Chattogram.

Bangladesh's annual consumption of wheat stood at over 75 lakh tonnes a couple of years ago and most of the demand for the grain was met through import as local harvests provide roughly 10 lakh tonnes annually.

However, declining imports for the last two years reflect a drop in consumption as prices gradually rose since July 2020 when one kilogramme of wheat flour was Tk 25.5 at retail in Dhaka, according to data compiled by the Food and Agriculture Organization (FAO).

"Many consumers have switched to rice because of exorbitant prices of wheat flour. Besides, demand for wheat among bakers is declining," said Abul Bashar Chowdhury, chairman of BSM Group

In June, the retail price of wheat flour was Tk 41.14 a kilogramme in Dhaka, the highest in 14 years, driven by surging import costs for high prices of the grain in the international market and continued weakening of the Bangladesh taka against the US dollar.

For example, prices of the wheat called US hard red winter (HRW) declined to $459.6 per tonne in June from $522.3 a month ago in the global market.

READ MORE ON B3

Bamboo baskets of different sizes being transported on a battery-run three-wheeler. One craftsperson can make up to six baskets a day, selling each for Tk 150 on an average in Patuakhali. The photo was taken in Choiapara area on the Barishal-Kuakata highway recently.

PHOTO: TITU DAS

US retail sales zoom higher in June despite soaring prices

AFP, *Washington*

US retail sales shot up in June amid the ongoing surge in prices, according to new data Friday that spelled more bad news for the Federal Reserve as it struggles to rein in rampant inflation.

The data showed that after pausing in May, American consumers last month were still eating out and buying furniture and cars, even amid the fastest inflation in more than four decades.

That poses a challenge for the US central bank, which has been hoping to see more decisive signs that its aggressive interest rate hikes were starting to take the economy off the boil and tamp down high prices.

Increased costs for gas, food and housing have squeezed American families and heaped pressure on President Joe Biden, whose approval ratings have taken a battering from the relentless rise in prices and fears of recession.

While inflation was already picking up speed last year as the world's largest economy emerged from the pandemic and demand outstripped supply, the price surge worsened in the wake of the Russian invasion of Ukraine that has led to increased costs for energy and food.

Meanwhile, the US manufacturing sector, which has struggled with global pandemic supply constraints, saw output drop again in June, according to new Fed data Friday.

But consumers appear to be feeling a bit better about the current state of the economy, according to a new survey, defying expectations of a continued slump.

After total retail sales dipped 0.1 percent in May, they recovered with a vengeance last month, climbing one percent to $680.6 billion, the Commerce Department said.

Record gas prices at the pump in June were a major factor, boosting sales at gasoline stations 3.6 percent in the month, and an eye-watering 49.1 percent over the past year, the report said.

But the data showed increases were widespread, and sales were still up 0.7 percent even when gasoline is removed from the calculation.

As inflation picked up speed, the Fed started raising the benchmark borrowing rate in March, and last month increased it by 0.75 percentage point, the biggest hike in nearly 30 years.

But talk has now shifted to the possibility of a massive, full-point increase later this month, and higher borrowing costs have raised fears that the Fed's efforts could push the economy into recession.

Fed Governor Christopher Waller on Thursday said he could favor the mega step -- which would be the biggest such move in four decades -- if there were no signs of cooling in the retail sales data and the new home sales report due out in two weeks.

In other data, manufacturing output fell 0.5 percent in June, the second consecutive drop, which led to decline overall industrial production, according to the Fed.

But the University of Michigan's consumer sentiment index rose unexpectedly rose by 2.2 percent in July to a still-low 51.1, amid a big jump in feelings about the current situation, but another dip in the expectations index.

The preliminary reading showed current assessments of personal finances continued to deteriorate, reaching its lowest point since 2011, survey director Joanne Hsu said, noting a worrying trend of shoppers buying now to get ahead of price increases.

The Fed's policy-setting Federal Open Market Committee is due to meet July 26-27 to debate the next move in its war on inflation.

Kathy Bostjancic of Oxford Economics said the strong sales data "keeps the Fed in an aggressive policy tightening mode -- the debate at the July FOMC meeting will be between a 75bps or 100bps rate hike." High prices mean Americans have to shift spending more to necessities.

EBL wins Euromoney Best Bank Award

STAR BUSINESS DESK

Eastern Bank Ltd (EBL) was yet again named Bangladesh's Best Bank by Euromoney, a UK-based monthly magazine focused on business and finance, in its Awards for Excellence 2022 for its timely intra-banking model.

According to Euromoney, the bank as a Bangladesh institution logged a net profit of 13.5 per cent to Tk 4.65 billion ($53 million) in 2021, when its return on equity was 15.51 per cent, cost-to-income ratio was 39 per cent and non-performing loan ratio was 3.7 per cent, representing the best trinity of metrics in the industry.

SM Jakaria Huq, commercial counsellor of the Bangladesh High Commission in London, the UK, recently received the award on behalf of Eastern Bank at the Euromoney Awards for Excellence programme in London.

This is the fourth time that EBL has clinched the award and is the only bank in Bangladesh to do so, a press release said.

