Toy stores such as these seem like a treasure trove to just about any toddler, but the recent inflation has forced most guardians to curtail their spending on luxury items, leading to a sharp dive in sales while raw material prices and other input costs have gone up. The photo was taken from Chattogram city recently. PHOTO: RAJIB RAIHAN

Plastic toy sales almost halve

Rising costs, lower demand to blame

SUKANTA HALDER

Plastic toy makers and retailers in Bangladesh are feeling the pinch of a nearly 40 per cent drop in sales amid higher raw material prices fuelled by raging inflation stemming from the Russia-Ukraine war.

As a result, a number of toy factory owners have been forced to lay off employees in a bid to survive.

Bangladesh has been facing a major macroeconomic crisis since February following Russia's invasion of Ukraine, with the ensuing global inflation sending domestic consumer prices to a decade high in August.

Toys are sold more or less year-round at Dhaka's Chawkbazar, the largest wholesale toy market in Bangladesh, but sales have been quite low this year.

Abdul Kader Jilani, proprietor of Kader Toys Plastic Works, said sales are usually very good at this time thanks to the various fairs and other events that take place in winter.

"This year though, sales have been far less compared to what it was before the Covid-19 pandemic in 2019," he added.

Jilani then said the country's current economic is not very good and so, people are placing more importance on buying daily necessities rather than luxuries such as toys.

"Compared to normal times, sales are now at least 30 per cent less. We have kept the factory running by reducing production and the worker's salaries," he added.

According to a monthly report by the World Food Program published in November last year, the cost of running a household for most people in Bangladesh has increased while their incomes have decreased.

In addition, raw material imports for toys have decreased significantly due to the US dollar crisis.

"So, production has also decreased, and this has had quite a negative impact on their [toy sellers] businesses," Jilani said.

Rahim Ullah, proprietor of Mohammadia Plastic Products in Dhaka's Lalbagh area, said they have been unable to import raw materials amid the ongoing US dollar crisis.

"And even if production is decreased, we still have to pay rent and the staff's salary every month," he added.

Ullah went on to say that even at the beginning of the year, products worth Tk 1 lakh to Tk 1.5 lakh were sold every day. Now, products worth just Tk 10,000 to Tk 16,000 are sold daily.

Citing the current economic situation, Ullah said he was forced to lay of 21 of his 30 employees just last week.

"We were forced to lay them off because of the current crisis. I did not see any other way as it has become very difficult to sustain the business," he added.

In another bid to survive, many toy makers and sellers have reduced their profit margins.

For example, Abdul Hye, proprietor of Tajul Plastic Products in Keraniganj upazila of Dhaka, reduced his profit margin to 3 per cent from 10 per cent despite the higher raw material costs.

"The business is somehow surviving," said Hye, who laid off 10 per cent of his workforce two months ago.

Toys play a major role in developing a child's intelligence quotients, increasing motor development, and improving decision-making ability.

But with the rising cost of living, many guardians no longer buy toys for their kids like they used to. One such person is Rozina Begum.

The resident of Dhaka's Mirpur said her baby is almost one year old now.

"Earlier I used to buy toys worth Tk 800 to Tk 1,000 for him every month. But for the last few months I have been buying toys worth between Tk 300 to Tk 400," she added.

About a decade ago, some 90 per cent of the toys in Bangladesh were imported, according to industry people. Now though, just 10 per cent of the toys are imported.

With about 100 toy makers operating in the country and 12 of them being large companies, the market is estimated to be worth around Tk 7,000 crore. Of this amount, local producers contribute around Tk 4,000 crore while the rest is imported.

Evince Textiles to invest Tk 20cr to raise capacity

STAR BUSINESS REPORT

Evince Textiles Ltd is going to spend Tk 20.42 crore to buy capital machinery in order to raise its manufacturing capacity.

The board of directors has decided to purchase or import brand new capital machinery in order to increase the production capacity and finishing quality, according to a posting on the Dhaka Stock Exchange yesterday.

Evince Textiles is engaged in the business of manufacturing and selling of 100 per cent deemed export-oriented yarn-dyed woven fabric. Its subsidiary Evitex Fashions Ltd manufactures and exports readymade garments, according to the company's website.

Desh Garments gets nod to issue 10% stock dividend

STAR BUSINESS REPORT

Desh Garments Ltd has received consent from the Bangladesh Securities and Regulatory Commission (BSEC) to issue a 10 per cent stock dividend for the year that ended on June 30.

