Price of rod, a key construction material, was Tk 95,500 per tonne in Dhaka yesterday while it was Tk 91,500 for the same amount just one month ago. The photo was taken from Barishal city yesterday.

PHOTO: TITU DAS

MS rod may become costlier

Industry people blame US dollar crisis, hike in fuel and energy prices

JAGARAN CHAKMA

The price of mild steel (MS) rod may soon cross Tk 1 lakh per tonne as production costs have risen due to a recent hike in fuel and energy prices amid the ongoing US dollar crisis, according to industry people.

"Around 90 per cent of the scrap steel used is imported. So, production costs have grown in line with higher US dollar prices and recent hikes in fuel and energy prices," said Tapan Sengupta, deputy managing director of the BSRM.

As per data from the Trading Corporation of Bangladesh, 60-grade MS rod was selling at Tk 95,500 per tonne in Dhaka yesterday while it was Tk 91,500 for the same amount just one month ago.

The US dollar has gained around 22 per cent in value against the local currency over the past six months. As such, steel makers are having to settle letters of credit (LCs) at Tk 112 per US dollar to import raw materials.

Besides, they are facing difficulties in opening LCs, which is hampering business by preventing factories from running at full capacity, he added.

Regarding the recent tariff hike for power and gas used by industries, Sengupta said the production cost of steel making units would increase by a maximum of Tk 1,500 to Tk 3,000 per tonne depending on the factory.

For example, manufacturers using energy from captive power plants will have to spend an additional Tk 3,000 to produce each tonne of steel while it will be Tk 1,500 for those supplied by the national grid.

This is because the Energy and Mineral Resources Division has increased the price of gas used by power plants by 87.50 per cent to Tk 30 from Tk 16 per cubic meter.

Similarly, the price per cubic metre of gas for large industries has been increased by 150.41 per cent to Tk 30 from Tk 11.98.

Manwar Hossain, president of the Bangladesh Steel Manufacturers Association (BSMA) recently wrote to the commerce ministry to inform about these concerns.

"The price hike will double the fuel cost for producing steel. This additional increase in the price of MS rod will result in a loss of consumer purchasing power," he said.

Around 15 per cent of the production cost for making steel goes into paying for fuel and energy. This means that if each tonne of steel costs Tk 80,000 to produce, then the gas and electricity charge accounts for Tk 12,000 of that amount, Hossain added.

> **"Around 90 per cent of the scrap steel used is imported. So, production costs have grown in line with higher US dollar prices and recent hikes in fuel and energy prices," said Tapan Sengupta, deputy managing director of the BSRM**

At present, the production cost of steel billet stands at Tk 81,300 per tonne with Tk 20,000 being spent on operational expenditure and Tk 2,200 on duty and advance income tax.

Considering the situation, the total production cost will reach Tk 103,560 per tonne in no time.

Hossain went on to say that the steel industry in Bangladesh is suffering as infrastructure development works have slowed down, especially in the private sector.

With this backdrop, the BSMA demanded that their short-term loans be converted into long-term ones so as to prevent losses.

The association also urged the government to instruct banks to facilitate LC opening for importing raw materials and increasing the gas of price gradually rather than all at once.

Md Shahidullah, secretary general of the BSMA, said manufacturers will have to adjust their prices due to the higher production cost.

This will put pressure on consumers and increase the cost of development projects, putting pressure on public expenditure, he added.

Shahidullah then informed sales have already dropped by up to 25 per cent in the last six months.

Shahriar Jahan Rahat, deputy managing director of KSRM, said the jobs of roughly 50 lakh people involved with the steel industry are now in jeopardy thanks to the current situation.

Bangladesh to see more China-funded mega projects

New envoy says

STAR BUSINESS REPORT

Bangladesh will see more China-funded mega projects in near future, Newly-appointed Chinese Ambassador to Bangladesh Yao Wen said yesterday.

"Many China-funded mega projects will be completed this year, including Bangabandhu tunnel in Chattogram. We are discussing to implement more mega projects in Bangladesh soon."

China wants to be a part of the development of Bangladesh, especially economic development, he said.

The ambassador made the comments while talking to reporters after a meeting with Planning Minister MA Mannan at the Planning Commission in Dhaka.

The envoy also said the Chinese government will host a business summit next month in Dhaka to bring more investment for Bangladesh.

The 7.1 per cent growth in gross domestic product Bangladesh has achieved is a miracle and the credit goes to the hard work of the country's prime minister and general mass, Wen said.

The ambassador said his government wants to invest more in ICT, agriculture, food processing and renewable energy sectors.

About Rohingya crisis, he said China has been working very closely to resolve the crisis.

The Rohingya crisis, which has been there for the last six years, is quite complicated, he said.

