Star BUSINESS

Raising fund thru bonds to cut costs of NBFIs

Says MD of LankaBangla

SOHEL PARVEZ

Raising fund by issuing bonds is a very good option for the non-bank financial sector and banks as medium and long-term debts will reduce overall costs, said a top executive of LankaBangla Finance.

"A 3-year or 5-year bond is fantastic option for us," said Khwaja Shahriar, managing director and CEO of LankaBangla Finance, one of the country's 34 non-bank financial institutions (NBFIs), in a phone interview with The Daily Star.

This is also a better option in comparison to deposits as the latter usually fluctuates because of withdrawals by savers, he said.

Khwaja Shahriar

"By borrowing from issuing bonds, we can prepare excellent business plan in order to lend and do business," he said.

The CEO shared the views after Bangladesh Bank last week asked the NBFIs to take initiatives such that they can mobilise funds issuing bonds instead of relying much on the interbank call money market.

The central bank issued the directive after it came to know that some NBFIs were failing to repay depositors due to a mismatch of the maturity period of funds.

This mismatch was arising due to the fact that loans were being disbursed among borrowers for long terms from short-term loans taken from the interbank call money market.

Shahriar said call money loan was an overnight loan and there was no scope to do long term business with such a kind of short loan.

He said the NBFIs with a sound financial health usually borrow from overnight money market but they also lend to others through the interbank market as part

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Economic shocks not entirely external

Economists say internal issues remained unaddressed for long

STAR BUSINESS REPORT

The ongoing economic shocks Bangladesh is experiencing have not been entirely generated from the external source and many of them instead are the consequences of the absence of time-befitting measures on the part of the country, said economists yesterday.

The government regularly points to the coronavirus pandemic and the Russia-Ukraine war for the economy's current ills. But experts disagree, saying the economy has been facing several problems for years but they have remained unaddressed.

"The prevailing problems in the economy have not stemmed fully from the external source as many burning issues were not addressed on time," said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

"For instance, we have been talking about flexible exchange rates and tax reforms for years. But we have not done so. This type of negligence has made our financial sector vulnerable."

He came up with the remarks on the first day of the 6th Annual Economists' Conference organised by the South Asian Network on Economic Modeling (Sanem) at the Brac Centre Inn in the capital yesterday.

Speaking at a session of the two-day conference styled "Shocks and Shields: Sustaining Development in a Turbulent Time", Mansur said the country's foreign exchange reserves have been falling for months, but no initiative has been taken to stop the deterioration.

The foreign exchange reserves stood at $32.69 billion on February 2 in contrast to $44.99 billion one year ago.

"There has been a weakness in monitoring macroeconomic developments, leading to the worsening of the situation," said Mansur, also a former official of the International Monetary Fund (IMF).

The financial account that earlier played a key role in boosting the balance of payments is now in a deficit zone, Mansur pointed out.

The deficit in the financial account was $1.09 billion in the first half of the fiscal year compared to a surplus of $6.89 billion during the same period a year back.

The deficit means foreign lenders are now shying away from disbursing short-term loans to the country.

"Now, the challenge is: "How will we improve the confidence of the foreigners?" Mansur asked.

Owing to US dollar shortages, local banks can't settle letters of credit (LCs) on time, which has tarnished the image of the financial sector.

Mansur, however, said the government should be praised as it has gone to the IMF on time.

On January 30, the multilateral lender approved a credit facility of $4.7 billion for Bangladesh.

"I hope the economy will turn around in the next several months if the government implements the IMF's recommendations properly," Mansur said.

Mustafizur Rahman, a distinguished fellow at the Centre for Policy Dialogue, said that the fundamental question is whether the ongoing economic shocks have derived only from outside of Bangladesh.

"If we say that it has been driven by the coronavirus pandemic and the Russia-Ukraine war, we are not addressing the issue properly. I think the shocks have also come through the persistent haemorrhages within the domestic economy."

Rahman mentioned that it is well-known that thousands of crores of taka have been siphoned off from the banking sector and the percentage of default loans has been kept artificially low by rescheduling and writing off bad debts.

"The authorities have also taken measures in support of loan defaulters."

READ MORE ON B3

Investment flow drying up for tech start-ups

MAHMUDUL HASAN

Start-ups in Bangladesh went through a tough time in 2022 owing to the uncertainty in the global economy, but gloomier days for them might not go away any time soon since the decline in global investments is set to linger.

In Bangladesh, the tech-startup industry has enjoyed years of a boom driven by people's increasing access to internet, more smartphone penetration and a decade of economic growth.

