The light engineering sector contributes 3 per cent to the country's gross domestic product. The new policy does not feature any special provision for attracting foreign direct investment to the sector, says an expert.

PHOTO: STAR/FILE

Job growth in South Asia may halve this year: ILO

STAR BUSINESS REPORT

The growth of jobs in South Asia is expected to nearly halve to 1.6 per cent in 2023 from 3 per cent a year ago, according to a new International Labour Organization (ILO) report released yesterday.

This will be due to slowing economic growth impacted by the war in Ukraine, high inflation and worsened public finances, it said.

The report "World Employment and Social Outlook: Trends 2023" also projects that global employment growth would be only 1 per cent in 2023, less than half the level in 2022.

This would mark a reversal of the decline in global unemployment seen between 2020-2022.

It means that global unemployment will remain at 16 million above the pre-crisis benchmark set in 2019, said the report.

The report said South Asia, comprising countries including Bangladesh, India, Sri Lanka and Pakistan, was likely to register a total of 54.1 million of unemployed people in the current year, up 2.46 per cent from the previous year.

"Several countries, such as Bangladesh, rely heavily on exports to Europe; weaker demand for these goods is reducing growth prospects in the subregion," it said.

"Inequality both between and within countries is growing and the recovery from the pandemic has been deeply uneven," said the report.

The scarcity of new jobs will hit countries at a time when many are still recovering from the economic shock of the global pandemic and the coronavirus is tearing through China after Beijing lifted tight lockdown restrictions, said Reuters.

"...we don't expect the losses incurred during the Covid-19 crisis to be recovered before 2025," said Richard Samans, director of the ILO's research department and coordinator of the report.

"The slowdown in productivity growth is also a significant concern, as productivity is essential for addressing the interlinked crises we face in purchasing power, ecological sustainability and human well-being," he said.

The ILO said the South Asia region was expected to register 692 million of employment in 2023, up from 681 million the previous year.

This will be due to slowing economic growth impacted by the war in Ukraine, high inflation and worsened public finances

The report referred to International Monetary Fund and World Bank projections regarding economic growth.

It said the South Asia region witnessed the strongest growth and some of the highest regional figures in the world and the economy of the region was projected to grow 5.3 per cent in 2023.

"Originally high growth projections for India have been revised downwards and may be so revised further, given deteriorating global conditions and faster than anticipated monetary tightening," said the report.

"Household consumption will be held back by slow recovery of the labour market and by high inflation," it said.

The report said South Asia has few direct links with Russian and Ukraine but was very vulnerable to the higher global commodity prices that have resulted from the conflict.

The ILO said recent high and volatile energy prices have shown how vulnerable the region was with respect to energy imports; there is a clear need to become less dependent on these imports.

"The region remains highly vulnerable to natural disasters, for example on the flood plains of Pakistan and Bangladesh," it said.

The ILO said the current global economic slowdown was likely to force more workers to accept lower quality, poorly paid jobs which lack job security and social protection, so accentuating inequalities exacerbated by the Covid-19 crisis.

Room to improve light engineering dev policy: BUILD

STAR BUSINESS REPORT

The Light Engineering Industry Development Policy-2022 does not feature any special provision for attracting foreign direct investment to the sector, according to a top official of the Business Initiative Leading Development (BUILD).

And although technology transfer has been identified as a constraint with the accommodation of artificial intelligence being suggested as a solution, there is no policy to this end, said Ferdaus Ara Begum, chief executive officer of Build.

She made these comments at the 8th meeting of the SME Development Working Committee of BUILD at the Ministry of Industries yesterday.

Begum then said issues regarding the industry's dependency on high-quality raw materials, scale of operation, compliance, environmental protection and climate change need to be addressed as well.

In the export policy, it is mentioned that industry owners will be encouraged to categorise factories as green, but there is no specific strategic target regarding this in the development policy, she added.

The BUILD CEO went on to say that only five countries -- China, the US, India, Singapore and Japan -- import about $2.51 trillion of light engineering products each year.

"And as Bangladesh enjoys market access to all these destinations, we can export about $25 billion worth of products from the sector if we can meet just 1 per cent of their requirement," Begum said.

Having appreciated the role of the industries ministry in formulating the Light Engineering Industry Development Policy, she pointed out there is room to improve the policy by developing strategy and action plans considering the post-graduation scenario and "Made in Bangladesh" campaign.