China has been playing the role of a coordinator among the stakeholders to bring a solution to the crisis, he said.

The Chinese ambassador is committed to take Sino-Bangla friendship to a new level through increased trade, commerce and economic connectivity, the planning minister said.

55 local firms take part in German show

STAR BUSINESS REPORT

Some 55 Bangladeshi companies participated in the world's largest consumer trade show Ambiente in Germany's Frankfort to showcase the locally produced goods to the international customers.

The five-day fair ended yesterday.

Bangladesh was the second largest participant of the trade show after India among the South Asian nations, according to a statement from Ambiente.

Bangladesh has always been a regular participant of the showcase.

Some 4,561 exhibitors from 83 countries took part in the 2023 edition of Ambiente to present their latest innovations and trends from all over the world.

A huge number of buyers came to the Ambiente from nearly 160 countries, according to the statement.

Some of the 55 exhibitors which represented Bangladesh were Paragon Ceramic, Shinepukur, Peoples Ceramic, Monno Ceramic, San Trade and RFL Plastics, SK Handicraft and Saidpur Enterprises.

The last two participated in the show under the Export Promotion Bureau's pavilion, according to the statement.

Daraz to shed jobs

FROM PAGE B1

"In order to weather the storm, we need to collectively do everything we can to improve profitability and save costs. This includes refocusing on the core business, simplifying the organisation, and doing more with less in all departments," he added.

In Bangladesh, Daraz already decided to close down its business to business e-commerce wing and laid off around 80 per cent of the 40-odd workforce of the wing, a few officials of Daraz Bangladesh told The Daily Star seeking anonymity.

The employees from other departments, including marketing, is also being laid off.

However, the company hasn't disclosed the total number of people who will be laid off in Bangladesh.

many online-based platforms, including Foodpanda and Sheba, cut a substantial number of jobs last year. Some have put expansion plans on hold.

In addition to the current economic condition, the e-commerce sector in Bangladesh had already faced a downturn since 2021 when a number of fraudulent activities were unveiled in the sector, leaving thousands in uncertainty over the recovery of thousands of crores of taka.

However, Alibaba seems committed to the Bangladesh market as it announced in August last year that it intended to invest Tk 1,000 crore in Bangladesh in the next 3-4 years to ramp up its operation by building infrastructure and ecosystem.

Daraz Bangladesh declined to give official comment on the issue.

Earlier in July, HungryNaki, Daraz's food delivery arms, scaled down operations by half and laid off a majority of its employees.

The cuts had come about a little over one year after Alibaba acquired 100 per cent of HungryNaki, which was launched in 2013, from its local owners via Daraz Group.

Alibaba acquired Pakistan-based e-commerce platform Daraz in 2018.

Amid the global economic downturn and depressing customer sentiment due to soaring inflation,

But with the recent downturn in the market, it is yet to be seen how long Alibaba can keep up its optimism in this market.

Daraz Bangladesh earlier said it now has 235 product collection points, which was only 48 in 2019.

In 2018, the company started delivery services for campaigns with only 150 two-wheelers and 25 vans, which rose to 2,300 two-wheelers and 600 vans at present.

It has also introduced nine new "Digibox" points in partnership with a2i for a convenient automated collection facility.

Tax collection growth

FROM PAGE B1

the period compared to 13 per cent the previous year.

"Revenue collection data is a reflection of the slowdown of the economy," said Mohammad Abdur Razzaque, director of the Policy Research Institute (PRI) Study Centre on Domestic Resource Mobilisation.

He added that revenue receipts from customs tariff showed a slowing trend as imports fell after the authorities restricted non-essential imports through various measures.

Amid rising stress on the country's foreign exchange reserves and its subsequent fall resulting from higher imports than exports and remittance earnings, Bangladesh Bank began to impose various rules to discourage non-essentials imports.

The measures worked as Bangladesh's imports declined 2.15 per cent year-on-year to $38.13 billion in the six months ending with December in 2022 compared to a year, data from the central bank showed.

Customs tariff collection data exemplifies that. The NBR collected Tk 44,950 crore as customs tariff by posting 9.25 per cent year-on-year growth in the July-December period. The customs duty collection grew 22 per cent during the same period a year ago.

"High value imports have fallen," said Ahsan H Mansur, executive director of PRI of Bangladesh.