Now, the founders and executives of technology start-ups are facing a new reality as global venture capital investors are becoming cautious regarding investments amid rising inflation and widespread economic uncertainty.

In fact, they are now facing an uphill battle to stay afloat and have been forced to give pause to expansion.

This comes as start-up funding worldwide is dropping: global venture funding reached $445 billion in 2022, a 35 per cent decline year-on-year, said California-based information service provider Crunchbase in an analysis.

Founders and executives of start-ups are facing a new reality as global venture capital investors are becoming cautious about investments amid rising inflation and economic uncertainty

Bangladeshi start-ups raised $109 million in 2022, way lower than $415 million raised a year earlier, according to LightCastle Partners, a Dhaka-based business consulting firm, which tracks funding received by local start-ups.

In the past one decade, interest rates in the US have been meagre, paving the way for re-routing investments from bonds and treasuries to private equities and emerging markets through venture capital firms. Besides, venture capital firms received cheap funds from banks, said AKM Fahim Mashroor, chief executive officer of bdjobs.com.

Founded in 2000, the online job portal was one of the first tech-based start-ups in Bangladesh.

And venture capital (VC)-based start-ups began their journey in Bangladesh seven to eight years ago, with Chaldal, ShopUp, Pathao, and Shohoz being among the early initiatives.

Venture capital is a private equity and a type of financing that investors provide to early-stage start-up companies and small businesses that are believed to have long-term growth potential.

Typically, VC firms heavily invest in start-

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STOCKS (WEEK-ON WEEK)

DSEX ▼	CASPI ▲
0.02%	0.09%
6,294.73	18,583.23

COMMODITIES (AS OF FRIDAY)

Gold ▼	Oil ▼
$1,865.94	$73.20
(per ounce)	(per barrel)

ASIAN MARKETS (FRIDAY CLOSINGS)

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 1.52%	▲ 0.39%	▲ 0.61%	▼ 0.68%
60,841.88	27,509.46	3,384.29	3,263.41

ADB intends to give $2.5b for MRT-5's southern route

JAGARAN CHAKMA

The Asian Development Bank (ADB) has showed its intention to mobilise $3.5 billion along with a co-financier for the implementation of the southern route of the Dhaka Mass Rapid Development Project's MRT Line-5, officials said.

It was assured at a meeting on "Co-financing issue of Dhaka Mass Rapid Transport Development Project (MRT Line-5)" held at the Economic Relations Division (ERD) last month.

The 17.40km line from Gabtoli to Dasherkandi via Shyamoli, Russel Square, Karwan Bazar, Hatirjheel and Aftabnagar will have both underground and elevated sections.

It will have 15 stations and would cost an estimated Tk 53,000 crore ($5.5 billion). The deadline for the project is 2030.

"We are discussing with the ADB to finalise the negotiation for financing the project. The ADB has informed us about its intention to provide $2.5 billion as a lead financer and another $1 billion will be mobilised from a co-financier," said Mostafizur Rahman, additional secretary at the ERD and chief of its ADB wing.

It will take another two months to finalise the negotiation, he said.

"The ADB is positive about financing the project to ease the traffic congestion of Dhaka."

After the partial launch of metro rail, the authorities are planning to start the physical work for other lines such as MRT Line-5.

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The price of one bhori (11.664 grammes) of 22-carat gold will cost Tk 92,263 from today, undergoing the first reduction to be brought about in nearly four months. The price had reached a record high of Tk 93,429 per bhori in mid-January this year. PHOTO: STAR/FILE

Gold price falls for first time in nearly 4 months

STAR BUSINESS REPORT

For the first time in more than three months, Bangladesh Jewellers Samity (Bajus) yesterday reduced the price of gold by 1.24 per cent or Tk 1,166 per bhori in line with a fall in the price of the precious metal in the local market.

From now on, the price of one bhori of 22-carat gold (11.664 grammes) will be Tk 92,263, said Bajus in a press release yesterday.

The association had been hiking the price of gold for over three and a half months since October 24, 2022 when it last slashed the price of the metal, popularly used by people of all walks of life in the form of ornaments.

The new price will come into effect from today, said MA Hannan Azad, chairman of the Bajus standing committee on fixing and monitoring prices.

In mid-January this year, the Bajus hiked the price of gold to Tk 93,429 per bhori, the highest so far in the country's history.

Farmers plant mung beans in Arojbegi village of Patuakhali's Dashmina upazila. The nutrition-rich and short-duration grain legume helps increase soil fertility through its roots, saving on the use of urea fertiliser for any crop that may be subsequently cultivated. The photo was taken recently. PHOTO: SOHRAB HOSSAIN

US unemployment rate lowest since 1969

REUTERS, *Washington*

US job growth accelerated sharply in January while the unemployment rate hit more than a 53-1/2-year low of 3.4 per cent, pointing to a stubbornly tight labour market, and a potential headache for Federal Reserve officials as they fight inflation.