GSK spin-off to create consumer healthcare giant

AFP, *London*

British drugs giant GlaxoSmithKline on Monday demerges its newly-named consumer healthcare unit Haleon, resulting in what is set to be London's largest new stock market listing in more than a decade.

The new company -- owning brands including Sensodyne toothpaste, pain relief drug Panadol and cold treatment Theraflu -- is set for a valuation of about 40 billion ($47.4 billion) when it begins trading on the London stock market, according to Bloomberg.

The major strategy shift by GSK chief executive Emma Walmsley comes after she has faced intense activist shareholder pressure over the company's delays in producing Covid jabs and treatments.

US, Saudi Arabia sign 18 energy, other deals

REUTERS

The United States and Saudi Arabia signed 18 partnership agreements in fields including energy, communications, space and healthcare during a visit by US President Joe Biden, Saudi state TV al-Ekhbariya reported.

The agreements include deals with US aerospace and defence firms Boeing and Raytheon, as well as healthcare companies Medtronic, Digital Diagnostics, and IQVIA, according to Saudi state news agency (SPA).

There were also agreements in clean energy projects, nuclear energy and uranium, it said.

How to survive capital shortfall at banks

FROM PAGE B4

A slew of cancelled or postponed orders and a dearth of new orders shook the financial makeup of the organisations operating in these sectors.

While new orders have started coming in, the pressure of continuing to do business for almost two years with minimal turnover has exhausted many organisations and their recovery period has been lengthy. The recent hike in the prices of commodities and raw materials and other inputs as well as the transport cost has also impacted heavily on the cash flow of the borrowers to repay bank debts.

OTHER FACTORS CAUSING CAPITAL SHORTFALL

Banks are growing concerns. They are undergoing a process of continuous growth, which requires them to keep procuring assets. The continuous inclusion of new loans and advances in a balance sheet creates upward pressure on the minimum capital requirement as both total asset value and the risk profile of the asset portfolio remain ever-changing.

This model of continuous growth also encourages less introspection. A failure to analyse the credit quality of existing loans and advances periodically may result in a deterioration in the asset quality.

As per current classification practices, 1 per cent provision is held against a regular loan. Due to the pandemic-induced moratorium periods, most of the loans were considered regular for more than a year and now it has been extended to December.

As the final stages of the moratorium deplete, the true status of the assets held by banks will be revealed and the sudden necessity to keep higher provisions against classified accounts will create issues of its own. With the increase in provisioning, less of the company's retained earnings will make it to the capital base, further weakening the capital base of banks.

Another reason for the persisting problem of the capital shortfall may be the pricing method used in the banking industry to determine interest rates.

Traditionally, institutions would determine interest rates for loans by adding a spread to the average cost of funds or the deposit rate. In the past couple of years, even this archaic practice has taken several steps back.

As per guidelines issued by the central bank, banks are required to maintain an interest rate ceiling of 9 per cent and a deposit rate floor equal to the rate of inflation. This policy has not left banks with many choices but to lend to all types of customers at similar interest rates. In an industry where innovative ideals such as the Basel III guidelines are to be implemented, the existence of a virtually static interest rate is daunting.

It should be kept in mind that the virtually static interest rate and the implementation of Basel III guidelines are contradictory concepts and should not be forced together. Therefore, some regulatory intervention is necessary to ensure that the capital shortfall in banks decreases.

GLOBAL PRACTICES

During the pandemic, European banks retained their earnings instead of paying out dividends. This strengthened their capital bases and increased their resilience.

Even before the pandemic, in strained situations, banks preferred paying out stock dividends as opposed to cash dividends. Thus, retaining adequate profit as reserves.

Some banks maintain a buffer while calculating their minimum capital requirement. They ensure that their capital to risk-weighted asset ratio is well above the required parameter. This ensures that in an event of unforeseen default, the bank can maintain the regulatory capital.

Furthermore, most banks practice risk-based pricing for their loans and maintain extra provisioning against risky assets to safeguard the bank's capital base.

WAY FORWARD

It is prudent that we undertake regulatory and management reforms regarding the management of capital shortfall because the continued issue sends a signal of a weakening financial system.

It needs some short-term and long-term planning to reduce the capital shortfall. Besides establishing strong corporate governance and a prudent credit approving system to improve asset quality, the industry also needs clear guidance from regulators to stabilise the capital shortfall.

The collaboration between the Bangladesh Bank and the Bangladesh Securities and Exchange Commission is now crucial for the development of a vibrant bond market (including perpetual and subordinated bonds), which can support banks in dealing with capital shortfall.

Moreover, investment in such bonds needs to be channelled from the life insurance funds, pension funds, mutual funds, corporate houses and individuals rather than taking investments from banks and financial institutions, which is currently being practised.

Along with the influx of various funds and individuals' small investments in the market, the regulators may also bring an amenable policy for the listing of such bonds with easier terms and a convenient approval system to make the secondary market vibrant.

The author is an analyst.

The big default?

FROM PAGE B4

The crunch comes in September when $1.2 billion of bond payments are due. Aid money and reserves mean Kyiv could potentially pay. But with state-run Naftogaz this week asking for a two-year debt freeze, investors suspect the government will follow suit.

