



An LNG tanker passes boats along the coast of Singapore. Recently, the LNG prices in the international spot markets have gone up so high that the Bangladesh government finds it too much of an expense to accommodate, for which it was seeking long-term contracts, said Salman F Rahman, the prime minister's private industry and investment adviser.

PHOTO: REUTERS/FILE

Govt seeks long-term LNG contracts with Qatar

STAR BUSINESS REPORT

The government is negotiating with Qatar seeking long-term contracts for the import of liquefied natural gas (LNG) as prices have abnormally climbed in international spot markets, said Salman F Rahman, the prime minister's private industry and investment adviser, yesterday.

As an alternative source, the government is trying to import fuel from India, he said.

India has started buying oil from Russia despite criticisms from the US that it would help fuel the Ukraine invasion. Last Thursday the cabinet said Bangladesh can not import oil from Russia.

Even if crude oil is imported from Russia, Bangladesh's lone oil refinery, Eastern Refinery, does not have the capacity to avail all the hydrocarbon products through fractional distillation, Rahman said.

The government currently imports crude oil fractions such as diesel and

heavy fuel oil from 14 different sources to meet domestic demand at this time of the energy crisis, said Rahman said.

The government is mainly looking for alternatives to local gas as more than 70 per cent electricity is produced from gas-fired power plants, he said.

The energy crisis is the biggest challenge for the economy in the next six months, he said.

Recently, the LNG prices in the spot markets have gone up so high that the government finds it too much of an expense to accommodate, for which it was seeking long-term contracts, he said.

However, Rahman did not provide the difference between spot market and long-term contract prices.

The adviser also said since there was no controversy over availing Russian grains like wheat alongside fertilisers, the government was trying to import those to meet local demand.

Rahman was speaking at a "Meet the Overseas Correspondents Association of Bangladesh (OCAB)" at the office of

Bangladesh Investment Development Authority (BIDA) in Dhaka.

Journalists from different international and local media outlets participated in the discussion.

Regarding banking issues, the adviser said the government has no plan at the moment to withdraw the interest rate cap, mainly to favour industries, in spite of being recommended by different economists.

However, a decline in imports from \$9 billion in January to more than \$5 billion in August helped curtail both inflation and a rise in the exchange rate of the US dollar with the local taka.

The adviser was hopeful that the exchange rate would soon come down to Tk 100 or below per US dollar as the forex market was returning to normalcy for the government measures.

Many local traders have been hiking prices of consumer goods with the excuse of it being a ripple effect from international markets, he said.

For instance, the price of eggs, a

widely consumed item, went beyond the purchasing capacity of many consumers two weeks ago. Though it has come down to some extent, it is still high, the adviser said.

Bangladesh, India and Nepal are jointly working to develop a hydroelectricity project to meet growing demand for power, he said, adding that the government was also working to fix transit roads and waterways with India.

The adviser said Bangladesh has sought Chinese investment in the manufacturing sector as most of the existing Chinese investments are concentrated on public projects.

Moreover, China has allowed duty free access to 98 per cent of Bangladeshi products entering the market.

An active pharmaceuticals ingredient (API) park has already been developed and it will go into operation soon with gas connections provided under a special arrangement from the energy ministry, said the adviser.

Xiaomi has biggest share in local smartphone market

Research firm finds

STAR BUSINESS REPORT

Chinese mobile phone manufacturer Xiaomi had the biggest market share in Bangladesh in the second quarter of 2022, according to Counterpoint, a global technology market research firm.

In the April-June period, Xiaomi topped the market with a 28.8 per cent share.

According to the report, Samsung secured the second spot with a 17.3 per cent market share while Vivo stood third with a 10.1 per cent share.

Xiaomi's growing offline presence, well-developed local manufacturing facility and a wide entry-level portfolio with features like larger display size, huge battery capacity and improved camera helped it to reach the top spot, said Karn Chauhan, senior analyst at Counterpoint.

"Eid festivities also helped Xiaomi drive significant volumes. Going forward, the brand will continue to focus on offline expansion and adding more features to the entry-level segment."

RFL launches kitchen sinks

STAR BUSINESS DESK

RFL Group yesterday launched three new kitchen sink models, made of stainless steel and designed to cut use generated noise, priced between Tk 1,400 and Tk 4,200.