The Labor Department's closely watched employment report on Friday also showed job creation in the past year was much stronger than previously estimated, suggesting the economy was nowhere near a recession. Though wage inflation cooled further in January, average hourly earnings increased faster in 2022 than previously estimated.

The strength in hiring, which occurred despite layoffs in the technology sector as well as in sectors like housing and finance that are sensitive to interest rates, poured cold water on market expectations that the US central bank was close to pausing its monetary policy tightening cycle.

Economists said the head-scratching report and other data on Friday showing a sharp rebound in services industry activity last month suggested the Fed could lift its target interest rate above the recently projected 5.1 per cent peak and keep it there for some time.

"The labour market is still running hot, too hot for the Fed's liking," said Daniel Vernazza, chief international economist at UniCredit Bank in London. "Anyone that thought the Fed might stop hiking as soon as its March meeting is likely to be disappointed on this evidence."

The survey of establishments showed nonfarm payrolls surged by 517,000 jobs last month, the most in six months. Economists in a Reuters poll had expected a gain of 185,000. Data for December was revised higher to show 260,000 jobs added instead of the previously reported 223,000. Employment growth last month was well above the monthly average of 401,000 in 2022.

With January's report, the Labor Department's Bureau of Labor Statistics (BLS) published its annual payrolls "benchmark" revision and updated the formulas it uses to smooth the data for regular seasonal fluctuations in the establishment survey.

The economy added 568,000 more jobs in the 12 months through March 2022 than previously reported. Revisions to payrolls data from April through December also showed more jobs created than previously estimated. The economy added 4.8 million jobs in 2022 instead of the 4.5 million previously reported.

The revisions dispelled claims by researchers at the Philadelphia Fed who published a paper in December suggesting employment growth in the second quarter of 2022 was overstated by about a million jobs.

The BLS revised its industry classification system, which resulted in about 10 per cent of employment reclassified into different industries. Last month's broad increase in employment was led by the leisure and hospitality sector, which added 128,000 jobs, with 99,000 of them in restaurants and bars.

Leisure and hospitality employment remains 495,000 jobs below its pre-pandemic level. Professional and business services employment rose by 82,000, with temporary help jobs, a harbinger for future hiring, rebounding by 25,900 after declining for several months. Government payrolls jumped 74,000, boosted by the return of striking university workers in California.

Construction payrolls increased by 25,000 jobs, which were mostly among specialty trade contractors. Manufacturing employment rose by 19,000 jobs.

Stocks on Wall Street were trading mostly lower. The dollar gained versus a basket of currencies. US Treasury prices fell.

Average hourly earnings increased 0.3 per cent last month after gaining 0.4 per cent in December. That lowered the year-on-year increase in wages to 4.4 per cent, the smallest rise since August 2021, from 4.8 per cent in December.

But wage growth was revised up for 2022, suggesting only a moderate pace of cooling in wage inflation than previously thought. The average workweek increased to 34.7 hours from 34.4 hours in December.

"While it is natural to be skeptical of the degree of strength in payroll growth and the increase in total hours worked given the perceived slowing of growth, we have been pointing out that almost all the labor market indicators going into this report showed an improvement in labor market conditions," said Conrad DeQuadros, senior economic advisor at Brean Capital in New York.

President Joe Biden said the employment report was a sign that his economic plan was working. "Jobs are going up, inflation is going down," the Democratic president wrote on Twitter.

The Fed on Wednesday raised its policy rate by 25 basis points to the 4.50 per cent-4.75 per cent range, and promised "ongoing increases" in borrowing costs. Government data this week showed there were 11 million job openings at the end of December, with 1.9 openings for every unemployed person.

Standard Bank gets new MD

STAR BUSINESS DESK

Standard Bank has recently appointed a new managing director (MD) and chief executive officer.

The appointee, Md Habibur Rahman, was previously working at Union Bank as an additional managing director, said a press release. Rahman embarked on his banking career with Islami Bank Bangladesh as a probationary officer in 1989.

He previously served Southeast Bank, NCC Bank, Jamuna Bank, Prime Bank, Mercantile Bank and Shahjalal Islami Bank.

He obtained his postgraduation degree in economics from the University of Chittagong.

Strong India services growth dips in Jan

REUTERS, *Bengaluru*

Robust growth in India's services industry eased last month after touching a six-month high in December, with softening orders spurring caution in companies' business outlooks for the year, a private business survey showed on Friday.

