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BUSINESS



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Winter vegetables have started arriving in larger numbers at this wholesale market in Mahasthangarh, 13 kilometres north of Bogura. The increase in supply has brought down prices from what they were about ten days ago. For example, prices of cauliflower and radish almost halved within a week. Around 9,000 hectares of land in the district have been cultivated for vegetables whereas the target is 13,000 hectares. The photo was taken a couple of days ago.

PHOTO: MOSTAFA SHABUI

Weaker taka brings little cheers
to listed textile, RMG makers

AHSAN HABIB

When the local currency began sliding against the US dollar amid the depletion of foreign currency reserves, textile and readymade garment exporters were supposed to gain from the development as usually happens.

But the reality turned out to be different for them as they saw lower profits. Some even fell into the red in the July to September period of the 2022-23 financial year.

The taka depreciated by about 25 per cent against the dollar between February and September, driven by the Russia-Ukraine war.

A currency depreciation, if orderly and gradual, usually improves a nation's export competitiveness, but exporters in Bangladesh say they could not make the most of the taka's depreciation against the American greenback since they had to buy US dollars at a higher price while opening letters of credit to import raw materials needed to serve the global markets.

Of the 58 textile and readymade garment companies listed with the Dhaka Stock Exchange, 42 published their data properly. Of the 42, eight kept incurring losses in the three months to September while three firms fell into losses.

Ten companies witnessed lower profits and the rest logged higher profits, data compiled by Sandhani Asset Management showed.

Speaking to The Daily Star, Mohammad Ali Khokon, president of the Bangladesh

Textile Mills Association, said most of the textile and apparel manufacturers purchase raw materials from international markets and they had to pay higher prices while opening LCs.

"We have never seen such a huge gap between the selling and buying rates of the US dollar."

"Though we benefited from the depreciation of the local currency, the gains were gobbled up by the huge difference in the buying and selling price of the American greenback."



Firms received Tk 99 while selling their export proceeds to banks whereas they had to count around Tk 107 per USD while importing raw materials.

"As a result, the costs rose," Khokon said, adding that the prices of raw materials surged in the global market at the beginning of the quarter before falling towards the end.

Insufficient energy supply also hurt the textile and garment sectors since they are heavily dependent on energy.

The sectors came under an energy crisis

after the government stopped importing liquefied natural gas to stop the decline of the foreign currency reserves, resulting in recurrent power outages across the country.

"We did not get the supply of electricity for half of the day while there had not been adequate gas pressure," Khokon said, warning that the earnings might see a deeper fall for the energy shortage in the ongoing quarter.

Malek Spinning, Maksons Spinning Mills, Matin Spinning Mills and Square

to Tk 109 per litre from Tk 65 to minimise the subsidy on petroleum products.

Matin Spinning's profits dropped by 22 per cent to Tk 20 crore. The company blamed the increase in raw material prices and higher energy costs for the fall.

Maksons Spinning's profit was down 5 per cent in July-September.

A top official of a garment manufacturer says the benefits of the taka's sharp depreciation were eaten up by some banks since importers had to purchase raw materials at higher prices.

As per existing norms, the spread between the buying and selling rate of the US dollar is a maximum of Tk 1, but banks have hardly followed the rule since April after volatility hit the foreign currency market, fuelled by a sharp increase in import bills amid the severe fallout of the Russia-Ukraine war.

Some banks even sold a US dollar for up to Tk 108 to importers although they had purchased it at Tk 94 from exporters, sending the gap to as high as Tk 14, the official said.

"The gap between the buying and the selling rate of the dollars was huge. Whatever benefits we could manage to receive were cancelled out by the higher fuel and operating costs induced by the inflationary pressure."

The export earnings of the listed companies were hit in the quarter due to the high inflation in the western economies. Exports dropped 6.25 per cent year-on-year to \$3.9 billion in September, the first fall in 14 months.

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No chance
of famine in
Bangladesh

Says Sanem

STAR BUSINESS REPORT

There is no chance of famine occurring in Bangladesh, said Selim Raihan, executive director of Sanem, a research organisation, yesterday.

"Famine is a very strong word and it often creates panic. I think there is no chance of famine in Bangladesh. We have passed that time," he said.

