

Foreign firms,
JVs in economic
zones can borrow
from local banks
Says BB

STAR BUSINESS REPORT

Foreign firms and joint ventures located in the economic zones can access working capital loans in the taka from the domestic banking system for their operations catering to the local market, said the Bangladesh Bank yesterday.

Industrial enterprises operating in the domestic processing areas of the economic zones do not have sources of income in foreign currencies.

In order to facilitate their businesses, the central bank issued a circular in October 2020, allowing the enterprises to execute transactions in the taka without export/import procedures and remit the payment on account of royalty, technical know-how and technical assistance fees from their take accounts.

To further meet their working capital needs, it has been decided that Type A and Type B industrial enterprises operating for marketing their products in the domestic market only and with no sources of income in foreign currencies are allowed to access working capital loans in the taka from the local banking system, said the BB.

Firms with 100 per cent foreign ownership are considered "Type A" and joint venture companies with foreign and Bangladeshi ownership are treated as "Type B".

Gold gains on dollar pullback

REUTERS

Gold ticked higher on Monday as a retreat in the dollar made bullion more attractive for other currency holders, drawing further support from some safe-haven demand from China amid wide protests over its strict Covid-19 curbs.

Spot gold was up 0.3 per cent at \$1,761.49 per ounce, as of 0933 GMT. US gold futures rose 0.4 per cent to \$1,761.10.

"The dollar turning a touch lower is helping gold prices now," independent analyst Ross Norman said, adding if China Covid situation escalates quickly, it would be positive for the gold market.

"We got really two opposite drivers playing on gold at the same time. However, I don't think we're going to see fresh longs coming and taking the market much higher as we head into the final furlong of the year."

Rival safe-haven dollar surrendered earlier gains and fell 0.6 per cent against its rivals.

Hundreds of demonstrators and police clashed in Shanghai on Sunday night as protests over China's stringent Covid restrictions flared for a third day and spread to several cities. China's Covid protests dented risk appetite as well.

Meanwhile, the top bullion consumer's net gold imports via Hong Kong in October fell 45 per cent to 18,664 tonnes from the previous month, data showed.

Bangladesh a hotspot for int'l

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and drying processes, both of which help achieve a myriad of effects on denim fabrics.

Previously, a lot of groundwater used to be consumed for this purpose but with the new technologies, water consumption and presence of dust fell significantly in the drying process.

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.

Tarin Choudhury, Bangladeshi country director of Jeanologia, a Spain-based company, said the use of their technologies is significantly saving water and necessitates lesser machines in the "smart washing" of denim fabrics.

For instance, it previously took nearly 300 litres of water to wash a pair of jeans but now, the same quantity of fabrics can be washed with only 7 litres to 22 litres of water by using their technologies.

Moreover, use of one of their laser machines reduces the cost of the company by 12.15 per cent on average as it can do the job of 12 to 15 workers.

After over 20 years of operations here, Jeanologia

currently has 120 customers in Bangladesh.

By 2025, the company has a target to reach 200 customers as the use of their latest technologies was increasing in mills and factories.

Alice Tonello, director for marketing, research and development of Tonello, an Italian technology company, said their new technologies could wash a pair of jeans with only 14.41 litres of water. Bangladesh is such a growing and promising market that 2,000 of their machines were bought by local textile and garment entrepreneurs. The company so far supplied 9,000 such machineries worldwide.

However, this year the company has had no growth in their business in Bangladesh as had been in previous years because of a downturn in garment exports.

Still for her company, Bangladesh is a stable market.

She is hopeful that the Bangladeshi market would grow again as sales are expected to increase during the Christmas seasons in Western countries.

David Noli, sales director of Sip Italy, a sewing machine provider, said their machines could produce 350 pockets for garment items within the same time

ANNUAL DEVELOPMENT PROGRAMME Four ministries, divisions spend less than 1% in 4 months

MD ASADUZ ZAMAN

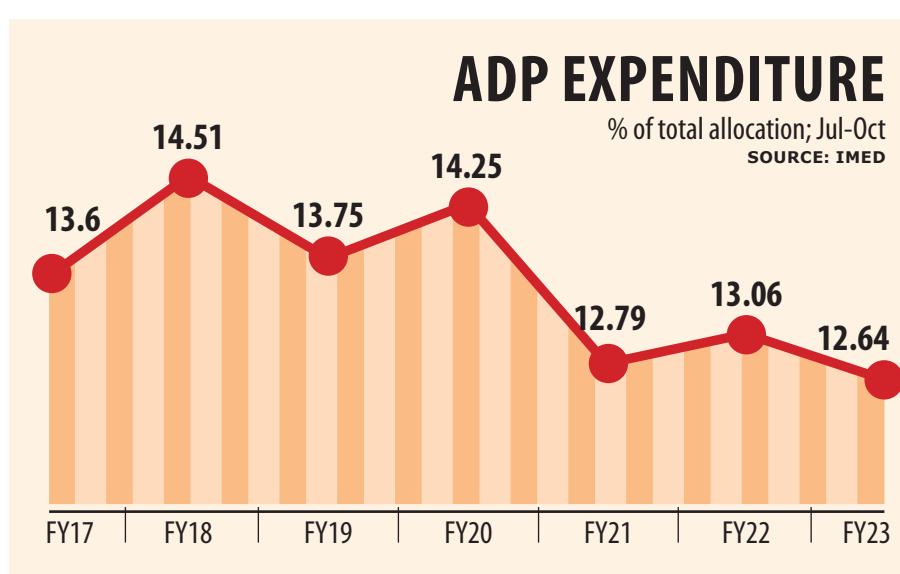
Although four months have already passed in the current fiscal year, four out of 56 ministries and divisions are yet to spend 1 per cent of the allocations they received under the Annual Development Programme (ADP).