The South Asian nation's economy is expected to grow 6.0 per cent to 6.8 per cent next fiscal year, the government said this week, slower than the 7.0 per cent growth projected for the current year amid faltering global demand.

But Finance Minister Nirmala Sitharaman said in her budget speech on Wednesday that despite challenges the Indian economy was "heading towards a bright future".

The S&P Global India services Purchasing Managers' Index (PMI) fell to 57.2 in January from 58.5 in December, missing expectations in a Reuters poll for 58.1 but above the 50-mark separating growth from contraction for an 18th straight month.

PRICES OF KEY ESSENTIALS IN DHAKA CITY

	PRICE (FEB 4, 2023)	% CHANGES FROM A MONTH AGO	% CHANGE FROM A YEAR AGO
Fine rice (kg)	Tk 60-Tk 75	1.5 ↑	5.47 ↑
Coarse rice (kg)	Tk 46-Tk 50	-2.04 ↓	1.05 ↑
Loose flour (kg)	Tk 58-Tk 60	-1.67 ↓	68.57 ↑
Lentil (kg)	Tk 95-Tk 100	-4.88 ↓	0
Soybean (litre)	Tk 168-Tk 170	-2.59 ↓	14.58 ↑
Potato (kg)	Tk 25-Tk 30	22.22 ↑	83.33 ↑
Onion (kg)	Tk 30-Tk 40	-9.09 ↓	40 ↑
Egg (4 pcs)	Tk 43-Tk 47	23.29 ↑	23.29 ↑

SOURCE: TCB

Hassan O Rashid, managing director of Prime Bank, handed over to Abdur Rouf Talukder, governor of Bangladesh Bank, signed documents of an agreement on facilitating investments for export-oriented industries using a Tk 10,000 crore central bank fund at the latter's headquarters in Dhaka recently. PHOTO: PRIME BANK

Sohail RK Hussain, managing director of Meghna Bank, handed over to Abdur Rouf Talukder, governor of Bangladesh Bank, signed documents of an agreement on facilitating investments for export-oriented industries using a Tk 10,000 crore central bank fund at the latter's headquarters in Dhaka recently. Abu Farah Md Nasser, deputy governor of Bangladesh Bank, and Nurun Nahar, executive director, were present. PHOTO: MEGHNA BANK

ECB set to raise

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"The March increase will not be the last," Kazimir said in a statement. "We will decide how many more will be needed later."

Simkus said the May increase could be either 25 or 50 basis points but a step up to 75 bps was unlikely.

They were confirming what sources had told Reuters after the meeting on Thursday.

While neither would specify where rate hikes could end, Simkus said the ECB could be approaching a peak.

"I see positive trends for inflation," Simkus said. "I think that we are already moving towards that terminal rate."

Indeed, analysts polled by the ECB expect the euro zone central bank to eventually conquer inflation - but not for another two years.

Markets currently price the terminal rate at 3.35 per cent, suggesting that some investors see just a 25-bp move after the already signalled March move, while others see 50.

Both Kazimir and Simkus pushed back on the idea that rates could be cut towards the end of the year, as currently priced by markets.

Oil price falls

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more worried about the Federal Reserve being aggressive with interest rates," said Phil Flynn, analyst at Price Futures Group.

The US central bank on Wednesday scaled back to a milder rate increase than those over the past year, but policymakers also projected that "ongoing increases" in borrowing costs would be needed.

Increases in interest rates in 2023 are likely to weigh on the US and European economies, boosting fears of an economic slowdown that is highly likely to dent global crude oil demand, said Priyanka Sachdeva, market analyst at Phillip Nova.

European Union countries agreed to set price caps on Russian refined oil products to limit Moscow's funds for its invasion of Ukraine, the Swedish presidency of the EU said on Friday.

Selim RF Hussain, managing director of Brac Bank, inaugurated a Badda branch at Pearl Trade Centre on Progoti Shoroni Road of Dhaka recently. Sheikh Mohammad Ashfaque, head of branches, was present. PHOTO: BRAC BANK

Syed Waseque Md Ali, managing director of First Security Islami Bank, attended an "Annual Business Development Conference-2023" at Radisson Blu Dhaka Water Garden yesterday. Abdul Aziz and Muhammad Mustafa Khair, additional managing directors, and Md Zahurul Haque and Md Masudur Rahman Shah, deputy managing directors, were present. PHOTO: FIRST SECURITY ISLAMI BANK

Md Monzur Mofiz, managing director of One Bank, attended a ceremony on the joining of special cadre and cadre officials in Dhaka recently. Abu Zafore Md Saleh, assistant managing director, John Sarkar, deputy managing director, and Manirul Islam, senior executive vice-president, were present. PHOTO: ONE BANK

Lanka completing pre-requisites for IMF aid: president

REUTERS, *Colombo*

Sri Lanka is completing the pre-requisites to unlock a $2.9 billion bailout from the International Monetary Fund (IMF) and expects rapid approval from the global lender, President Ranil Wickremesinghe said on Saturday.