GHANA

Furious borrowing has seen Ghana's debt-to-GDP ratio soar to almost 85 per cent. Its currency, the cedi, has lost nearly a quarter of its value this year and it was already spending over half of tax revenues on debt interest payments. Inflation is also getting close to 30 per cent.

EGYPT

Egypt has a near 95 per cent debt-to-GDP ratio and has seen one of the biggest exoduses of international cash this year - some $11 billion according to JPMorgan.

Fund firm FIM Partners estimates Egypt has $100 billion of hard currency debt to pay over the next five years, including a meaty $3.3 billion bond in 2024.

KENYA

Kenya spends roughly 30 per cent of revenues on interest payments. Its bonds have lost almost half their value and it currently has no access to capital markets - a problem with a $2 billion dollar bond coming due in 2024.

ETHIOPIA

Addis Ababa plans to be one of the first countries to get debt relief under the G20 Common Framework programme. Progress has been held up by the country's ongoing civil war though in the meantime it continues to service its sole $1 billion international bond.

PAKISTAN

Pakistan struck a crucial IMF deal this week. The breakthrough could not be timelier, with high energy import prices pushing the country to the brink of a balance of payments crisis.

Foreign currency reserves have fallen to as low as $9.8 billion, hardly enough for five weeks of imports.

Abdul Hai Sarker, chairman of Dhaka Bank, and Mirza Abbas Uddin Ahmed, founder of the bank, pose for photographs at the bank's head office in Gulshan, Dhaka after cutting a cake to celebrate its 27 years of banking excellence in Bangladesh. ATM Hayatuzzaman Khan, founder vice-chairman, Aman Ullah Sarker, current vice-chairman, and Emranul Huq, managing director of the bank, were present.

PHOTO: DHAKA BANK

Enamul Hoq, chairman of Federal Insurance Company, virtually presides over the insurer's 34th annual general meeting recently. The meeting approved 10 per cent cash dividend for 2021. Sheikh Mohammad Anwar Uddin, senior executive vice-president of the insurer, conducted the meeting where Hasina Banu and Abrarul Hoque were re-elected directors.

PHOTO: FEDERAL INSURANCE COMPANY

Biden to talk oil at Arab summit

AFP, *Jeddah*

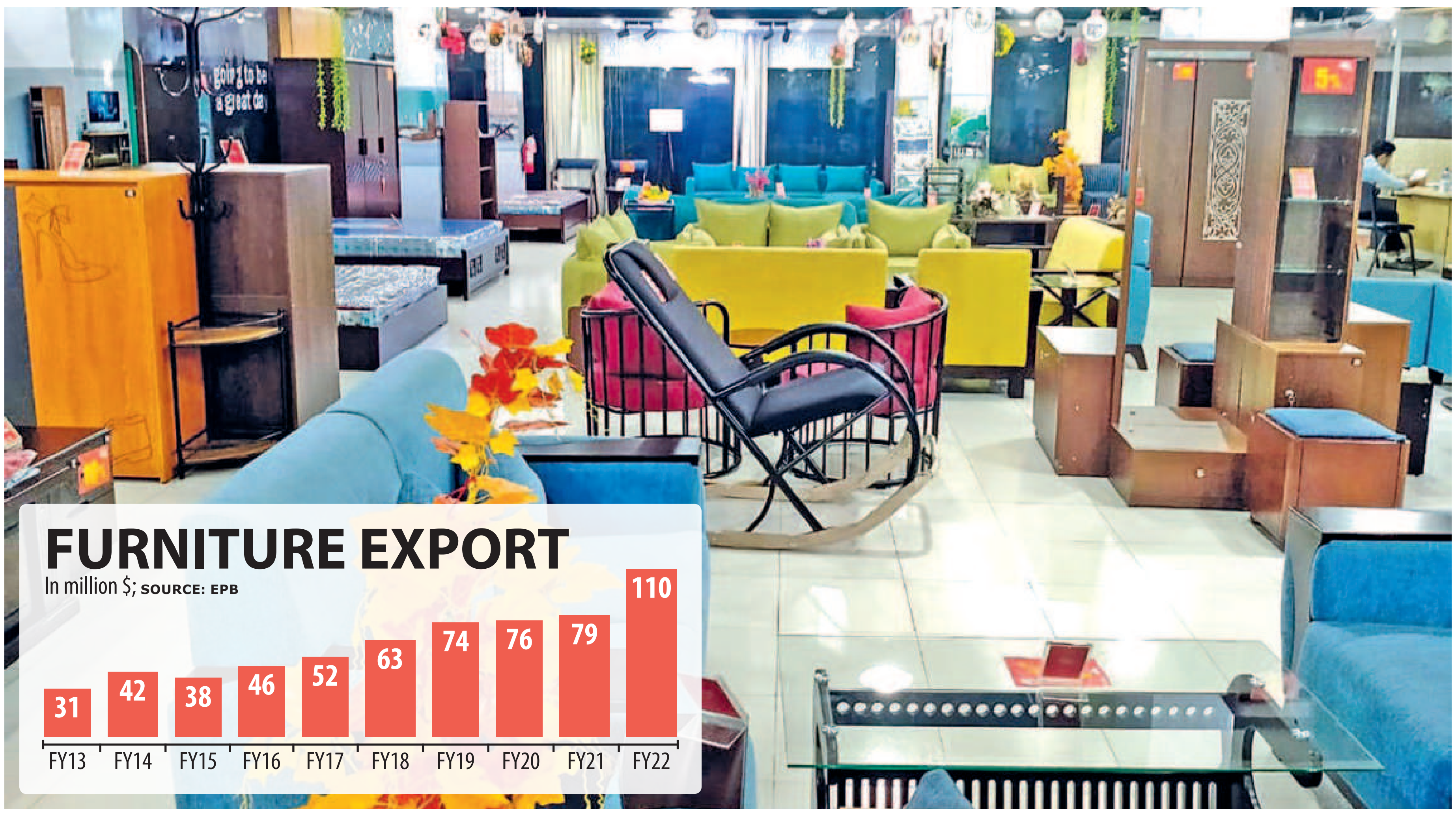
US President Joe Biden is set to discuss volatile oil prices during a summit with Arab leaders on Saturday in Saudi Arabia, the final stop of his Middle East tour.

