

# Star BUSINESS



## Banking diploma mandatory for NBFIs officials too

STAR BUSINESS REPORT

Bangladesh Bank yesterday made having a banking diploma mandatory for the promotion of officials of non-bank financial institutions (NBFIs) to the post of senior officers and above.

The decision came just two weeks after making it a must for bankers' promotion, a move which has drawn criticism.

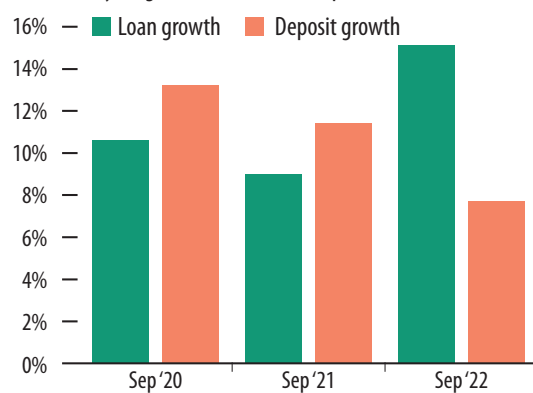
The central bank, in a notice today, said the officials will need to have junior associate or diploma associate certificates from the Institute of Bankers, Bangladesh for promotion to all posts equivalent to senior officer or above.

The new rule will become effective from January 1 of

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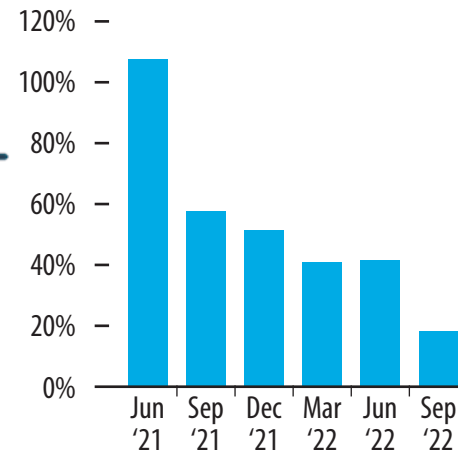
## Deposit growth lagged loan growth in September 2022

(Year-over-year growth in loans and deposits)



## Banks' excess cash has shrunk substantially

(Banks' cash deposited at the central bank in excess of the minimum cash reserve ratio)



## Declaration not needed for up to \$20,000 remittance

STAR BUSINESS REPORT

The central bank yesterday said remitters would not have to make any declaration to send remittances up to \$20,000.

According to the Guidelines for Foreign Exchange Transactions 2018, a declaration is not required against inward remittances up to \$10,000 or its equivalent.

To facilitate inward remittances, it has been decided that declaration will not be required for inward remittances up to \$20,000 or its equivalent, said the Bangladesh Bank in a notice.

The central bank move is aimed at attracting more remittances through formal channels.

The government hiked the rate of incentives by 0.5 percentage points to 2.5 per cent in January last year. It also withdrew the mandatory provisions for the submission of earning documents of the remitters in the case of availing cash incentives against remittances exceeding the amount of \$5,000.

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# Spike in funding costs to hurt banks' profitability

Lenders may need extraordinary support from BB, says Moody's

REJAUL KARIM BYRON and AKM ZAMIR UDDIN

Weak banks in Bangladesh with small holdings of government securities, which are used to mobilise funds either from the central bank or peers, may become more vulnerable in the days to come, Moody's Investors Service warned yesterday.

"In the worst-case scenario, they could require extraordinary support from the BB to fulfill their obligations, which would shatter customer confidence and lead to deposit losses, further worsening their liquidity stress in a vicious cycle," the global credit ratings agency said in a report.

The lenders will be forced to slow lending, it said.

The warning from Moody's came at a time when banks in Bangladesh are facing tight liquidity conditions after a spike in imports and declines in remittance inflows significantly tightened the US dollar supply, while high inflation is hindering deposit inflows.

In fact, liquidity in the banking system began to tighten in June 2021 after banks were forced to buy more US dollars to plug a shortfall of the American greenback that resulted from

a jump in demand for letters of credit among importers. As a result, banks' excess cash deposited at the central bank has decreased substantially since June 2021.