"We will extensively support the light engineering sector while exploring ways to set up a separate industrial park for it while also giving special incentives," said Zakia Sultana, secretary of the industries ministry.

Mahbubul Alam, president of the Chittagong Chamber of Commerce and Industry, urged the ministry to keep supporting the sector, which has high potential as it contributes 3 per cent to the country's gross domestic product.

The SME Foundation is currently formulating a cluster development guideline that will promote small-and-medium enterprises in the light engineering sector, said Mafizur Rahman, managing director of the organisation.

He then urged for resolving tax-related issues for importing raw materials and accessories for entrepreneurs.

Mohammad Monjurul Islam, additional director of Bangladesh Bank, said they are very much willing to support the sector during its growing stage.

"And we will see how they can gain financial benefits under the collateral scheme," he added.

All industrial policies need to be mandatory and, in that respect, an industrial protection act can be framed where different chapters will be included in other sectors, suggested Manzur Ahmed, adviser of the Federation of Bangladesh Chambers of Commerce and Industry.

Aledul Amin, director of the Bangladesh Engineering Industry Owners Association, said a subcontracting act is needed as soon as possible while industrial plots need to be ensured at affordable costs for safeguarding the sector's interests.

Higher govt borrowing

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removal of the deposit floor rate may encourage savings and smoothen the liquidity reserve of banks, according to Sattar.

Regarding the exchange rate stability, the business leader said he was relieved to see that the BB hopes to gradually move towards a market-based, flexible and unified exchange rate regime by the end of this fiscal year.

In order to avoid trade-based money siphoning, he supported the BB decision to beef up its monitoring to track import letters of credit (LCs) before making any final payment.

"Also, it will be helpful to pre-inspect any LCs worth $3 million or more."

However, under the current economic scenario, the DCCI chief suggested the relaxation of the LC margin for essential commodities and industrial materials for catering to local and export-oriented industries.

According to the press release, Sattar was hoping for solid recommendations from the central bank to deal with non-perfuming loans (NPLs).

"This is because maintaining a low NPL and ensuring good governance practices are critical for maintaining financial sector stability."

The total volume of NPLs increased by more than three times in the last 10 years since 2012, according to a report by the Centre for Policy Dialogue.

The NPLs surged to Tk 134,396 crore in the first quarter of 2022-23 from Tk 42,725 crore in the fourth quarter of FY2012, as per the report.

"The MPS could benefit from more concrete and clear measures or instructions from the BB as to how the NPL can be effectively reduced," said Sattar.

Since the growing NPL is limiting the private sector credit and stalling private sector growth, Sattar feels that stern measures for quick loan recovery should be brought into place.

The chamber suggested the BB identify and pinpoint the exact reasons for NPLs, focus on habitual defaulters and start engaging with various institutions and stakeholders in order to work towards reducing the current backlog in recovery cases and bringing quick reforms to the existing laws by introducing alternative dispute resolutions.

Sattar welcomed the BB decision to establish a special monitoring cell for continuous review and oversight of big loans as part of a comprehensive NPL resolution mechanism.

Dollar on the back foot

REUTERS, *Singapore/London*

The dollar started the week on the back foot, hitting a seven-month low against a basket of major peers in Asian trade before steadying, with the yen in particular focus due to traders' bets the Bank of Japan will tweak its yield control policy further.

The euro hit a fresh nine-month top of $1.0874 in early trade before retreating to last stand 0.16 per cent lower at $1.0816, while the Australian dollar breached the key $0.7000 level for the first time since August, before dipping back to $0.6962.

Thanks also to early strength from sterling and the Japanese yen, the dollar index slumped to a seven-month trough of 101.77, extending its selloff from last week after data showed that US consumer prices fell for the first time in more than 2-1/2 years in December.

Humaira Azam, managing director of Trust Bank, and Md Abul Kalam Azad, director of the agriculture credit department of Bangladesh Bank, exchanged signed documents of an agreement on disbursement of loans under a refinancing scheme of Tk 50 billion for food security of the country at the latter's headquarters in Dhaka recently. Abdur Rouf Talukder, governor of Bangladesh Bank, was present. PHOTO: TRUST BANK

Matarbari deep-sea port to open

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Addressing as a guest, Chittagong Chamber of Commerce and Industry President Mahbubul Alam requested that the state minister inform about the progress attained in the three ongoing projects.