On his first trip to the region as president, Biden is also looking to outline his vision for Washington's role in the region in order to not cede influence to Russia and China.

He plans to announce Saturday that the US is committing $1 billion in food aid to the Middle East and North Africa amid rising food insecurity induced by the war in Ukraine, a senior official told reporters.

Saturday's meeting in Jeddah will bring together leaders of the six-member Gulf Cooperation Council as well as Egypt, Jordan and Iraq.

Biden landed Friday in Saudi Arabia, a longtime US ally he once vowed to make a "pariah" over its human rights record, and met with King Salman and de facto ruler Crown Prince Mohammed bin Salman.



Furniture exports hit decade high

SUKANTA HALDER

The global demand for furniture "made in Bangladesh" has risen considerably thanks to improvements in product quality, diversification in design, cash incentives, availability of manpower and lower wages in the industry, according to market players.

As such, the country recorded a decade-high $110.36 million in furniture exports during the previous fiscal year, shows data from the Export Promotion Bureau (EPB).

However, manufacturers and exporters say the industry could do even better with the help of policy support.

Salim H Rahman, chairman and managing director of Hatil Furniture, said the main reason behind the increased exports is the availability of cheaper manpower compared to that of competing countries.

Another reason for the hike in exports is that in the past, importing countries would depend on a single source for any given product but they now rely on multiple suppliers from all over the world.

"They do this because if there is any problem in the future, the importer can buy the product from an alternative source without delay," he added.

This helped the industry expand its export earnings by a whopping 251 per cent compared to what it was in fiscal 2012-2013, when outbound shipments fetched a total of $31.41 million, EPB data shows.

Bangladesh currently exports furniture to India, the US, Japan, Spain, South Korea, Canada, Norway, France, Saudi Arabia, Qatar and the UK.

Otobi, Akhtar Furnishers, Hatil Furniture, Brothers Furniture, Partex Furniture and Navana Furniture are major players among 17 members of the Bangladesh Furniture Exporters Association (BFEA) that export such products.

KM Akhteruzzaman, managing director of Akhtar Furnishers, said another reason behind the increase in exports is that the government has been providing the industry with cash incentives on outbound shipments for the last three years.

And thanks to the continuation of this facility in the ongoing fiscal year, furniture exports will only increase but still, there are hurdles preventing the industry from moving forward even faster.

The main reason behind increased exports is the availability of cheaper manpower compared to that of competing countries, says Salim H Rahman, chairman and managing director of Hatil Furniture

"We need policy support to address these issues and so, we are discussing it with the government, which has been cooperating to this end," said Akhteruzzaman, also president of the BFEA.

He went on to say that the association of furniture exporters has asked the government to provide the industry with bonded warehouse facilities.

"If given, annual exports will be double compared to the last fiscal year," Akhteruzzaman added.

Kamruzzaman Kamal, marketing director of Pran-RFL Group, which exports products under its Regal Furniture brand, said compared to other emerging sectors of Bangladesh, furniture exports have not increased as much in the last one decade.

He then explained the reason behind the lack of growth is that related accessories, chemicals and other raw materials have to be imported with high duty, which significantly inflate production costs.

"With companies working on market development, opening showrooms and participating in various fairs outside the country, foreigners have come to know about local products," Kamal added.

Other than having to depend on imports for raw materials, other problems faced by the local furniture industry include high interest rates on bank loans and a lack of skilled manpower to improve productivity and research.

Other than addressing these issues, establishing a separate economic zone for furniture makers may help the industry grow as a whole, manufacturers and exporters said.

IHG, Doreen Hotels & Resorts sign deal

STAR BUSINESS DESK

IHG Hotels & Resorts, a British multinational hospitality company that runs its worldwide business in the name of InterContinental Hotels Group PSL, has signed an agreement with Doreen Hotels & Resorts in a bid to open Crowne Plaza Dhaka Gulshan in Bangladesh by the end of 2022.