Banks usually buy treasury bills and bonds from the

increased materially, which will pressure the profitability of banks, said Moody's.

The report highlighted the recent vulnerability in Bangladesh's banking sector.

A slower-than-expected flow of remittances, the cheapest source

implemented in September 2022 to maintain stability in the foreign exchange market.

On the other hand, jumps in expenses amid high inflation, which has strained households' capacity to save, have resulted in a slowdown in the expansion of deposits, the main source of funding for banks.

Deposits increased 8 per cent year-on-year in the three months to September, down from 11 per cent a year earlier.

The pressure on liquidity may not fully abate in 2023 as high inflation will keep a lid on deposit growth, while economic uncertainty may lead to reductions in exporters' earnings, the ratings agency said.

It expects inflation in Bangladesh to be 7-8 per cent this year, higher than pre-pandemic levels of 5.5-6 per cent.

Islamic banks are more vulnerable to tightened liquidity conditions because they have smaller liquidity buffers and weaker profitability, the agency said.

Some Shariah-based lenders have recently faced a wide range of scams, hitting depositors' confidence. This forced the central bank to come up with

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government. They keep the securities as collateral when they borrow funds from their peers and the central bank.

Banks that hold sufficient government securities as well as those that have stable funding sources will be able to withstand the ongoing liquidity stress.

To plug liquidity shortfalls, banks can borrow from the interbank market or use the central bank's repurchase agreement (repo) facility. But the costs of such funding have

of US dollars for Bangladesh, has become a headache for the banking sector.

Inflows of remittances through banks decreased by 15 per cent in the fourth quarter of 2022 from the preceding three months because exchange rates offered by illegal or unregistered establishments were more favourable to senders.

Banks previously were able to offer competitive rates but their prices are now capped by a ceiling that the central bank

## Rules eased for US cotton import

Compulsory fumigation test not necessary now

SOHEL PARVEZ

The government has eased the rule of compulsory fumigation test for import of American cotton, particularly from the United States, clearing the ways for smooth import of the raw material of textile mills, the backward linkage industry for country's main export earning garments.

The importers would be able to bring cotton grown in Western Hemisphere or American region furnishing a sanitary and phytosanitary certificate and paper certifying that the imported consignment is free from Boll Weevli, a cotton pest in North America, issued by the competent authorities.

Otherwise, a fumigation test will be needed, the commerce ministry said in a notification issued this week by adding the new provision in the Import Policy Order 2021-24.

**Prior to the change, fumigation test was mandatory for imported American cotton, which textile millers say, caused them to spend extra for the test and wait for 5-7 days to get their consignments cleared from the ports**

Prior to the change, fumigation test was mandatory for imported American cotton, which textile millers say, caused them to spend extra for the test and wait for 5-7 days to get their consignments cleared from the ports.

A senior official of the commerce ministry said it withdrew the rule upon suggestion from the agriculture ministry.

The easing of the rule came several years after the textile millers and the USA had been demanding for it.

"It is a good step," said Mohammad Ali Khokon, president of Bangladesh Textile Mills Association (BTMA), a trade body of yarn and fabric manufacturers and textile product processors who have invested over \$15 billion.

Bangladesh consumes approximately 85 lakh bales of raw cotton annually against the industry's capacity of 115 lakh bales, said the US Department of Agriculture in a report on Bangladesh's cotton use in last December.

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STOCKS	
DSEX	CASPI
Flat 6,218.30	Flat 18,360.49

COMMODITIES	
Gold ▲	Oil ▼
\$1,839.22 (per ounce)	\$75.76 (per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼1.53% 59,744.98	▼1.34% 27,104.32	▼0.21% 3,300.04	▼0.47% 3,291.15

# Call for compliance in plastic industry

Four-day fair kicks off in Dhaka

STAR BUSINESS REPORT

The 15th edition of the International Plastic Fair kicked off in Dhaka yesterday with a call to ensure industry compliance so that Bangladesh can sustain its share in the global export market.

The international market for plastic goods, including the European Union (EU), is rapidly implementing environmental policies through the European Green Deal.

The European Green Deal, which was approved in 2020, is a set of policy initiatives that aim to make the EU climate neutral by 2050 with the circular economy being a defining feature.