Md Moniruzzaman, director of Rangpur Metal Industries, a subsidiary of the RFL, unveiled the products named "Popular", "Premium" and "Luxury" at the RFL's head office in Badda, Dhaka, said a press release.

Shariful Islam, head of marketing at RFL Kitchen Sink, Raquibul Ahsan, senior brand manager, and Raihan Ali, assistant general manager for operation, were present.

Korea hikes rate for 4th time

THE KOREA HERALD/ANN

The Bank of Korea returned to its usual 25 basis point rate hike Thursday, half the historic size seen in July, while slashing its growth forecast for the year amid the persistent inflation forcing the central bank to back a raise for a fourth time in a row for the first time.

The unanimous decision reached by all seven board members comes as the country fights inflation at an almost 24-year high. In July, prices jumped 6.3 per cent on-year. The policy rate now stands at 2.5 per cent, up from 1.25 per cent in January and closer to the low-3 per cent range expected by year-end.

"I can definitively say one thing: the 25 basis point raise is the norm, well for the time being," BOK Gov. Rhee Chang-yong told reporters after the decision, referring to the next three months.

Liquid milk prices rise again

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fuel prices, the cost of milk procurement, processing and distribution has also increased.

"In this situation, Aarong is being forced to fix a new price," he added.

Rahman went on to say that the prices of related raw materials, such as cartons, has grown by between 20 per cent and 40 per cent.

But in an effort to ease the sufferings of its suppliers, Aarong is paying farmers an extra Tk 3.80 per litre considering the hike in feed prices and other operating costs, he said.

As such, the company is now buying raw milk for about Tk 46 per litre instead of Tk 43 previously.

Kamruzzaman Kamal, marketing director of Pran-RFL Group, said the production cost of milk has risen considerably due to the increase in the price of diesel, feed, labour and more.

"Against this backdrop, it is tough to do business selling milk at the previous rates," Kamal added.

Feed prices went up 10 per cent after the recent diesel price hike while the cost of soybean meal and maize, two key ingredients of dairy feed, rose

by 40 per cent to 50 per cent, said Mohammad Shah Emran, general secretary of the Bangladesh Dairy Farmers Association.

Montul Haque Chowdhury, general manager (marketing) of the Bangladesh Milk Producers' Co-operative Union Ltd (Milk Vita), said although they have not increased the price of their liquid milk products, there are plans to do so in the future.

"The next step will be taken by contacting the ministry," he added.

MARGINAL FARMERS DEPRIVED OF FAIR PRICES

Dairy farmers and traders are yet to benefit from the rise in pasteurised milk prices though as the price of each litre of raw milk with 4 per cent fat was fixed Tk 46 earlier this month from Tk 41 a month ago, which is not enough to cover the increased costs.

"And although milk companies have increased their prices, the Tk 2 incentive they offered for supplying each litre of quality milk has been cut off in the new price list. So, the new prices have not benefited us," said Raju Ahmed, a dairy farmer of Ramkharua village in Sirajganj's Shahzadpur upazila.

Besides, most dairy farmers and

traders say the price of dairy feed has been increasing, leaving farmers worried about being able to continue their business amid the hardship.

"Most marginal farmers borrow money from milk traders to maintain their farms so they are bound to give milk below the market price to them," said Saiful Islam, a leading dairy farmer from Pabna.

Islam added that nobody can supply milk to Milk Vita or any private company without a personal or association code number.

POWDERED MILK PRICES HIKED AGAIN

Powdered milk prices were also hiked by Tk 50-60 per kilogramme (kg) in the last few days. As such, powdered milk produced by Dano, a brand of Arla Foods, sold for Tk 780 per kg while that of Diploma, a product of New Zealand Dairy, were going for Tk 790 per kg at retail on Saturday.

According to the Department of Livestock Services, the country's domestic milk production stands at 9.9 million tonnes against a demand of 15 million tonnes. So, the country imports 0.12 to 0.14 million tonnes of powdered milk to help meet the shortfall.

management should do business in accordance with regulations.

"With support from the government and central bank, our economy performed better than many of the neighbouring countries," he added.

Since the beginning of this year, supply chains have been substantially interrupted. Bangladesh is dependent on the import of fuel, fertilisers and some food items and the country's imports have gone up manifold. Besides, import expenditure does not match with export earnings, he said.