"We are successfully completing the difficult stage required to get support from the International Monetary Fund. We expect to get their consent without delay," Wickremesinghe said in his address to the nation to mark the 75th Independence Day.

Sri Lanka, caught in the worst financial crisis since independence from Britain in 1948 triggered by a severe shortage of dollars, has seen steep inflation, a currency plunge and its economy slide into recession.

The island of 22 million people has also been hit by high taxes, a shortage of essential items such as medicine and fuel, and daily power cuts.

Wickremesinghe, who took over after his predecessor fled the country and resigned last year after thousands of protesters occupied his office and residence, has pledged to put the economy back on track but warned it will be an uphill task.

"I know that many of the decisions I have been compelled to take since assuming the presidency have been unpopular .... I will continue this new reform program with the majority of people who love this country," he added.

Facebook users in India, the Philippines and Bangladesh represented the top three sources of growth in daily active users during December 2022, relative to the same period in the previous year. PHOTO: STAR

Bangladesh among top 3 nations to spur user growth of Facebook

STAR BUSINESS REPORT

Bangladesh is among the top three nations contributing to the active user growth for Facebook as of December 31, 2022, according to its parent social media giant Meta.

"Users in India, the Philippines, and Bangladesh represented the top three sources of growth in DAUs (daily active users) during December 2022, relative to the same period in 2021," reported the NDTV citing a regulatory filing of Meta.

The company has reported a 4 per cent increase in worldwide daily active users to two billion on an average during December 2022 from 1.93 billion during December 2021.

The company defines a daily active user as a registered and logged-in Facebook user who visited Facebook through its website or a mobile device, or used the Messenger application (and is also a registered Facebook user), on a given day.

The monthly active users (MAUs) as of December 31, 2022, increased by 2 per cent to 2.96 billion from December 31, 2021.

Bangladesh also stood among the top three contributors in terms of monthly active users.

"Users in India, Nigeria, and Bangladesh represented the top three sources of growth in 2022, relative to the same period in 2021," said Meta.

Investment flow drying up

FROM PAGE B1

ups and pressurise founders to go for a rapid expansion, Mashroor said.

But the progress in the tech-start-up segment has received a blow since the start of the war in Ukraine as the Federal Reserve, the central bank of the United States, has started to increase the key interest rates to combat higher inflation, sending the cost of the funds raised by venture capital firms higher.

"Similarly, the stock prices of global tech start-ups have started to fall. This has affected the startup funding scenario in Bangladesh," Mashroor added.

A CEO of a tech start-up says although VC investments carry a higher risk, they come to emerging markets for a higher return.

"But as the monetary policy has tightened in the US, people are switching to safer assets such as dollars and treasury bonds. They have started to assess the risk of emerging market investments."

The start-ups that have already broadened their footprint substantially and are in need of a large amount of funds to expand further have received the biggest blow stemming from the changing global scenario, industry people say.

In the start-up ecosystem, the initial investments such as pre-seed or seed funding are followed by various rounds, known as Series A, B, and C.

So, the failure to draw subsequent large investments by companies such as ShopUp, Shohoz and Chaldal is alarming, said industry people.

Owing to the fund crunch, many online-based businesses, including HungryNaki, Foodpanda and Sheba, cut a substantial number of jobs last year. Some have put expansion plans on hold.

Chaldal, which shot to fame during the coronavirus pandemic as demand for online grocery sales rocketed, has stopped expanding amid the low demand from the cities outside Dhaka, said its CEO Waseem Alim.

He says global investors don't have strong confidence in overall policies in Bangladesh, so funding is declining.

Sajid Rahman, managing partner at MyAsiaVC, an early-stage venture fund, said the current global economic crisis will have an impact on Bangladesh start-ups.

"When all of the companies that have received funding from a particular venture capital struggle, the investor becomes careful and stops injecting new funds. So, local start-ups need to be more prudent and make the business model more solid."

Syed Javed Noor, deputy managing director of IDLC Finance Limited, which operates a fund of Tk 45 crore, said fund managers in Bangladesh used to meet two to three international investors, who came to explore the Bangladesh market, before August last year.

"Now, a dry period is going on for venture capital funding globally."