A circular economy refers to a market that incentivises the reuse of products through repairing, refurbishing or recycling rather than scrapping them for spare resources.

As a sourcing destination, Bangladesh needs to be more careful about ensuring compliance when it comes to manufacturing plastic products by building eco-friendly industries, according to speakers at the fair.

"The EU's second circular economy action plan introduces strict policies to target environmental impacts throughout

the whole value chain inside and outside the EU and other exporter countries," said Zaki Uz Zaman, the country representative of UNIDO for Bangladesh.

"For the most part, exporter countries should be designed for circularity and they need to ensure its transparency," he added while delivering a presentation at the opening session of the fair.

**As a sourcing destination, Bangladesh needs to be more careful about ensuring compliance when it comes to manufacturing plastic products by building eco-friendly industries, say experts**

Bangladesh currently needs to import around 20 lakh tonnes of raw materials for the plastic industry each year.

Md Jashim Uddin, president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), said these imports need to be reduced by establishing more linkage industries in the country.

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Visitors are seen enquiring about the latest production technologies at the International Plastic Fair at the International Convention City Bashundhara in Dhaka yesterday. Speakers at the opening session of the event were of the mind that industry compliance is needed to sustain plastic exports.

PHOTO: PALASH KHAN

## Dollar hovers near six-week high

REUTERS, London/Singapore

The dollar was little changed on Wednesday, continuing to trade near six-week highs on the back of strong economic data.

Survey data released on Tuesday showed US business activity unexpectedly rebounded in February to reach its highest in eight months. In the euro zone, a survey-based gauge of activity also surged, hitting a nine-month high.

The signs of economic strength caused traders to pencil in further interest rate hikes from the Federal Reserve on Tuesday, driving the US S&P 500 stock index 2 per cent lower and the dollar up 0.3 per cent.

On Wednesday, the euro was flat at \$1.065, just above Friday's six-week low of \$1.061. The dollar index was up less than 0.1 per cent at 104.22, not far off the six-week high of 104.67 hit at the end of last week.

Investors' focus now turns to the release of the minutes from the Fed's latest meeting later on Wednesday, which could offer more insight into policymakers' plans.

"We've been in this dollar rebound for three weeks. The fundamental driver essentially is the market repricing Fed hikes higher," said Alvin Tan, head of Asia FX strategy at RBC Capital Markets.



Stakeholders should come forward to overcome the challenges in the certification process for the export of agricultural and processed food items to European nations, says an expert.

PHOTO: COLLECTED

# Huge potential to raise agro, processed food exports to UK

Exporters say at stakeholder consultation

### STAR BUSINESS REPORT

Agricultural and processed food exports from Bangladesh to the United Kingdom (UK) would increase if the shipments were certifiably pure, according to exporters.

Exporters currently face obstacles in form of the parameters by which such products are tested in European countries.

This means that shipments which pass purity certification standards in Bangladesh are at times sent back for having failed to meet any given requirement, such as the content of pesticides used.

These comments came at a stakeholder consultation, styled "Expanding and Diversifying Bangladesh's Export to the UK Market".

The event was jointly organised by Research and Policy Integration for Development (RAPID) and the UK's Foreign, Commonwealth and Development Office at the University of Dhaka yesterday.

Rezaul Karim, assistant manager of the

international marketing department of Square Food and Beverage Limited, said the certification process for exports to European nations varies from country to country.

"So, stakeholders should come forward to overcome these challenges," he added.

Karim went on to say that as the restaurant business in the UK is quite large, the country has high demand for spices.

"And if Bangladesh is able to fully capture this market, then export earnings would increase a lot," he said.

Karim then informed that his company is working on exporting ready-to-eat food to the UK market.

Monirul Islam, deputy general manager of Alin Food Products Limited, said Bangladesh is on the backfoot when it comes to following the standards set by European countries.

Spices are among the more valuable products being exported so if it could be shipped in bulk, then earnings from the segment would hit double digits, he added.

Eleash Mridha, managing director of PRAN Group, said the country would have to increase its exports to the UK's mainstream market in order to raise shipment volumes.

The UK's Developing Countries Trading Scheme (DCTS) could be a gamechanger for Bangladesh to break into non-garment export sectors, including that of agro-processed goods, said Mohammad Abdur Razzaque, chairman of RAPID.