The four ministries and divisions are industries, public administration and foreign ministries and the Internal Resources Division (IRD), said the progress report of the Implementation Monitoring and Evaluation Division (IMED) of the planning ministry.

Of them, the foreign ministry has not spent a single penny. The industries ministry spent 0.29 per cent of the allocation, the public administration ministry expended 0.42 per cent and the IRD used 0.43 per cent.

Ministry/Division	Implementation rate (%)
Foreign affairs ministry	0
Industries ministry	0.29
Public administration ministry	0.42
Internal Resources Division	0.43
Defence ministry	1.37

SOURCE: IMED



the escalated import payments, the government has put the execution of the less important projects on hold and tightened imports.

Talking to The Daily Star, Planning Secretary Md Mamun Al-Rashid yesterday said, "The lower progress does not always mean that the ministries or divisions are not working at all. Sometimes, we can see the procedural delay."

If a ministry or division takes up a new project, it takes time to make payments through bills, he said.

Sometimes, the physical progress is the real progress of the project, but the implementation is shown to be low amid the non-disbursement of funds. There are a few such projects as well, said an official of the IMED.

The planning ministry is expected to hold a review with ministries and divisions in December to know the reasons for the lower ADP implementation.

"We will draw the attention of those agencies to speed up the project implementation. We will look into the facts as to why the projects are being delayed. We are working on it," Rashid added.

Although the country's development

spending in July-October was the lowest in seven years, the rate of foreign aid spending surged 35 per cent during the period.

Between July and October, the government managed to spend Tk 13,277 crore from foreign aid. It was Tk 9,859 crore during the four-month period in the last fiscal year.

The planning secretary credited the good performance of the ministries and divisions for the higher foreign aid use.

"Our agencies are playing a good role in implementing foreign-funded projects," he said.

Overall, ADP spending stood at Tk 32,358 crore in July-October, accounting for 12.64 per cent of the total allocation of Tk 256,003 crore for 2022-23. This was the lowest since the same four-month period of 2015-16.

Rashid acknowledged the slow progress.

"The coronavirus situation has improved a lot. So, we are trying to find out why the ADP is not picking up. We will take necessary steps," he said.

The government is implementing 1,496 projects under the ADP in the current fiscal year.

Oil prices erase 2022 gains as China's protests spark demand worries

REUTERS

Oil prices fell to near their lowest levels this year on Monday as street protests against strict Covid-19 curbs in China, the world's biggest crude importer, stoked concern about the outlook for fuel demand.

Brent crude dropped \$2.66, or 3.1 per cent, to trade at \$80.97 a barrel at 1000 GMT, after diving more than 3 per cent to \$80.61 earlier in the session - its lowest since January 4.

US West Texas Intermediate (WTI) crude slid \$2.39, or 3.1 per cent, to \$73.89 a barrel. It fell as far as \$73.60 earlier, its lowest since December 22, 2021.

Both benchmarks, which hit 10 month lows last week, have posted three consecutive weekly declines.

"On top of growing concerns about

weaker fuel demand in China due to a surge in Covid-19 cases, political uncertainty, caused by rare protests over the government's stringent Covid restrictions in Shanghai, prompted selling," said Hiroyuki Kikukawa, general manager of research at Nissan Securities.

Markets appeared volatile ahead of an Opec+ meeting this weekend and a looming G7 price cap on Russian oil. China has stuck with President Xi Jinping's zero-Covid policy even as much of the world has lifted most restrictions.

Hundreds of demonstrators and police clashed in Shanghai on Sunday night as protests over the restrictions flared for a third day and spread to several cities in the wake of a deadly fire in the country's far west.

The Organization of the Petroleum

Exporting Countries (Opec) and its allies including Russia, known as Opec+, will meet on December 4. In October, Opec+ agreed to reduce its output target by 2 million barrels per day through 2023.

Meanwhile, Group of Seven (G7) and European Union diplomats have been discussing a price cap on Russian oil of between \$65 and \$70 a barrel, with the aim of limiting revenue to fund Moscow's military offensive in Ukraine without disrupting global oil markets.