The funding crunch is mostly hurting the start-ups that are looking to raise larger funds.

"But currently in Bangladesh, we don't have too many companies that have reached that point," said Rahat Ahmed, CEO of Anchorless Bangladesh, a venture capital firm.

Amid slower growth in the e-commerce segment, some companies are exploring opportunities in the offline market.

One of them is beauty e-commerce platform Shajgoj, a shopping app that raised Tk 21 crore in seed funding last year. The platform has already set up some stores and plans to establish 100 physical outlets in three years.

Online gadget seller Picaboo has set up 17 brick-and-mortar stores.

"The online market is only 1 per cent of the retail sales in Bangladesh. So why shouldn't we enter the offline market?" said an official of the company.

Rahman thinks if people who work with VCs get the opportunity to be involved in policy-making in Bangladesh, it will bring about benefits for the sector.

Economic shocks

FROM PAGE B1

The default loans accounted for 9.36 per cent of the total loans amounting to Tk 14,36,199 crore in the banking sector.

"The default loans are deepening the vulnerabilities in the banking sector," said Rahman, adding that this has also put an adverse impact on investment.

"Outside shocks are always there, but building resilience in the economy is the main thing."

Selim Raihan, executive director of the Sanem, said that the country was confronting several long-standing challenges, such as a low tax-GDP ratio, a high degree of default loans, and weak governance in the banking sector.

The low level of foreign direct investment, misalignment of the exchange rates, and money laundering are other challenges, he said.

Zahid Hussain, a former lead economist of the World Bank's Dhaka office, said that there are two different views on the ongoing stress in the economy.

The insiders, or policymakers, usually argue that they have taken a set of comprehensive measures to tackle the ongoing stress, he said.

"They have also assured that 'do not worry and be hopeful'. The insiders have claimed that policies are working and the situation will not worsen."

"The policymakers have been claiming for the last six months that the ongoing economic problems would be resolved within the next two months. But the next two months have not arrived yet?"

Hussain asked what the actual situation was.

The central bank injected $9.20 billion into the foreign exchange market in the first seven months of the current fiscal year of 2022-23 in contrast to $7.62 billion in the entire last fiscal year.

"So, we can't say the forex market is now in a better shape. Businesses say that it is difficult for them to open LCs due to the crunch of dollars," Hussain said.

Hossain Zillur Rahman, executive chairman of the Power and Participation Research Centre, and a former adviser to the caretaker government, said people living in the city were in a difficult situation during the peak of the pandemic because of the rising cost of living.

They were forced to migrate to rural areas.

"Now, people have been compelled to cut consumption of nutritious foods and discretionary expenditures. They are adjusting to a low-standard lifestyle."

Prof Shamsul Alam, state minister for planning, said that Bangladesh is doing better in many indicators, such as female labour participation and life expectancy, compared to India and Pakistan.

He said job opportunities in rural areas have recently increased, which is why people migrated from cities to villages.

Prof Alam said the economy was now in a comfortable zone and the ongoing stress would be resolved within one to three months.

"Bangladesh's economy will not face the consequences that Sri Lanka and Pakistan faced."

The central bank injected $9.20 billion into the foreign exchange market in the first seven months of the current fiscal year of 2022-23 in contrast to $7.62 billion in the entire last fiscal year. PHOTO: STAR/FILE

Raising fund thru bonds

FROM PAGE B1

of their day-to-day liquidity management.

He said LankaBangla has already issued three bonds to raise funds from the market.

Now, a fourth bond is under subscription by investors. It is a 3-year tenure zero coupon bond and the NBFI wants to borrow Tk 300 crore from the market, according to Shahriar.

"But not all will be able to attract investors. The NBFIs with sound financial condition will be able to find investors," he said.

Shahriar said the bond market was developing and some steps were being taken by the regulators to facilitate trading of bonds in the secondary market. Bonds of non-listed companies can be traded in alternative trading board (ATB), he said.

Early January this year, Dhaka Stock Exchange launched an ATB to facilitate the secondary trading of non-listed companies, corporate bonds, open-ended mutual funds, and exchange-traded funds.

He said through the latest directive, Bangladesh Bank suggested that the NBFIs focus on arranging long-term financing.

"For this, we have to ensure that the NBFs stand with a sound footing, to have strategy and business plan to win confidence of investors," he said.

Improving corporate governance is very important in this regard, he said.

ADB intends to give $2.5b

FROM PAGE B1

At last month's meeting, Soon Chan, senior country specialist of the ADB, informed the ERD about the intention of the Manila-based multilateral lender to provide $2.5 billion for the project. The rest could be funded by co-financiers.