Earlier this year, the UK introduced the DCTS, a preferential trading scheme for developing countries, marking its departure from the EU's Generalized System of Preferences.

Bangladesh now enjoys duty-free market access as a least developed country (LDC) through the DCTS Comprehensive Preferences scheme. And after the country's LDC graduation in 2026, it will continue to enjoy the same benefit until 2029, he added.

M Abu Eusuf, a professor and former chairman of the department of development studies at the University of Dhaka, said Bangladesh's exports are

heavily reliant on garments and so, it is essential to expand the participation of other viable items through product diversification.

Bangladesh has huge potential to increase exports to the UK as it is a prospective market where the country could expand shipments of agro-processed products, said Eusuf, who is also an executive director of RAPID.

There are around 1,000 agro-food processors in Bangladesh, employing around 250,000 workers, according to the Bangladesh Investment Development Authority (BIDA).

Bangladesh exports a wide range of agricultural and processed food products such as cereal grains, vegetables, fruits, spices and meat to more than 100 countries worldwide.

In fiscal 2019-20, the agricultural and processed food sector exported over 700 items, including approximately 60 processed food products, BIDA said.

Currently, some 250 agro or food processing companies export their products from the country.

## Guardian Life, Leya Health sign deal on insurance coverage

STAR BUSINESS DESK

Guardian Life Insurance Limited and Leya Health & Education Development Foundation have recently signed a group insurance agreement on life coverage for Leya's deposit pension scheme customers.

Sheikh Rakibul Karim, chief executive officer of the insurer, and Md Mahabub Hossain, executive director of the foundation, signed the agreement at the former's head office in Dhaka, said a press release.

Md Emam Hossain, branch manager of the foundation, Abdul Halim, senior vice-president of the insurer, Nowshin Nahar Haque and Malik Mohammad Shakil, assistant vice-presidents, and Md Jalal Uddin, business development manager, were present.

## Iraq to allow trade with China in yuan

REUTERS, Dubai

Iraq's central bank said on Wednesday it planned to allow trade from China to be settled directly in yuan for the first time, in an attempt to improve access to foreign currency.

The central bank has been taking urgent steps to compensate for a dollar shortage in local markets, which prompted the cabinet to approve a currency revaluation earlier this month.

"It is the first-time imports would be financed from China in yuan, as Iraqi imports from China have been financed in (US) dollars only," the government's economic adviser, Mudhair Salih, told Reuters on Wednesday.

The move is the latest sign of the yuan's growing role on the international stage as China gradually opens up its financial markets and some countries look to diversify their currency exposures.

The central bank could, as part of its plan, boost the balances of Iraqi banks that have accounts with Chinese banks in yuan, it said in a statement.

Another option would be to boost local banks' balances via the central bank's accounts with JP Morgan and Development Bank of Singapore (DBS), it added.

PRICES OF KEY ESSENTIALS IN DHAKA CITY			
	PRICE (FEB 22, 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 48-Tk 52	2.04 ↑	7.53 ↑
Loose flour (kg)	Tk 56-Tk 60	-1.69 ↓	65.71 ↑
Lentil (kg)	Tk 95-Tk 100	-4.88 ↓	0
Soybean (litre)	Tk 168-Tk 172	0.59 ↑	6.25 ↑
Potato (kg)	Tk 20-Tk 22	-23.64 ↓	20 ↑
Onion (kg)	Tk 30-Tk 35	0	-35 ↓
Egg (4 pcs)	Tk 47-Tk 50	14.12 ↑	27.63 ↑

SOURCE: TCB

## GPH Ispat, MIST ink MoU on research, academic knowledge sharing

STAR BUSINESS DESK

GPH Ispat Limited and the Military Institute of Science and Technology (MIST) signed a memorandum of understanding (MoU) enabling the latter to facilitate long-term research, academic knowledge sharing, students' scholarships or fellowships or assistantships, internship and other industry and academia collaboration.

Mohammed Jahangir Alam, chairman of GPH Group, and Brigadier General Md Wahidul Islam, dean of the faculty of civil engineering and head of the civil engineering department of the MIST, signed the MoU at the latter's office at Mirpur Cantonment in Dhaka, said a press release.