Referring to his request, the state minister said he had earlier announced that the Bay Terminal would become operational by 2024.

"Unfortunately, within a year of our government coming to power in 2019, the global pandemic started and the first two years were lost from our lives. And then another global disaster of Russia-Ukraine war has appeared," he said.

"But I want to say that we are not sitting idle, rather we are progressing with our capacity," he said.

The government had initially decided to construct the 3,500-metre-long Bay Terminal under a public-private partnership, said Chowdhury.

Later, in line with a proposal of the business community, the project was divided and a decision was taken for Chittagong Port Authority (CPA) to construct a multipurpose terminal on a major portion of the Bay Terminal, he said.

The proposal for that multipurpose terminal is now in the making and it could start running operations by early 2026, said the state minister.

Work on the deep-sea port is ongoing, said Chowdhury.

The Chattogram port is the heart of country's economy, not closing for a single day in the last 14 years while its capacity and efficiency was upgraded, he said. Berthing of the bigger vessel at the port was a matter of joy and pride , he said.

The CPA raised its permissible draught limit to up to 10 metres from a previous limit of 9.5 metres upon recommendation from a British consultant firm, HR Wallingford, appointed by the port in November 2020 to study navigation at the port.

British High Commissioner Robert Chatterton Dickson, Shipping Secretary Md Mostafa Kamal, Dr Manzur Haque, executive chairman of Interport BD, the local agent of HR Wallingford; and Bangladesh Shipping Agents Association Chairman Syed Mohammad Arif also spoke at the ceremony chaired by CPA Chairman Rear Admiral Mohammad Shahjahan.

Asia comes

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Despite enjoying a duty-free market access, Bangladesh's exports to China are not picking up, said M A Razzaque, research director of the Policy Research Institute of Bangladesh in a study report on "Making: The Most of Market Access in China" last year.

The imported apparel market in China is about $10 billion compared to $180 billion in the EU and almost $90 billion in the US.

Due to the smaller market for imported apparel items, it is difficult for Bangladesh to succeed in the Chinese market relying only on clothing items, Razzaque said in the report.

Speculative trading

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Insurance (29 per cent), BDCOM Online (28 per cent), Sea Pearl Cox's Bazar Beach Resort (25 per cent), and Pragati Life Insurance (24 per cent).

Shares of Eastern Housing rose 23 per cent, Pragati Insurance was up 22 per cent, Indo-Bangla Pharmaceuticals advanced 22 per cent, Bangladesh Shipping Corporation added 21 per cent, and Navana Pharma went up by 20 per cent.

These stocks are going up although the companies made few price-sensitive disclosures that could have increased their profits.

"Your analysis will tell you to buy stocks of good companies. But these stocks remained unchanged for months and showed no sign of an increase," said the investor.

Almost all the blue-chip stocks, including British American Tobacco, Brac Bank, Bangladesh Submarine Cables, Grameenphone, Renata, and Square Pharmaceuticals, remained the same in the first half of the month for having a low number of buyers.

Previously, investors bought stocks with good performance records but received low returns as the stocks were not rising. "So, I decided to follow the rumour-based stocks," he added.

The market is driven by some stocks, which are mainly bought and sold over speculations and with general investors rushing to get overnight profits, said a mid-level official of a stock brokerage firm, preferring anonymity.

Investors are searching for stocks based on rumours so stocks with a good performance record are not in the driving seat, he said.

"Institutional investors are still inactive in the market so stocks with good performance records are still suffering."

Another top official of a merchant bank echoed the same, saying only speculative trading was taking place which was leading to the formation of the lists of top gainers and turnovers in the last couple of days.

Institutional investors are not buying stocks apprehending that the country's economic indicators may deteriorate in the coming months and so they have adopted a wait-and-see approach, he said.

Their apprehensions are centring the performances of listed companies as the price hike of raw materials impacted their profits in recent months, he said.

"Though speculative trading is rising, investors should not invest in these companies as it may only end up in a loss of money."

On the contrary, stocks with good performance records enable sustainable profits for investors in the long run, the merchant banker added.

Mohammad Rezaul Karim, the spokesperson of the BSEC, said the regulator was trying to reduce the rumours and was using many tools and techniques to control them.

The BSEC has already taken legal steps against some people and is trying to stop it, he said, adding that investors also need to be cautious.

"The regulator is always cautious but sometimes it has nothing to do if there was no proof against those spreading rumours."