Tanzeer Alam Siddique, vice-chairman of Doreen Hotels & Resorts Ltd, and Haitham Mattar, managing director for India, the Middle East and Africa at InterContinental Hotels Group PSL, recently signed an agreement to this end in Dubai, a press release said.

"Building a successful partnership with IHG, we will soon open a hotel as Crowne Plaza Dhaka Gulshan," said Siddique.

"Being a commercial hub and centre for all activities in Bangladesh, Dhaka is an important market for us in the region and we are always looking for opportunities to strengthen our offering in line with market demands," said Sudeep Jain, managing director for South West Asia at IHG.

Currently, IHG has presence in Dhaka through hotels operating across its leading global brands, InterContinental and Holiday Inn.

Crowne Plaza Dhaka Gulshan will become IHG's third hotel in the city and will further strengthen the company's offering for both business and leisure travelers looking for quality hospitality experiences.

China's refinery output declines

REUTERS, *Singapore*

China's refinery throughput for the six months to June marked the first annual decline for the period since at least 2011, data showed on Friday, as strict Covid-19 restrictions and fuel export curbs dampened production.

For June, output was 54.94 million tonnes, according to data from the National Bureau of Statistics (NBS), bringing January-June processing volumes to 332.22 million tonnes or 13.4 million barrels per day (bpd), down 6 per cent from a year earlier.

The production in June was equivalent to 13.37 million bpd - up 5 per cent from 12.7 million bpd in May, but about 10 per cent below the all-time high of 14.8 million bpd reached in June 2021.

The month-on-month rebound came as some independent refiners began raising production late in May, after steep cuts between February and April, in response to a moderate pick-up in demand as some Covid-19 curbs were eased.

The return of Sinopec Corp's Yangzi and Hainan refineries from overhauls also contributed to the higher processing, though the state major had to close a 320,000-bpd plant in Shanghai due to a fire on June 18.

China's demand for refined oil products has been falling since March amid strict curbs to contain the spread of Covid, with gasoline and aviation fuel the worst hit.

Outlook gloomy

FROM PAGE B1

Earlier profits were good but now there is little difference in the exchange rate.

Exporters said with the recovery of the global supply chain since last September, the inflow of work orders was so high that local garment manufacturers had even turned down some. However, now the scenario had started to change for the war and inflation, the garment exporters also said.

Asif Ashraf, managing director of Urmi Group, said he has received 20 per cent less work orders for deliveries next season because of the war.

This was contrary to the fact that he had a big green unit which employed 13,000 workers and exported goods worth $185 million in a year.

"The slowdown in the inflow of work orders has already started and we do not know when and how this will end. The demand for garment items is going down because of global inflation," said Ashraf.

AK Azad, chairman of Ha-Meem Group, which exports more than $500 million-worth of garment items in a year, said until now he has been dealing with a good volume of work orders.

But those for next season may overall be a decline of 15 per cent because of the fallouts of the war, he said.

Fazlul Hoque, managing director of Plummy Fashions, the greenest knitwear factory in the world, said he was doing fine with the current inflow of work orders but the quantity may decline next season.

Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association, said a dull season was prevailing as summer sales were ongoing in Europe.

However, it is really difficult to forecast what may happen in the future as the war is still continuing and inflation is rising, he said.

However, the good news is that the price of petroleum is declining, which may bring some relief to consumers, he added.

But freight charges are still very high which also affects the price of garment items at the retail level, he added.

It is obvious that the subcontracting, small and medium factories are the worst sufferers in case of a slowdown in the inflow of work orders as the big units cannot arbitrarily send a portion of the orders to authorised subcontracting garment factories, Hassan said.

Wheat imports plunge

FROM PAGE B1

Prices of the wheat called US soft red winter also declined, according to World Bank Commodities Price Data (The Pink Sheet).

Chowdhury said the global wheat market had seen price decreases but the high cost of the US dollar for the devaluation of the taka had eroded the gain. "Our import cost has grown by 16-17 per cent because of depreciation," he added.

Abdur Rob Sikder, owner of Sikder Flour Mills at Narayanganj, a major hub for wheat flour, said the war in Ukraine has adversely affected the global wheat market, resulting in an increase in prices here too.

India's restriction on wheat export also affected the market, said Sikder, also cashier of flour mill owners' association Narayanganj Ata Maida Mill Malik Samity.

Anup Kumar Saha, chief operating officer of Nabil Group, one of the major importers of wheat, said many letters of credit got cancelled after India banned export of the grain in May this year to cool rising domestic prices.

Besides, wheat from the Black Sea region did not come after the war in Ukraine began, he added.

He said because of increased prices, many people shifted to other cereals. As such, overall demand dropped to around 60 lakh tonnes during fiscal year 2021-22, added Saha.

Local airlines face headwinds as fuel price soars

FROM PAGE B1

compared to that last month but the BPC increased it by 18 per cent, said Mofizur.

He said the BPC was absolutely taking arbitrary decisions. "We don't have a say...On what logic has the BPC increased the price of jet fuel," he questioned.

