

Star BUSINESS



FLOATING EXCHANGE RATE takes effect, finally

AKM ZAMIR UDDIN and SOHEL PARVEZ

Bangladesh has finally embraced a floating exchange rate as the central bank adjusted its interbank foreign exchange rate yesterday in line with market realities.

As a result, the taka lost its value by 11.73 per cent, the sharpest depreciation faced by the currency in the country's history. It has fallen by 25 per cent in the past year against the dollar.

The USD traded at Tk 95 on the interbank forex market on Monday. But it rose to Tk 106.15 yesterday, data from the Bangladesh Bank showed.

The central bank embraced a floating exchange rate of the taka against the USD in 2012. But in reality, it used to instruct banks, from time to time, to follow certain rates while settling import bills and purchasing

dollars from exporters.

It also regularly injected or mopped up the greenback to influence the foreign exchange market. This is why the exchange rates were not settled based on the supply and demand of the greenback.

So, economists have long demanded a floating exchange rate to save foreign currency reserves. The calls have grown louder after the outbreak of Covid-19 and the Russia-Ukraine war as the reserves have depleted fast amid escalated import costs.

The central bank had resisted such calls to protect the exchange rate of the taka at any cost, a stance that goes against the standard rule in an open market economy.

But such a position could not be continued as the reserves have kept falling amid persisting higher import bills for the commodities whose demand and prices have gone up sharply



“The changes in the interbank rate for the greenback would have no new impact on inflation. This is because businesses are already importing goods by buying dollars at more than Tk 107 each.”

AHSAN H MANSUR
Executive Director of PRI

of banks, and the Bangladesh Foreign Exchange Dealers' Association (Bafeda), a platform of banks, set the uniform rate, which came into effect on Monday.

“It is a move in the right direction,” said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, while speaking about the BB's new interbank rate.

He argues that the changes in the interbank rate for the greenback would have no new effect on inflation.

“This is because importers are already importing by buying dollars at more than Tk 107 each. But public imports such as petroleum will be costly and additional cost has to be borne by the government from its coffers.”

“If the government does not hike prices, the net impact on consumer prices will be zero, while the subsidy through the appreciated exchange rate (borne by the Bangladesh Bank) will be replaced by explicit fiscal subsidy.”

Although a few banks sold each dollar in the range of Tk 109 to Tk 110 to importers yesterday for clearing bills, a majority of them reduced their weighted average rate for buying the greenback.

This means importers are now getting respite from paying a high price per dollar, which soared to Tk 112 a few weeks ago.

The weighted average rate is the average of the rates at which banks purchase dollars from exporters and remittances from foreign exchange houses.

Importers now pay the weighted average rate plus Tk 1 when buying the greenback from banks.

According to a Bafeda report, 25 banks cut their weighted average rate yesterday from what they paid on the previous day. Another 11 banks slightly raised their rate.

Two banks, however, kept the rate unchanged during the two days.

With the majority of lenders reducing their rates, the overall average rate for buying each dollar dropped to Tk 103.30 yesterday. In contrast, it was Tk 103.43 the day before.

“The weighted average rate will fall further in the days ahead,” said Selim RF Hussain, chairman of the ABB.

The rates being quoted by some banks are still high as they are calculating it taking into account the average rate of the last five working days as per the decision taken by banks, he said.

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Insurance regulator bars excess salary, benefits for CEOs

STAR BUSINESS REPORT

Chief executive officers of insurance companies can't be given any additional salary, allowances, bonuses, and benefits beyond the limit stipulated in the laws, said the regulator on Monday.

In a notification, the Insurance Development & Regulatory Authority (Idra) said some insurance companies are giving additional benefits in the form of salaries and allowances to their CEOs than the limit set in the regulations.

Some companies are also proposing extra salaries and allowances that are contrary to the regulations and Idra guidelines.

So, the regulator asked the insurers to strictly follow the notification aimed at establishing discipline and transparency in the insurance sector and protecting the interests of insurance customers.

It also warned that it would take strict actions if the order is not complied with.

SM Shakil Akhter, executive director and spokesperson of the IDRA, said, “It has come to our notice that some insurance companies are giving more salary, allowances and bonuses to their CEOs. The notice has been issued in the interest of the insurance sector.”

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Ananda hands over its largest ship to UK buyer

STAR BUSINESS REPORT

Local shipbuilder Ananda Shipyard & Slipways Ltd yesterday handed a multi-purpose container vessel to its buyer in the United Kingdom.

Ananda, the pioneer in exporting ships from Bangladesh, has built the ship of over 6,100 dead-weight tonnage at its shipyard at Meghna Ghat of Sonargaon upazila in Narayanganj.

The vessel has been made for the UK's Enzian Shipping Company Ltd, according to a statement released by the company after the handover ceremony took place at InterContinental Dhaka yesterday.

“Exporting ships is a big achievement for us,” State Minister for Shipping Khalid Mahmud Chowdhury said at the event.

The ship will be able to carry heavy steel coils, food grains, timbers and containers, according to the statement.

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whereas the war shows no sign of coming to an end.

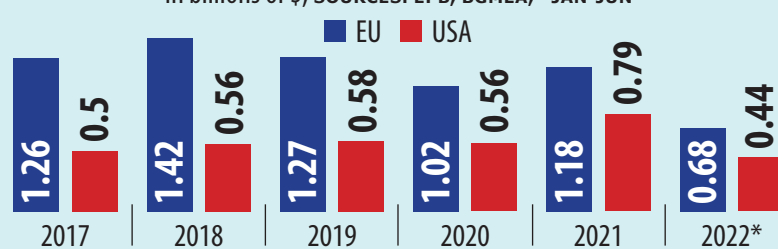
The switch to the floating exchange rate came a day after banks in Bangladesh introduced a uniform rate for dollars.

