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 SIFAT

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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