"We want to get rid of the BPC's monopoly business and its whimsical decisions," said Mofizur.

"The airline industry of the country is on way to collapse due to the frequent increase of the price of jet fuel," he also said.

The country's airlines industry will not be able to survive if the government does not extend its cooperation, said aviation expert Kazi Wahidul Alam.

"In the present situation, the airline industry is facing a tough challenge maintaining an existence," he also said.

Kamrul Islam, general manager for public relations at US-Bangla Airlines, said, "The BPC is increasing the price of jet fuel almost every month. But we are at risk of losing passengers if we increase the price of tickets accordingly."

"On the contrary, air operators are at risk of going bankrupt if we do not increase airfares in tune," he said.

Islam also said the tourism and hospitality sector which involves 40 lakh people would also collapse if the aviation industry collapses.

Sources at private airlines US-Bangla Airlines and NOVOAIR said a year and a half ago, the fare on a domestic route was around Tk 2,500 or so but has since gone up to around Tk 5,000.

The BPC could not be reached for comment till 8:00pm last night.

Saudi Arabia doubles Russian oil imports for power generation

REUTERS, *Moscow/London/Dubai*

Saudi Arabia, the world's largest oil exporter, more than doubled the amount of Russian fuel oil it imported in the second quarter to feed power stations to meet summer cooling demand and free up the kingdom's own crude for export, data showed and traders said.

Russia has been selling fuel at discounted prices after international sanctions over its invasion of Ukraine left it with fewer buyers. Moscow calls the war in Ukraine a "special military operation". The increased sales of fuel oil, used in power generation, to Saudi Arabia show the challenge that US President Joe Biden faces as his administration seeks to isolate Russia and cut its energy export revenues.

While many countries have banned or discouraged purchases from Russia, China, India and several African and Middle Eastern nations have increased imports.

Biden was on Friday visiting Saudi Arabia and was expected to seek an increase in oil supply to global markets from the kingdom to help to lower oil prices that have aggravated inflation worldwide.

There is little spare capacity for Saudi and others to increase production in the short term. Saudi Arabia has also maintained its cooperation with Russia in the alliance of global producers known as OPEC+. The two are the de facto leaders of respectively OPEC and non-OPEC producers in that group.

Data obtained by Reuters through Refinitiv Eikon ship tracking showed Saudi Arabia imported 647,000 tonnes (48,000 barrels per day) of fuel oil from Russia via Russian and Estonian ports in April-June this year. That was up from 320,000 tonnes in the same period a year ago.

For the full year 2021, Saudi Arabia imported 1.05 million tonnes of Russian fuel oil. Saudi Arabian and Russian energy ministries declined to comment on the increased imports. Energy analytics firm Vortexa found rising flows of Russian-origin fuel oil cargoes through Egypt and Estonia boosted imports, Vortexa said.

It found Saudi fuel imports from Egypt spiked to a record 110,000 bpd in June as Egypt's imports of Russian fuel oil jumped to a record 70,000 bpd in the same month.

"Seasonal demand for power generation feedstocks pushed fuel oil imports into Saudi Arabia to 320,000 barrels per day in June, the highest since November 2020," the firm said.

Saudi Arabia has for several years imported Russian fuel oil, which can reduce its need to refine crude for products and cut the amount of oil it needs to burn for power, leaving it with more unrefined crude to sell on international markets at higher prices.

The kingdom turns to oil to meet power needs, which typically peak as demand for cooling rises with summer temperatures. Some Saudi cities are far from natural gas fields that could provide cleaner fuel for power generation.

The volume of crude burnt is about 600,000 bpd in summer months and 300,000 bpd in winter months, figures from the Joint Organisations Data Initiative (JODI) show. Increased use of natural gas has reduced the amount from as much as 1 million bpd in 2010.

Canadian home prices go down

REUTERS, *Ottawa*

The price of a resale home in Canada fell 1.8 per cent in June from last year, the first annual decline since May 2020, as the market continued to cool sharply from February's peak amid tighter borrowing conditions, data from Canada's realtors showed Friday.

Canada's national average selling price fell to C$665,850 ($511,092) in June from C$678,280 in the same month of 2020, data from the Canadian Real Estate Association showed. Prices are down 6.4 per cent on the month and down 18.5 per cent from February's peak.

"The June housing data show a market seriously wobbling, and that was before the Bank of Canada's 100-bp (basis point) knockout blow," said Robert Kavcic, senior economist at BMO Economics, in a note, adding an even deeper correction is yet to come.

The Bank of Canada surprised with its jumbo-sized increase on Wednesday, lifting the policy rate to 2.5 per cent from 1.5 per cent. It has hiked four times this year in an effort to tame hot inflation, with money markets betting on rates hitting 3.5 per cent by year-end.

Home sales in Canada fell 5.6 per cent in June from May and are down 23.9 per cent year-over-year, led by Canada's largest cities, the CREA said.

"Sales activity continues to slow in the face of rising interest rates and uncertainty," said Jill Oudil, chair of the CREA. "The cost of borrowing has overtaken supply as the dominant factor affecting housing markets at the moment."