He, however, warned that there might be temporary food shortages in remote areas or places having no links to markets. If there is any such danger, steps should be taken in advance.

Raihan, also a professor of economics at the University of Dhaka, was apparently referring to Prime Minister Sheikh Hasina urging countrymen last month to make all-out efforts so that Bangladesh never faces any situation like famine and food insufficiency for the pandemic and in case there was a prolonged Russia-Ukraine war.

Virtually addressing a programme organised by the agriculture ministry on October 12, she said the world leaders apprehended that a famine or food insufficiency might hit the world in 2023 for the Russia-Ukraine war.

Raihan was speaking at a webinar on "Bangladesh Economy: Concerns and Required Interventions" organised by the South Asian Network on Economic Modeling (Sanem).

"The next two to three months are crucial," he said, adding that the economy was now under a lot of stress due to the current global and domestic situation.

To make a transition from the current crisis, the marginalised population should be brought under social safety net programmes for a short term while its coverage increased, Raihan said.

This is because food safety for many will be at risk again and in the medium term, the government will need to bring reforms in revenue collection and banking, he said.

Raihan, also the executive director of the Sanem, said apart from that, a high-level committee should be formed with all the parties concerned to overcome the current crisis.

Steps may be taken as per the recommendations of that committee, he said. He went on to say that Bangladesh is in a vulnerable situation due to climate change.

Therefore, necessary measures should be taken to boost agricultural productivity. These areas

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STOCKS			
DSEX ▲		CASPI ▲	
0.20%		0.09%	
6,265.99		18,492.98	

COMMODITIES			
Gold ▼		Oil ▼	
\$1,763		\$84.33	
(per ounce)		(per barrel)	

ASIAN MARKETS				
MUMBAI	TOKYO	SINGAPORE	SHANGHAI	
▼ 0.37%	▼ 0.35%	▲ 0.61%	▼ 0.15%	
61,750.60	27,930.57	3,286.04	3,115.43	

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Fast-track Kuwait's
proposed petroleum
refinery: PM

UNB

Prime Minister Sheikh Hasina yesterday called for expediting the implementation of Kuwait's proposal to set up a petroleum refinery in Bangladesh.

She said this while Kuwait Ambassador to Bangladesh Faisal Mutlaq Aladwani called on her at her official residence Ganabhaban.

PM's Press Secretary Ihsanul Karim briefed reporters after the meeting.

Last year, Kuwaiti Prime Minister Sheikh Sabah Khaled Al-Hamad Al Sabah expressed his country's interest in building a petroleum refinery in Bangladesh and Prime Minister Sheikh Hasina agreed to provide them land for that purpose.

Hasina also asked to hold a meeting of the concerned joint commission as soon as possible.

She said that Bangladesh and Kuwait have special relations. The relationship was initiated by the Father of the Nation Bangabandhu Sheikh Mujibur Rahman soon after independence.

The PM appreciated Kuwait's support to Bangladesh's development programme.

She particularly recalled Kuwait's contribution to Bangladesh's foreign currency reserves in 1996 when Awami League came to power and the assistance was repaid later.

The prime minister said that Bangladeshis working in Kuwait are contributing to the economies of both countries. She conveyed her regards to the Amir of Kuwait.

The Kuwaiti ambassador said that his country will assist Bangladesh in development projects.



Bangladesh has been globally acclaimed for its exemplary strides in workplace safety and leadership role in ensuring sustainability in the garment industry, said BGMEA President Faruque Hassan at the awards programme last night.

PHOTO: STAR/FILE

18 garment
factories
awarded

STAR BUSINESS REPORT

A total of 18 garment factories were awarded for their extraordinary performance in attaining social and environmental sustainability as well as adoption of innovative practices in the textile sector of Bangladesh.

The awards were presented in three categories – "Social Compliance", "Environmental Excellence" and "Innovation" – which were further divided into nine subcategories.

The "Social Compliance" award winners excelled in women empowerment at the workplace, social initiatives in factory neighbourhoods and overall social setup.

The "Environmental Excellence" award was achieved by factories that led in water efficiency, recycling of textile waste materials or had an overall environment safeguarding

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