The garment manufacturer said its board has fixed January 3, 2023 as the record date, according to a filing on the Dhaka Stock Exchange yesterday.

Bangladesh's first garment manufacturer and exporter made a profit of Tk 3.76 lakh in 2021-22. It was Tk 30.14 lakh a year earlier.

RFL Houseware second among top 15 brands

STAR BUSINESS DESK

Household plastic brand RFL Houseware, a subsidiary of Pran-RFL Group, notched the second position among the 15 most "loved brands" of the country at the 14th edition of the Best Brand Award 2022.

Esfaqul Hoque, head of marketing of RFL Houseware, received a crest at the award ceremony organised by Bangladesh Brand Forum in partnership with The Daily Star and Nielsen Bangladesh at the Le Meridien in Dhaka on Saturday, a press release said.

"It is indeed a great achievement for us. We thank our customers because their love and trust in our brand helped to achieve this recognition," said Kamruzzaman Kamal, marketing director of Pran-RFL Group.

The winners were picked based on a direct survey among consumers across the country.

A total of 110 brands were recognised in 38 categories from which top 15 brands were awarded from all the categories.

Phones, laptops, internet

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The other now costs Tk 70,000 to Tk 75,000 whereas earlier it was Tk 45,000 to Tk 50,000.

"The perception of digital device affordability has been completely changing," said Ahmed Hasan, managing director of Ryans IT, one of the country's top retailers of personal computers and laptops.

"General people were slowly becoming more inclined towards purchasing a computer for freelancing or f-commerce. But now they are abandoning plans," he said.

"The same government, led by the current prime minister, was earlier instrumental in popularising the computer by making it 100 per cent tax free," said Hasan.

Currently, overall government duties on laptop import stands at 31 per cent to 32 per cent.

Hasan thinks the duties are not justified and undermines the government's long-term efforts towards computerisation.

According to industry people, the sale of laptops in Bangladesh is poised to reach 450,000 units by the end of 2022. HP, Asus, Dell, Lenovo and Acer are the top-selling brands.

Local manufacturers, however, have been enjoying an opportunity to import raw materials for computer accessories paying only 1 per cent import duty since 2017.

A similar rate is applicable on purchases of raw materials for the production of printers, toners, tabs and notebooks.

The new VAT at the import stage and the concessional facility to bring in raw materials will benefit Walton, the country's lone manufacturer having a 30 per cent value-addition capacity, and a handful of assemblers.

However, they do not have the capacity to meet the local demand and business consumers want to purchase laptops with high configurations which can be solely ensured through import.

Laptop manufacturing is complex, dominated by five to six companies globally. It is very difficult to establish a laptop manufacturing unit ensuring good value addition from technological aspects, according to Bangladesh Computer Samity.

Meanwhile, the 5 per cent VAT on mobile sales pushed up its prices, slowing down smartphone penetration and wreaking havoc on the mobile phone manufacturing industry.

The industry is facing a hard time for the depreciation of the local currency against the US dollar, a shortage of the American greenback and limits imposed on opening letters of credit (LCs) for raw materials amid declining foreign currency reserves.

As a result, mobile phone manufacturing and assembling fell 1.25 per cent to 21.99 lakh units in October from that a month earlier, showed data from Bangladesh Telecommunication Regulatory Commission (BTRC).

A lower sales volume in recent months has forced manufacturers to cut production.

About 1.56 crore mobile phones were manufactured in the first five months of 2022. In the next five months to October, the number stood at 1.23 crore, a drop of 21 per cent.

"Sales of all types of phones have decreased in the last six months," Md Asraf Uddin, CEO of Anira International, which manufactures both smartphones and feature phones, told The Daily Star recently.

"Some months were so depressing that we were able to clock only one-third of our average sales," he said.

According to the industry people, the price of smartphones shot up by about 25 per cent in the last one year.

About three crore people in Bangladesh, aged 18 years or above, do not own a mobile phone and 6.5 crore do not use the internet, according to the new population census published in July this year.

In effect, it highlights the non-affordability of devices enabling connectivity and digital inclusion remaining elusive for many.

Of the population group aged five years and above, 44.13 per cent, or 6.6 crore, do not own a handset while more than 69 per cent, or 10 crore, do not use internet, sowed a preliminary report of the Population and Housing Census 2022.

"The government's tax policies on digital devices are detrimental to digital inclusion," said AKM Fahim Mashroor, chief executive officer of bdjobs.com.

"The government's Digital Bangladesh vision has mainly been achieved in the top cities of the country. If the government doesn't change its stance, its new vision of 'Smart Bangladesh' will also be city-centric," he added.