ERD sources said the ADB and the ERD would separately communicate with the Korean Exim Bank for confirming its financing of $1 billion.

The ERD also suggested revisiting the estimated cost of the project as it is higher than the same project being implemented in India, said an official.

The feasibility studies for the southern route of the MRT Line-5 were done in November last year, but the authorities are yet to find a financier for the project.

State-owned Dhaka Mass Transit Company Ltd is in charge of implementing the 130km metro network of six lines.

With scrap vessel imports falling to a four-year low in 2022, many shipbreaking yards such as this are now lying dormant. As a result, the industry has lost about 10,000 workers over the past year with just 45 of the 158 shipbreaking yards in Chattogram now operational.

PHOTO: STAR/ FILE

Scrap vessel imports fall to four-year low

10,000 workers lose jobs in one year as a result

SUKANTA HALDER *and* SIFAYET ULLAH

Scrap vessel imports by Bangladesh hit a four-year low in 2022 as banks in the country have become reluctant to open letters of credit amid the ongoing US dollar shortage, according to industry people.

Besides, scrap vessels have become costlier in the global market as US sanctions centring the Russia-Ukraine have halted imports from the region.

"So, that is why many local importers have imported less than before," said Taslim Uddin, proprietor of the KR Ship Recycling Yard in Sitakunda upazila of Chattogram.

A total of 151 scrap vessels were imported in 2022, down by about 27 per cent from 2019. Additionally, the total weight of the scrap vessels imported dipped by around 52 per cent at the same time, shows data from the Bangladesh Ship Breakers and Recyclers Association (BSBRA).

And although just 45 of the 158 shipbreaking yards in Chattogram are currently operational, Bangladesh topped the list of ship dismantling countries ahead of India and Pakistan in 2021, as per data from the NGO Shipbreaking Platform.

IMPORT OF SCRAP VESSELS

(Weight in lakh tonnes; Source: BSBRA)

Year	Number of vessels	Total weight
2019	206	23.9
2020	228	20.69
2021	280	27.58
2022	151	11.47

The platform's most recent data released on February 1 shows that 443 oceangoing commercial ships and offshore units were sold for scrapping in 2022.

Of these, 292 large tankers, bulkers, floating platforms, cargo and passenger ships ended up for dirty and dangerous breaking on the tidal beaches of Bangladesh, India and Pakistan.

It also said that at least 10 workers lost their lives while 33 others suffered injuries when breaking apart these vessels at Chattogram.

Meanwhile, local sources reported three deaths in Alang of India and three injuries in Gadani of Pakistan. Some of these accidents took place onboard vessels owned by well-known shipping companies, such as Berge Bulk, Sinokor and Winson Oil.

The NGO Shipbreaking Platform is a Belgium-based global coalition of organisations that works to reverse the environmental damage and human rights abuses caused by shipbreaking practices.

Local shipbreakers and recyclers said scrap from vessels is mainly used by steel re-rolling mills and shipbuilders that make barges.

About 70 per cent of the demand for scrap in Bangladesh is imported and rest is met from the local industry.

Philip Barua, head of brand and communication at GPH Ispat Bangladesh, said the scarcity of scrap amid the current economic situation has had an adverse effect on the market.

Many shipbreaking yards in the country are suffering losses this year as they had to count high costs for the hike in US dollar prices amid the depreciation of the taka, he added.

According to joint data from the BSBRA and Ship-breaking Workers' Trade Union Forum, the US dollar crunch has forced around 30 shipbreaking yards to close in the past one year, causing the loss of 10,000 jobs.

Chattogram has 185 listed ship breaking yards, but around 50 are operational during normal times. Of them, 30 yards are currently shuttered as scrap vessel imports decreased, BSBRA President Md Abu Taher told The Daily Star.

"The dollar crisis is the root cause of the shipbreaking industry's plight. We are unable to import scrap ships from the Russia belt due to the war," he said.

"Apart from this, due to the increase in freight charges, the number of scrap ships in the international market has decreased due to which the owners are not easily declaring ship abandonment," Taher added.

Tapan Dutta, convener of the Ship-breaking Workers' Trade Union Forum, said at least 10,000 workers in the sector have lost their employment as a result.

"Citing the slump in business, yard owners failed to pay many of their employees. All shipbreaking yards will shut down if this keeps on," he added.

Capital market: Looking back, looking forward

MAMUN RASHID

Bangladesh's stock market had a lackluster year in 2022 after posting double-digit returns for the previous two years. Dhaka Stock Exchange (DSEX), the broad market index of the country, fell 8.1 per cent in 2022, while daily average turnover fell by 35 per cent.