The frenzy of the start of 2022 has faded, with sales down 19 per cent in the second quarter from the first. New listings rose 4.1 per cent in June and the sales-to-new listing ratio eased to its lowest level since 2015.

Indonesia removes palm oil export levy until Aug 31

REUTERS, *Jakarta*

Indonesia has scrapped its export levy for all palm oil products until Aug. 31 in a fresh attempt to boost exports and ease high inventories, finance ministry officials said on Saturday, adding the move would not disrupt government revenues.

The decision by the world's biggest palm oil exporter could further depress prices, which have fallen by about 50 per cent since late April to their lowest in over a year.

Indonesian palm oil producers have been struggling with high inventories since the country imposed a three-week export ban through to May 23 to reduce domestic cooking oil prices.

Since lifting the ban, Jakarta has implemented rules on mandatory local sales - known as the domestic market obligation (DMO) - to keep produce at home to be made into cooking oil.

The decision by the world's biggest palm oil exporter could further depress prices

At the same time, it has tried to clear up storage tanks by cutting export taxes and launching a shipment acceleration programme, but exports remained slow and companies have blamed the DMO rules, as well as problems with securing cargo vessels.

The levy removal is intended to further support exports, Febrio Kacaribu, the ministry's head of fiscal policy agency, told reporters on the sideline of a G20 finance meeting in Bali.

"In the context of government revenues, (the impact) won't be too big," he said.

Finance Minister Sri Mulyani Indrawati said a progressive palm oil export levy would be applied starting Sept. 1, with the rate set between $55 and $240 per tonne for crude palm oil, depending on prices.

High palm oil stocks have forced mills to limit purchases of palm fruits. Farmers have complained their unsold fruits have been left to rot.

There were 7.23 million tonnes of crude palm oil in storage tanks at the end of May, data from the Indonesian Palm Oil Association (GAPKI) showed on Friday.

Farmers in northern districts of the country had expected to rake in hefty sums by selling large animals such as this behemoth of a bull at cattle markets centring the recent Eid-ul-Azha. However, they had to make do with poor profits as prices exceeded the people's buying capacity. PHOTO: AHMED HUMAYUN KABIR TOPU

Large animals brought small profits this Eid

AHMED HUMAYUN KABIR TOPU, *Pabna*

Farmers in northern Bangladesh who prepared large cattle for sale during the recent Eid-ul-Azha have been left disgruntled as they registered unexpectedly poor profits even though a higher number of animals were bought for sacrifice this year, according to traders and livestock officials.

Mozammel Haque Babu, a cattle farmer from Baghoil Modhopara village under Chatmohar upazila of Pabna, had brought a handsome bull weighing approximately 36 maunds to Gabtoli haat in Dhaka ahead of Eid-ul-Azha this year.

The bull, named Shopno Raj, was a star attraction at the cattle market but it sold for just Tk 5.05 lakh a day before Eid.

"I spent about Tk 8 lakh in the last four years to provide the bull with organic food and expected to sell it for Tk 20 lakh," Babu said.

"Had I sold the meat separately, I would have easily earned Tk 9-10 lakh but my family forced me to sell the giant animal for such a low price because it would be costly to bring it back home," he added.

Babu went on to say that even other large bulls that weighed up to 40 maunds sold for just Tk 4 lakh and so, he was compelled to accept the Tk 5 lakh offer.

"Considering this huge loss, I have become discouraged about fattening bulls in the future."

Md Habib Hossain, a cattle farmer from Chor Bolorampur village in the same upazila, also received poor prices for the 22 bulls he fattened in preparation for the Eid market.

"We prepared enough animals for sacrifice this year but people did not have the capacity to buy big animals with high prices," said Krishno Mohon Haldar, district livestock officer of Pabna

"Each one weighed between 800 to 900 kilogrammes and I expected to sell them for Tk 2.5 to Tk 3 lakh per animal but I had to accept prices of Tk 1.5 to Tk 2 lakh before the festival," he said.

Habib then explained that he was bound to sell his cattle no matter the cost as it would be expensive to maintain them for another year considering the soaring feed prices.

Likewise, Md Barekul Sheikh of Mazzan village in Sirajganj's Shahzadpur upazila said he sold 17 fattened bulls at Badamtoli haat in the capital but was denied the expected profit.

Sheikh was able to sell his cattle for about Tk 1.2 to Tk 1.5 lakh, making a profit of about Tk 5,000 per animal.

"So, we incurred losses considering the various input costs but we are happy to have at least gotten some money given the lack of profit in this Eid market," he added.

Zeenat Sultana, deputy director of the Department of Livestock Services, said that around 90.93 lakh sacrificial animals were sold in the Eid market this year, which is about 10 lakhs higher than the number sold in 2021.

"Last year, a total of 90.83 lakh sacrificial animals were sold for about Tk 46,000 crore collectively but this year, business was well over Tk 50,000 crore," she added.

According to a number of officials in the livestock department, the cattle were sold for cheaper prices this time around as the consumers' financial capacity has deteriorated due to high inflation and other economic concerns.

"We prepared enough animals for sacrifice this year but people did not have the capacity to buy big animals with high prices," said Krishno Mohon Haldar, district livestock officer of Pabna.