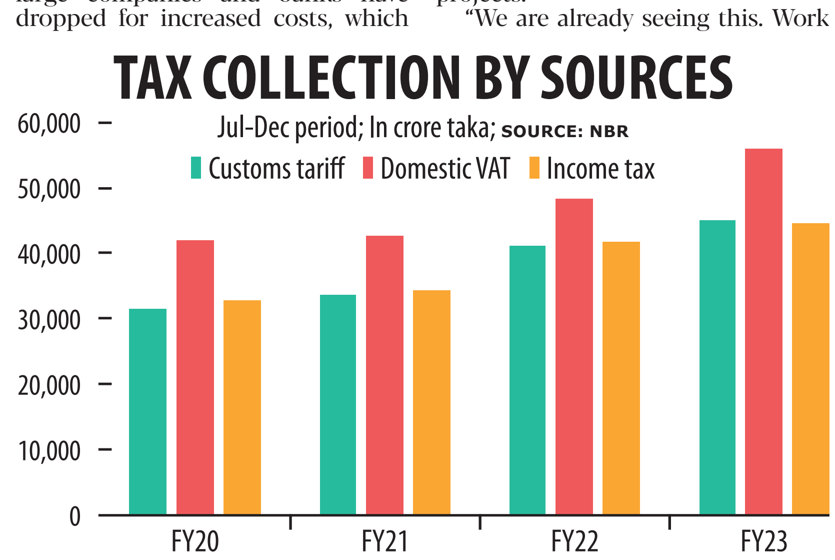
Besides, corporate incomes of large companies and banks have dropped for increased costs, which has affected income tax collection, he added.

Income tax receipts grew 6.25 per cent to Tk 43,959 crore in the July-December period compared to the same time the previous year, when taxmen recorded 15 per cent growth in income tax collection.

Mansur then said the slowing growth would affect the government's expenditure for development projects.

"We are already seeing this. Work of many projects has stalled," he said, adding that the development of foreign funded projects would suffer for a dearth of local funds.

As a result, the government will have to borrow more.



The government's net borrowing to finance its budget from domestic and external sources stood at Tk 31,338 crore in the July-November period of the current fiscal year, down from Tk 50,474 crore during the same period a year ago, Bangladesh Bank data showed.

To increase tax collection and reduce dependence on borrowing, revenue collection has to improve, according to analysts.

For this, systematic improvements and administrative reforms of the NBR is needed, Mansur said.

Towfiqul Islam Khan, senior research fellow of the Centre for Policy Dialogue, said the growth in collection recorded in the early months of this fiscal year was largely driven by rising commodity prices.

"Hence, slow progress in improving institutional efficacy for mobilising domestic resources regrettably did not get the due attention," he added.

Now, as Bangladesh has gotten loans from the International Monetary Fund, it has a specific target on tax revenue.

"But a business-as-usual approach will not deliver it. The current adjustments opted by the government as a response to the macroeconomic crisis will also make it difficult to mobilise revenue," he said.

Retailers cancelling RMG orders

FROM PAGE B1

On January 18, it increased the retail price of gas by 14.5 per cent to 178.9 per cent for industries, power plants and commercial establishments.

"If the prices of energy are adjusted downwards in the local market following the decline in prices of liquified natural gas, the prices of many other things will fall in the domestic market. This will also lower the cost of production," Hassan said.

Despite the economic volatility at home and abroad stemming from the dragging Russia-Ukraine war and the global energy crisis, the shipment of garment items from Bangladesh is increasing.

Hassan credited the depreciation of the local currency against the US dollar and the export of high-value-added items for the increased earnings.

The taka has lost its value by about 25 per cent against the American greenback since the war erupted, making the goods manufactured in Bangladesh cheaper in the export markets.

Thus, the garment shipment, which accounted for about 85 per cent of national exports, rose 14.31 per cent year-on-year to $27.41 billion in the July-January period of the current financial year.

In Bangladesh, many local garment factories are capable of producing jackets worth $30 to $35 per piece, which indicates that the country is shifting to the production of value-added apparel items from basic ones.

Moreover, a lot of orders are moving away from countries such as China, India, Pakistan, Vietnam, and Myanmar to Bangladesh, helping the readymade garment sector to keep growing even during turbulent times.

In another encouraging development, freight costs have declined and returned to the pre-pandemic level, said a number of suppliers.

Hassan also expressed concerns about the gradual deterioration of the image of the garment industry because of an alarming rise in robberies facing goods-laden trucks on the Dhaka-Chattogram Highway.

"Over the last 15 years, a syndicate of robbers has stolen garment items worth hundreds of crores of taka from more than 2,000 export goods-laden covered vans plying on the highway."

Last month, a buyer in Brazil sent a video clip to a local supplier where the buyer showed that 8,000 pieces out of 26,000 units of clothing items were missing from the cartons that he received from the Bangladeshi firm.

It happened because one Shahed and his accomplices stole the goods from the trucks. The members of the Rapid Action Battalion later arrested four along with Shahed and recovered the stolen goods, Hassan said.

The BGMEA chief urged the government to take stern action against the miscreants involved in the theft of export-bound goods.