On Sunday, the Association of Bankers, Bangladesh (ABB), a platform for managing directors



DENIM EXPORT TO EU, US

In billions of \$; SOURCES: EPB, BGMEA; *JAN-JUN



TOP 5 EXPORTERS TO EU

In billions of \$; Jan-Jun 2022



TOP 5 EXPORTERS TO US

In billions of \$; Jan-Jun 2022



KEY POINTS

Bangladesh is the top denim exporter to EU and USA

One out of three persons in Europe wears Bangladeshi denim

BY THE NUMBERS

Bangladesh has 40 denim fabrics making mills

Total investment in denim sector: Tk 16,000cr

Global market for denim products: \$64.5b



Bangladesh leads global denim market

REFAYET ULLAH MIRDHA

Bangladesh's dominance in the global denim market has continued thanks to a surge in demand driven by the trade tension between the US and China.

Owing to higher demand, denim product manufacturers have surpassed their Chinese counterparts in Europe and the US, the two major export destinations for Bangladesh.

Bangladesh exported denim products worth \$689.69 million to European Union in the January-June period of 2022, registering a 37.26 per cent year-on-year growth, according to data from the Export Promotion Bureau and the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

It was \$502.45 million during the corresponding period of 2021.

Turkey was the second-largest denim exporter to the EU with products worth \$604.07 million shipped. China, the largest apparel exporter in the world, supplied denim items worth \$204.84 million to the EU, up 10.15 per cent.

Similarly, Bangladesh is the top denim exporter in the US, fetching \$445.51 million in the first half, an increase of

57.06 per cent from \$283.65 million during the identical six-month period last year.

In the US, Mexico was the second-largest denim exporter, raking in \$362.02 million between January and June.

During the same period, China came fifth as it shipped denim products worth \$188.25 million, data compiled by the BGMEA showed.

On a fiscal year basis, Bangladesh has been the top denim exporter to the EU since 2017 with one out of three people in the continent donning denim pants produced in the country.

The country overtook Mexico in 2020 to become the top exporter of denim items in the US, while it sprinted to the pole position in the EU in 2020.

Shams Mahmud, managing director of Shasha Denims, one of the top denim manufacturers in Bangladesh, said the demand for denim has a correlation with economic downturns.

For instance, the use of denim items increased a lot during the global recession in 2007 and 2008 since the apparel items don't need a regular wash and are durable, Mahmud said.

Currently, the global economic

situation is not in good shape owing to Covid-19 and the Russia-Ukraine war and consumers are feeling the pinch of higher inflation.

“Consumers are buying denim items considering their durability,” said the exporter.

According to Mahmud, the trade tension between Washington and Beijing has played a major role in shifting work orders from China to Bangladesh as international retailers and brands want smooth supply.

“They see Bangladesh as a safe destination. The improvement in workplace safety following the implementation of recommendations as per Accord and Alliance suggestions has brightened the image of the sector and the country.”

Bangladesh's garment factories won kudos at the height of the pandemic as they largely kept production up and running despite surging cases of Covid-19 infections whereas many other supplying nations closed their doors. Consequently, international retailers have come up with increased orders.

Bangladesh's share in the global denim market is 24.64 per cent and it is growing

every year.

“One of the major reasons for the higher growth is that Bangladesh is moving to high value-added denim items,” said BGMEA Director Mohiuddin Rubel.

“We have made great strides in putting in place denim infrastructure and washing units over the last few years. We have advanced technologies, which have improved the quality of our fabrics.”

The entrepreneur thinks that the sales of denim items will go up further once the war comes to end and the global recession fears peter out as new denim-producing mills have been set up.

Currently, Bangladesh's 40 mills can produce 80 million yards of denim fabrics a month and the investment in the sector is Tk 16,000 crore.

The global market for denim jeans is estimated at \$64.5 billion in 2022 and is projected to reach \$76.1 billion by 2026, growing at a rate of 4.8 per cent annually.

The denim jeans market in the US, the single largest apparel export destination for Bangladesh, is estimated to be \$15.8 billion this year.

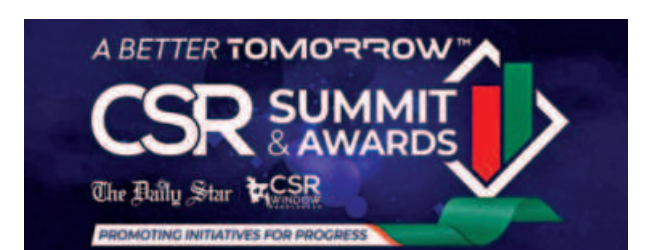
China will have a denim market of \$15.5 billion in 2026, with an annual growth of 7.2 per cent.

Two weeks to go for entries for CSR Awards

STAR BUSINESS REPORT

For the second year in a row, companies that have taken innovative and socially impactful corporate social responsibility (CSR) initiatives will be recognised by The Daily Star and CSR Window to encourage financing in social projects that have sustainable impacts on society.

Companies will be able to submit their innovative and world-class socially responsible practices until September 30, the organisers said.



This year, the theme has been set as “CSR Awards in Bangladesh: A Better Tomorrow™ CSR” in order to create dialogues for future development and sustainability solutions. The recognition will be given in seven categories to honour the firms for their contribution to society, according to a statement.

Under the initiative, organisers will honour businesses with the “Best CSR in Education Program Award” for

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