But even though farmers were deprived of their expected profits when it came to large animals, small and medium sized ones fetched them good returns.

The demand for animals weighing two to four maunds saw a marked increase this Eid as those are sold at more affordable prices.

"So, those were able to get the maximum asking price," he added.

How to survive capital shortfall at banks

MESBAH UDDIN AHMED

If media reports are followed closely, it can then be concluded that our banking industry is battling a persisting malady: capital shortfall.

As reported, at the end of the December quarter of 2021, the capital shortfall in 10 banks was more than Tk 30,000 crore.

Most of the banks have been managing their capital adequacy little over the regulatory requirements. Due to the reduction of capital, the CAR (capital adequacy ratio) reduced to 11.08 per cent from 11.68 per cent last year against the minimum requirement of 12.5 per cent as prescribed by the Bangladesh Bank.

The situation marginally improved at the end of March 2022 but the verdict is still out on how our banking industry will fare by the end of the year.

It is important that banks are equipped with meeting their payment obligations and absorbing losses under any circumstances. A bank's capacity for absorbing losses is derived from its capital base.

In Bangladesh, the central bank has implemented a set of guidelines in line with Basel III, which prescribes that each bank maintains a minimum capital requirement.

The riskiness of loans impacts how much regulatory capital it must maintain: If a bank has less risky loans, its minimum capital requirement will then be less than a bank that has more risky loans and advances.

ASSET QUALITY OF BANKS

The asset quality of our banks has been historically unsatisfactory and managing non-performing loans (NPLs) has been an uphill battle. The addition of the Covid-19 pandemic and the measures taken to help consumers and businesses survive have just exacerbated the situation.

The collaboration between Bangladesh Bank and Bangladesh Securities and Exchange Commission is crucial for the development of a vibrant bond market, which can support banks in dealing with capital shortfall

The central bank relaxed loan classification policies to counteract the financial devastation brought about by the pandemic. The ideology behind the decision was that as the borrowers' financial health improves, they will start meeting their debt obligations. However, the borrowers have a long history of defaulting on loans and advances.

As reported in the March-end, the NPL ratio has increased by more than 16 per cent and default loans are about 7.9 per cent of the total outstanding loans. This figure is supposed to go up as the moratorium period for many restructured loans ended as the June quarter came to a close.

The central bank recently relaxed the loan repayment facility for the large industries, SMEs and flood-hit agro businesses for up to December 2022 considering the negative impact of the pandemic, rising virus infections, the recent floods in the northeastern part of the country and the Ukraine war. This action would temporarily inhibit the NPL but it will intensify stress on banks' profitability since banks can't recognise the income on uncollected revenue.

Media reports indicate that a portion of the NPL arises from willful defaults. However, there are other factors in play as well.

Our banking industry is heavily exposed to the readymade garment (RMG) sector and the SME industry. Both sectors were hit the hardest during

READ MORE ON B2

The big default?

Dozen countries in danger zone

REUTERS, *London*

Traditional debt crisis signs of crashing currencies, 1,000 basis point bond spreads and burned FX reserves point to a record number of developing nations now in trouble.

Lebanon, Sri Lanka, Russia, Suriname and Zambia are already in default, Belarus is on the brink and at least another dozen is in the danger zone as rising borrowing costs, inflation and debt all stoke fears of economic collapse.

Totting up the cost is eyewatering. Using 1,000 basis point bond spreads as a pain threshold, analysts calculate $400 billion of debt is in play. Argentina has by far the most at over $150 billion, while the next in line are Ecuador and Egypt with $40 billion-$45 billion.

Crisis veterans hope many can still dodge default, especially if global markets calm and the IMF rows in with support, but these are the countries at risk.

ARGENTINA

The sovereign default world record holder looks likely to add to its tally. The peso now trades at a near 50 per cent discount in the black market, reserves are critically low and bonds trade at just 20 cents in the dollar - less than half of what they were after the country's 2020 debt restructuring.

The government doesn't have any substantial debt to service until 2024, but it ramps up after that and concerns have crept in that powerful vice president Cristina Fernandez de Kirchner may push to renege on the International Monetary Fund.

UKRAINE

Russia's invasion means Ukraine will almost certainly have to restructure its $20 billion plus of debt, heavyweight investors such as Morgan Stanley and Amundi warn.

READ MORE ON B2

Workers produce stuffed toys for export at a factory in Lianyungang in China's eastern Jiangsu province on July 7. PHOTO: AFP

China's economy brakes sharply

REUTERS, *Beijing*

China's economic growth slowed sharply in the second quarter, highlighting the colossal toll on activity from widespread Covid lockdowns and pointing to persistent pressure over coming months from a darkening global outlook.

Friday's frail data adds to fears of a global recession as policymakers jack up interest rates to curb soaring inflation, heaping more hardship on consumers and businesses worldwide as they grapple with challenges from the Ukraine war and supply chain disruptions.

Gross domestic product in the April-June quarter grew a tepid 0.4 per cent from a year earlier, official data showed on Friday. That was the worst showing for the world's second-biggest economy since the data series began in 1992.