"As a result, we feel pressure on our exchange rate and inflation rate. There were suggestions from different quarters to leave the cap on

the lending rate."

"But if we leave the cap on interest rates at this point of time, that will increase the cost of entrepreneurs," he said.

"Rather, we are basically helping the entrepreneurs and also the bankers through supply-side intervention, both from the government and central bank," Talukder added.

Shah Md Ahsan Habib, chairman of the conference's organising committee, said in the context of Bangladesh, the inflationary surge tends to largely follow the trends in the movement of commodity prices in global and domestic markets.

The country's trade-centric foreign exchange market also

Not in crisis but under stress

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"Higher inflation is also affecting the deposit collection for banks as savers have encashed 35 per cent of their fixed deposits. The market is getting dry and the lending is getting less lucrative and profitable."

Kamal Quadir, chief executive officer of bKash Ltd, said any kind of digital financial service is the ultimate example of how effectively resources can be used.

"Every time customers use our service to transfer money, we are actually saving diesel and petrol. Millions of transactions have been carried out in the last 12 years. If we had to physically carry this money, we would have had to use a tremendous amount of resources."

Speaking about the current economic situation, he said: "We monitor domestic money transfers and we have not seen any kind of downward movement when it comes to transactions."

Remitters receive more than Tk 10 per USD if they send money through the informal channel rather than the formal channel, and the gap can't be narrowed by the government's efforts alone, said Tanvir A Mishuk, managing director of Nagad.

credit risks and non-performance on the part of borrowers increased, which created further pressure for maintaining a higher volume of provisions, and higher capital adequacy ratios.

"Necessity of good governance in the banking and financial industry was particularly felt in such a circumstance," he added.

Md Akhtaruzzaman, director general of the BIBM, Md Nehal Ahmed, member secretary to the conference's organising committee, Syed Mahbubur Rahman, CEO of Mutual Trust Bank, and Sarwar Uddin Ahmed, dean of academic affairs at Universal College Bangladesh, also spoke.

In response to the situation,

He suggested taking steps to enhance remittance earnings through the formal channel and put an end to hundi.

"In order to give the scope to the government to continue development works, the tax net should be widened," he said. Bangladesh has one of the lowest tax-to-GDP ratios in the world.

The central bank brought some changes to the rules related to default loans and rescheduling. As a result, the loan recovery may slow to some extent, said Syed Javed Noor, deputy managing director of IDLC Finance.

"A non-payment culture has developed among many borrowers. But how will an institution continue lending if loan collection falls?"

On the other hand, the BB has mopped up over Tk 70,000 crore from the market by selling dollars, making the banking sector dry.

"Under the circumstances, the central bank should increase liquidity in the market by unveiling some refinancing schemes," said Noor.

He recommended monitoring oil prices in the global market to reduce the shocks related to the petroleum price movement and also suggested focusing on food security as drought in many countries may send food

prices higher internationally in the coming days.

Digital payments are rising in the Asia Pacific region at a faster pace than in other regions, so the government should promote it through incentives, said Syed Mohammad Kamal, country manager of MasterCard.

"If you make purchases from a shop next to your door in cash, no value-added tax is levied. But if you go for digital payments, the VAT is added to your costs, which is just the opposite compared to the practice in the developed world."

Kamal sought a 5 per cent incentive for customers and merchants to boost digital payments.

Ahmed Shaheen, additional managing director of Eastern Bank, said the economy was stable just a few months back, but pent-up demand, supply chain disruptions, price shock and the Russia-Ukraine war have joined together to create stress in the economy.

The main exporting sector which is readymade garment may not be impacted significantly as most factories still produce low-cost apparel items, he said.

According to Shaheen, the prices of goods in the international markets have begun falling after touching their peaks. "So, there is nothing to be worried about."

He touched upon the unsettled import bills, terming it a continuous process.

"So, it is not going to create any crisis for the foreign currency reserves. The reserves might see fluctuation in a country whose GDP is rising. So, it is not a matter of concern."

He called for an utmost focus on maintaining corporate governance, extending refinancing schemes, and diversifying exports.

"Export credit guarantee schemes should be rolled out to promote new export destinations and products."

Mahfuz Anam, editor and publisher of The Daily Star, moderated the roundtable.