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Star BUSINESS

Economy to slow this fiscal year

Says Fitch Solutions

STAR BUSINESS REPORT

Bangladesh's economy is likely to grow at 6.5 per cent by the end of the current fiscal year, down from 7.2 per cent in fiscal year 2021-22, according to Fitch Solutions early this week.

The growth will be constrained by weakening external demand, elevated energy prices, and inflation levels, as well as tightening global monetary conditions, it said.

However, sustained normalisation of economic activity will help offset some headwinds to the economy, it added.

"We at Fitch Solutions now expect Bangladesh's economy to expand by just 6.5 per cent in FY2022-23 from 7.2 per cent in FY2021-22," said its latest report on Bangladesh released on November 25.

"Our forecast is considerably below official projections of 7.5 per cent as the economy is grappling

> **"Demand would soften on the back of elevated inflation and weak remittances inflows."**

with headwinds stemming from elevated inflation and energy prices, tightening monetary conditions, and a weakening global economic backdrop," it said.

Nevertheless, the sustained easing of Covid-19 restrictions will remain supportive of growth and thus limiting the extent of the economic slowdown, it added.

The Fitch also sees three major headwinds facing Bangladesh's economy over the coming quarters.

The first is that domestic demand would soften on the back of elevated inflation and weak remittances inflows.

The latest data showed consumer prices rising by 8.9 per cent year-on-year as of October 2022 while acknowledging that inflation has eased from its peak of 9.5 per cent, although it remains above the Bangladesh Bank's (BB) target of 5.6 per cent.

Secondly, the effects of the surge of energy and commodity prices will continue feeding into the economy, leading to further inflationary pressures.

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A view of the under-construction factories at the Bangabandhu Sheikh Mujib Shilpa Nagar in Mirsharai, Chattogram. The country's largest economic zone has received investment proposals of $17.8 billion so far. The photo was taken in September this year. PHOTO: RAJIB RAIHAN

Economic zones struggle to woo foreign investors

JAGARAN CHAKMA

When Bangladesh embarked on a journey to set up 100 economic zones across the country in 2015, the government's aim was to attract both foreign and local investments as it looks to accelerate industrialisation, create one crore jobs and export $40 billion worth of goods and services from the enclaves in the next 15 years.

So, it offered a 100 per cent income tax exemption for 10 years on capital gains, dividends, royalties, and technical assistant fees, and an 80 per cent exemption on value-added tax on electricity, water and gas consumption.

Besides, export-oriented industries are allowed to sell 20 per cent of their products in the burgeoning local market and foreign nationals working in the zones may remit 75 per cent of their net salaries.

After seven years, the government has readied five economic zones while entrepreneurs have set up dozens of them.

Accordingly, the Bangladesh Economic Zones Authority (Beza) has received $22.17 billion worth of investment proposals from home and abroad in automobile, chemical, pharmaceuticals, light engineering, hospital, plastic, edible oil and food processing.

Of the sum, only $1.32 billion is foreign direct investment (FDI), data from the agency showed. Besides, just $55 million has been invested so far.

"The progress of investment in the economic zones is quite disappointing, particularly when it comes to foreign investment.

It is below our expectation," said Khondaker Golam Moazzem, research director of the Centre for Policy Dialogue.

"We have seen huge activities of the Beza in the last decade. It has offered incentives to foreign investors, but investment realisation is yet to reach the expected level," he added.

Still, the economic zones have been able to attract investments from Japan, China, India, Australia, Germany, the Netherlands, US, UK, Singapore, South Korea, and Norway, Beza sources said.

Among the foreign investors, Marico Bangladesh Limited invested $6 million, Asian Paints Bangladesh Limited put in $34 million, and Nippon & McDonald Steel Industries Limited, a joint venture, came up with $15 million.

Local and foreign investors have together invested $967.73 million in the economic zones in various sectors.

"Although the amount of FDI is small in terms of the total investment proposal, it would increase once the Japanese Economic Zone becomes operational," said Shaikh Yusuf Harun, executive chairman of Beza.

Bangladesh Edible Oil Ltd (Singapore) has proposed to invest $400 million, Pacific Gas Bangladesh Ltd (Thailand) plans to bring in $100 million, and Inter-Asia Group Pte Ltd (Singapore) plans to invest $90 million.

Besides, Eurasia Food Processing (BD) Ltd (UK) plans to inject $30.17 million, Berger Paints Bangladesh Limited (UK) aims to bring in $29.4 million, HA Tech Ltd (Australia) $21.64 million, and Jinde Elastic (BD) Co Ltd (China) $20 million.

Besides, a $600 million investment proposal is awaiting the signing agreement for the Japanese Economic Zone, which is being developed on 650 acres of land in Narayanganj's Araihazar.