But EU governments were split on the level at which to cap Russian oil prices, with the impact being potentially muted. "Talks will continue on a price cap but it seems it won't be as strict as first thought, to the point that it may be borderline pointless," said Craig Erlam, senior markets analyst at OANDA.

The Organization of the Petroleum

Economy

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Furthermore, a recent 20 per cent hike in bulk electricity prices on September 22 will likely be passed onto consumers, contributing to broader price pressures.

Given Bangladesh's relatively low levels of per capita incomes, elevated energy prices will have an outsized impact on household purchasing power and weigh heavily on private consumption, said Fitch Ratings.

Additionally, signs of a slowdown in remittance inflows have also become apparent, with the latest data showing a contraction of 10.8 per cent year on year, it said.

Given that remittances account for a large share of the economy (6 per cent of the GDP), a sharp decline could point to early signs of a looming economic slowdown, it added.

This can be partially attributed to elevated inflationary conditions elsewhere as well as slowing global growth, it said.

Finally, a global economic slowdown will dampen demand for Bangladesh's exports, it added.

Factoring in the impact of global tightening conditions worldwide, there is also likely to be little in the way of external support from Bangladesh's other trading partners, it said.

"So, foreign investors do not feel confident to invest in Bangladesh despite having huge business potential in the country."

The local consumer market is set to become the ninth largest in the world driven by a rapidly expanding middle and affluent class, which is projected to grow from about 19 million in 2020 to about 34 million by 2025, according to top global consulting firm Boston Consulting Group.

The FICCI found that foreign investment would come to Bangladesh if the ease of doing business situation improves and there is a stable policy, said Kabir.

CPD's Moazzem called for identifying the bottlenecks for slow investment and sorting them out. "We need to offer a full package to foreign investors. This will include a business-friendly environment, skilled workforce, and housing facilities for workers," he added.

According to the US State Department's Investment Climate Report 2021, several factors such as corruption, bureaucratic red tape, inadequate infrastructure and limited access to financing pose major obstacles to foreign investment in Bangladesh.

Referring to the observation of the Foreign Investors' Chamber of Commerce and Industry (FICCI), its Executive Director TIM Nurul Kabir said there is a lack of stable fiscal policy and it does not support the business plan of investors.

An investment-friendly environment is yet there. "And we are hopeful that the proposed investments would be translated into real investments within the next two to three years," he said.

Only dozen stocks up as markets fall

STAR BUSINESS REPORT

The key indexes of the stock markets in Bangladesh fell yesterday as investors booked profits and continued their wait and see approach as the economy reels from the global crisis.

The DSEX, the benchmark index of the Dhaka Stock Exchange, lost 34 points, or 0.55 per cent, to close at 6,197, snapping the two-day gain.

The DS30, the blue-chip index, dropped 0.49 per cent to 2,191 while the DSES, the shariah compliant index, edged down 0.68 per cent to 1,354.

Turnover, an important indicator of the market, however, advanced 22 per cent to Tk 426 crore.

Of the securities, only 10 advanced, 73 declined, and 210 did not show any price movement.

The Dhaka stocks slipped into the red after a two-day break as risk-averse investors continued their selling binge and followed a cautious stance amid a gloomy outlook of the economy, said International Leasing Securities Limited in its daily market analysis.

Yesterday, the market, however, started on a positive note but the shaky investors went for desperate sell-offs due to a lack of clear direction of the future market movement.

The investors also liquidated their investment from the small-cap IT, service, paper, life insurance and travel sectors, the brokerage house said.

Thus, the IT sector lost 5.4 per cent, the service sector was down 3.7 per cent and the paper sector declined 2.8 per cent. Only the jute sector ended in the black as it rose 1.5 per cent.

Investors' activity was mostly centred on the IT, life insurance and paper sectors.

Jute Spinners topped the gainers' list with a 7.48 per cent increase.

Monno Agro & General Machinery, Paper Processing & Packaging, Kay & Que (Bangladesh), and Sonali Paper & Board Mills were also on the list.

Bashundhara Paper Mills took the top spot among the heavy losers by shedding more than 10 per cent. Genex Infosys, Summit Alliance Port, Eastern Housing, and BDCOM Online suffered significant losses as well.

Genex Infosys was the most traded stock on the day with its shares worth Tk 43 crore transacted.

Bashundhara Paper Mills, Chartered Life Insurance Company, Aamra Networks, and Orion Pharma also saw significant turnover.

The Chittagong Stock Exchange also fell.

The Caspi, the all-share price index of the bourse in the port city, lost 72 points, or 0.39 per cent, to close at 18,329.

Of the issues, 12 rose, 45 retreated and 57 did not see any price movement. Turnover plummeted more than 58 per cent to Tk 7 crore.

Pakistan minister heads to Russia for talks

REUTERS, Islamabad

Pakistan's junior oil minister and the petroleum secretary have flown to Russia for talks on issues including oil and gas supplies, two people close to the matter told Reuters on condition of anonymity.

The trip comes as the South Asian nation struggles to meet domestic gas