Mustard blooming on record area

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The Bangladesh Agricultural Development Corporation (BADC) has also increased distribution of mustard seeds to expand cultivation, said Md Mostafizur Rahman, member director for seed and horticulture at the BADC.

The agency supplied 1,000 tonnes of mustard seeds this year and aims to provide 2,200 tonnes next year in an effort to support the government's plan to increase domestic production of oilseeds to reduce imports.

"We want to supply 3,500 tonnes of mustard seeds in 2024," he said, adding that crop growth has been excellent so far.

ORC Director Akanda said the weather has been favourable so far and so, they expect production will be almost double the amount estimated in the previous season.

The DAE estimated mustard production at 8.24 lakh tonnes in fiscal year 2021-22.

"We will take more initiative in the coming years to increase cultivation of oilseeds," said Badal Chandra Biswas, director (in-charge) of the field service wing of the DAE.

Singapore dollar to hold its ground in 2023

ANN/THE STRAITS TIMES

The Singapore dollar is set to end the year as Asia's most resilient currency against an exceptional surge in the United States dollar.

But as the global macroeconomic environment changes in 2023 – significantly slowing growth and peaking inflation – some of its regional peers are likely to outperform it.

To date this year, the Singdollar is up 0.03 per cent against the mighty US dollar, which has overwhelmed virtually all currencies worldwide.

The US dollar's spike against most other currencies was backed by the most aggressive interest rate hikes in decades by its central bank – the Federal Reserve – which lifted its benchmark federal funds rate by 4.25 percentage points in just nine months.

The rally crushed other major currencies, including the euro and the British pound.

The year-to-date losses of the Japanese yen stands at 14.7 per cent, while the Chinese renminbi, South Korean won and Taiwan dollar have all lost between 7 per cent to 10 per cent, with the Malaysian ringgit down by 6.4 per cent.

The Singdollar's resilience owe much to the country's decision to start lifting Covid-19 curbs earlier than most of its Asian peers, boosting market confidence on the strength of its economic recovery.

The policy stance of the Monetary Authority of Singapore (MAS) has also helped the local currency.

It was among the few central banks to start tightening policy stances in response to the inflationary spiral, moving five months earlier than the Fed.

The MAS, which uses the Singdollar as the primary tool to manage price stability, switched to a currency appreciation bias in October 2021 and has since made five more tightening moves.

Analysts estimate that the Singdollar on a trade-weighted basis may have appreciated by about 7 per cent since October 2021 – the fastest pace of gains against a basket of currencies of its trading partners.

While inflation may yet have some way to go, signs abound that a peak is near, and with it the end of the monetary policy tightening cycle.

After experiencing multi-year high inflation for most of 2022, Singapore's headline inflation, which includes all goods and services, eased to an annual rate of 6.7 per cent in October, from 7.5 per cent in September. That was the first year-on-year inflation pullback in 14 months.

Singapore's inflation data is matched by the slowing pace of price gains elsewhere, including in the US, and has raised hopes that central banks may soon stop raising rates.

The change in expectations – from rising inflation and policy tightening to peaking prices and a halt in interest rate hikes – has already had its toll on the US dollar rally.

The South Korean won has wrestled the crown of the region's outperformer by rising about 8 per cent against the greenback since Oct 1, the start of the fourth quarter.

The Singdollar is now tied with the Japanese yen for second position, with both currencies posting quarterly gains of about 5.2 per cent this quarter.

Garment exporters see moderate recovery

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because the local suppliers may have to undertake expensive air shipments if they cannot supply goods on time because of a shortage of gas and power, he said.

If any exporter faces air shipment, s/he will very much end up losing out at this time of stiff competition, he added.

The year 2023 is a crucial year for local exporters as business in the Western world grew only by 4 per cent to 5 per cent year-on-year, said AK Azad, chairman and chief executive officer of Ha-Meem Group.

This is due to the fact that sales of old inventory increased but by not that much of an extent, he said.

Work orders for the next season between January and April are still some 15 per cent to 20 per cent less than what had been in the preceding season between September and December, he added.

Chances of a strong recovery are very thin and there will be a moderate recovery next year because of the war, said Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association.

In such tough times, business operation costs should be reduced through smart operations of customs, bonds, ports and banking issues, he said.

The good news is that freight charges have declined significantly alongside cotton prices in international markets, which will also have a positive impact at the factory level, he said.

But at the same time, international retailers and brands will use it as an excuse to decrease the price per unit of clothing items, he added.