If the "Floor Price" had not been enforced by the regulator during the second half of 2022, the index's decrease and the decline in daily average turnover could have been worse. In 2022, Foreign Portfolio Investors' (FPI) involvement in Bangladesh's stock market continued to decline.

Only 1.8 per cent of the country's major stock exchange's turnover came from FPIs, which hovered above 5 per cent until 2019. FPIs sold shares worth Tk 30 billion, with a net FPI sale of Tk 19 billion. FPIs have been net sellers in the Bangladesh capital market since 2018 and the momentum continued into 2022 bringing the foreign ownership in the capital market of Bangladesh below 4 per cent.

Moreover, foreign investors' participation in trading at the premier bourse came down to a 10-year low in the calendar year. While dynamics of global fund flow and domestic economic condition have been pointed out to be the reason for fund withdrawal by FPIs in 2022, the long-term trend of net selling warrants further introspection.

Frequent policy reversal without any economic basis by major regulators have spooked the FPIs. Moreover, the investable universe for FPIs has effectively shrunk as the capital market stakeholders failed to bring companies with good prospects and governance to the capital market.

Policy coherence and consistency is the primary condition to instill confidence among FPIs in the capital market of Bangladesh. The imposition of floor and ceiling – though done with good intention but devoid of economic logic – does not bear well with FPIs.

Moreover, investment procedures for FPIs also need to be streamlined. Additionally, higher capital gain tax for FPIs (15 per cent) compared to local institutional investors (10 per cent) sends wrong signals to existing and potential investors. Finally, steps must be taken to improve governance among current listed companies, and companies with good governance must be brought to the market to broaden the investable universe of FPIs.

Broad market valuation of the stock market of Bangladesh has been stuck at artificially higher level due to floor price imposed by the regulator. Price to earnings (P/E) ratio of the broad market stood at 16x at the end of year which although in line with the average P/E value of the last decade would have gone further down if there were no artificial price floor.

Most emerging and frontier markets have performed badly in 2022 due to rising interest rates in developed economies as well as worry about debt sustainability of the majority of emerging and frontier markets. While dismal performance of the capital market of Bangladesh in 2022 is at par (better in few instances) with majority of frontier markets, Bangladesh market lags most of the peer markets of Asia like Vietnam in terms of level of market development and FPIs' perception.

Bangladesh is expected to face a uniquely challenging year in 2023 compounded both by internal issues that have been allowed to fester and get worse and external events such as the Russia-Ukraine war and its lasting effects which are beyond our control. Forex reserve situation and ballooning crisis in the banking sector are the primary concerns for most institutional investors.

FPIs as well as domestic institutional investors are likely to take a wait and see approach as the economy transpires as these twin factors unfold. Measures taken by regulatory bodies and the government will largely determine whether and how long the investors will remain on the sideline.

The writer is an economic analyst.

The headquarters of the European Central Bank (ECB) in Frankfurt am Main, western Germany. ECB policymakers say the eurozone central bank may raise interest rates again in May after an already signalled hike next month.

PHOTO: AFP/FILE

ECB set to raise rates again

REUTERS, *Vilnius*

The European Central Bank is likely to raise interest rates again in May after an already signalled hike in March, two policymakers said on Friday, with one arguing that the peak or "terminal" rate is at least starting to appear on the horizon.

The ECB raised rates by a half a percentage point to 2.5 per cent on Thursday and promised a similar move in March but kept its options open about subsequent steps, raising doubts among investors about its resolve to keep raising rates to tame inflation.

But Slovakia's Peter Kazimir and Lithuania's Gediminas Šimkus said that March would not be the end of policy tightening because inflation was still far too high, even if there had been an improvement recently.

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Oil price falls 3pc

REUTERS, *New York*

Oil prices fell to over three-week lows on Friday in a volatile session, after strong US jobs data raised concerns about higher interest rates and as investors sought more clarity on the imminent EU embargo on Russian refined products.

Brent crude futures fell \$2.23, or 2.7 per cent, to \$79.94 a barrel, after rising to a session high of \$84.20. It hit a session low of \$79.72, its lowest since January 11.

US West Texas Intermediate crude (WTI) ended down \$2.49, or 3.3 per cent, at \$73.39, after trading between \$78.00 and \$73.13, its lowest since January 5.

Brent registered a 7.8 per cent decline this week while WTI dropped 7.9 per cent.

US job growth accelerated sharply in January amid a persistently resilient labour market, but a further moderation in wage gains should give the Federal Reserve some comfort in its fight against inflation.

"The market can't decide whether it should be nervous about a recession or

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