Scheduled for completion by June 2023, Japanese trading giant Sumitomo Corporation will operate the economic zone, which would be able to accommodate around 200 companies and create 2 lakh jobs.

On November 20, Prime Minister Sheikh Hasina inaugurated the commencement of commercial production at 14 industrial units and also announced the establishment of 29 others in public and private economic zones to encourage planned industrialisation in Bangladesh.

M Masrur Reaz, chairman of the Policy Exchange of Bangladesh, says Beza initially allocated land to business groups

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Bangladesh a hotspot for int'l tech providers

Eco-friendly machinery lowering water usage for denim

REFAYET ULLAH MIRDHA

International technology and machinery providers are flocking to Bangladesh as local apparel exporters are adopting new technologies to reduce water consumption, advance automation and produce sustainable products to win the hearts of consumers.

The mindset of consumers is changing, and they are more into apparel that has been produced complying with environment protection rules, such as low consumption of water.

As a result, demand for environmentally friendly garments has been growing worldwide and international companies have identified Bangladesh to be a hotspot for selling their technologies and machinery.

The adoption of advanced technology in denim production is helping save groundwater significantly as local millers are trying to lower consumption of water in washing and dyeing.

> **Improved washing and drying processes are very important for garment items as the country has been heading towards producing high-end, value-added garments to enjoy premium prices**

Overconsumption of groundwater in the washing and dyeing of denim fabrics has become a major concern for environment and biodiversity protection, as until now a section of local millers has been using conventional technologies for washing denim fabrics.

In a recently concluded "Made in Bangladesh Week", a group of foreign companies showcased a good number of the latest technologies that are being used by denim washing plants to reduce water consumption.

A Turkish company engaged in Bangladesh since 2008 has supplied advanced machinery to 80 local garment companies so far through its office in the country.

Such machinery have a very high efficiency ratio, being capable of washing and drying 10 jeans with the same amount of water a worker would have manually required on a single pair.

Abu Taleb Bhuiyan, chief executive officer of Best Tex International, said he was able to reduce water consumption by 50 per cent in the dyeing

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STOCKS

DSEX ▼	CASPI ▼
0.55%	0.39%
6,197.93	18,329.39

COMMODITIES

Gold ▲	Oil ▼
$1,754.83	$74.25
(per ounce)	(per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.34%	▼ 0.42%	▼ 0.14%	▼ 0.75%
62,504.80	28,162.83	3,240.06	3,078.55

With night temperatures dropping substantially, clothing retailers showcase warm clothing in an attempt to be the early bird in making a quick sale amidst demand generated from winter knocking at the door. The photo was taken at Dilkusha in Dhaka yesterday. PHOTO: AMRAN HOSSAIN

Internet users dip in October

MAHMUDUL HASAN

The number of internet subscribers in Bangladesh, including those using mobile internet, fell in the three months to October while the growth in broadband connections flattened.

The number of internet users dropped to 12.61 crore in October, down 1.5 lakh from the previous month, according to data from the Bangladesh Telecommunication Regulatory Commission (BTRC).

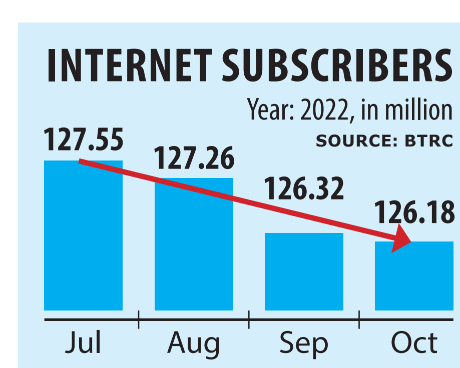
With this, the number of internet users has fallen by about 14 lakh since July, when the total subscriber base stood at 12.75 crore.

Broadband connections, which saw massive growth during the Covid-19 pandemic, remained unchanged at 1.15 crore in October.

"I think those who only got an internet connection to spend time are now stopping their usage amid the current economic downturn," said Nazmul Karim Bhuiyan, secretary general of the Internet Service Providers Association of Bangladesh.

Many people availed broadband connections in the last two-and-a-half years as they had to rely on the internet to work, communicate, study and get updates on the pandemic, according to industry people.

In February 2020, there were only 57 lakh broadband customers in Bangladesh.



The number rocketed to around 1 crore in December of the same year, but growth began slowing at the beginning of 2022.

But according to Bhuiyan, there is still demand for broadband internet in rural areas. On a year-on-year basis, broadband connections dropped 2.32 per cent in October.

The number of mobile internet subscribers dropped by about 1 lakh to 11.46 crore in August.

Market analysis shows that 15-20 per cent of mobile network subscribers move from one operator to another or come back every month for various reasons, according to Mohammed Shahedul Alam, chief corporate and regulatory officer of Robi.

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