Md Abdul Ahad, director of GPH Ispat, Madani M Imtiaz Hossain and Md Musharraf Hussain, technical advisers, and Mohammad Mamun Kabir and Md Anamul Islam, general managers, were present.



Mohammed Jahangir Alam, chairman of GPH Group, and Brigadier General Md Wahidul Islam, dean of the faculty of civil engineering and head of the civil engineering department of the Military Institute of Science and Technology, exchanged signed documents of a memorandum of understanding on research and academia collaboration at the latter's office at Mirpur Cantonment in Dhaka recently.

PHOTO: GPH GROUP

## Top brands leave Russia, their goods don't

FROM PAGE B4

(as commission), then get them delivered here and you pay for the delivery."

Last year's strong rouble and weak Turkish lira played into Russian consumers' hands.

Currency dynamics were partly responsible for a seven-fold increase in deliveries from Turkey on CDEK Forward, a delivery service from foreign e-commerce sites, its marketing director Dinara Ismailova told Reuters.

"As soon as brands said they were leaving, some kind of panic started, and the number of volumes and orders rose sharply," Ismailova said.

Dealing with small, private deliveries, CDEK Forward's turnover doubled in money terms last year, with 80 per cent of that coming from clothes, while its goods turnover tripled.

"It's comparable to if you personally went to a Zara store in New York, bought something there and sent it on to your friends in Moscow," Ismailova said.

As supply chains broke down, Russia legalised so-called parallel imports, allowing retailers to bring in products from abroad without the trademark owner's permission.

E-commerce sites sell a wide range of imported goods, and sellers often advertise that they bring products from abroad.

Market leader Wildberries sells old stock from Inditex brands and has almost 17,000 goods in its Zara catalogue. A source close to Inditex said these were clearance stocks that were in Russia when it suspended activities there.

Wildberries did not respond to a request for comment.

One ubiquitous Western product Wildberries and its peers Ozon and Yandex Market sell is Coca-Cola, often advertised as imported so buyers know it is the real thing.

While Coca-Cola Co stopped

producing and selling drinks in Russia last year, others have been importing them, with labels on cans and bottles showing they have arrived from Europe, Kazakhstan, Uzbekistan and China.

One quirk of this arrangement is that prices vary. In one Moscow supermarket, three cans of Coca-Cola were on sale for three different prices, imported from Denmark, Poland and Britain respectively.

A senior employee at a major retailer explained how companies have adapted.

"Contacts were quickly established and new contracts with new partners signed, new money flows and logistical supply chains with Turkish, Polish and Kazakh companies were launched," he said on condition of anonymity.

Coca Cola is available from even more countries now.

"However, as usual, it is the buyer who pays more for these new inconveniences," the employee added.

As new routes are developed the extra logistics, travel and scaling costs will fall, and though trade remains relatively inefficient, these new relationships are here to stay, said Ram Ben Tzion, CEO of digital vetting platform Publican.

"The parallel importing mechanisms have been consolidated and expanded, meaning that pretty much everything is accessible and still will be in the future," Ben Tzion said, pointing to border truck queues and new entities springing up in nearby states.

"Coca Cola can easily notice the 'surge in demand' from countries neighbouring Russia, where most parallel imports come from," Ben Tzion said. "It is not in their interest to do anything about it."

Coca-Cola declined to comment.

"Friendly" countries not imposing sanctions have ramped up exports to Russia, their trade data shows.

Russia itself has stopped publishing such figures.

China-Russia trade hit a record 1.28 trillion yuan (\$186 billion) last year, while Turkey's exports to Russia jumped 61.8 per cent to \$9.34 billion and Kazakhstan's rose 25.1 per cent to \$8.78 billion.

Informal supply routes could lead to more poor-quality goods entering Russia, however, as regulators lose oversight, Ben Tzion said.

Some brands face years battling copies and unauthorized imports. Meanwhile, Coca-Cola's Russian rivals have increased bottling capacity and launched new Cola beverages.

Swedish furniture giant IKEA sold its stock to Yandex Market, tech giant Yandex's (YNDX.O) e-commerce division, when it left Russia. IKEA brand owner Inter IKEA Group said it sold remaining stock for an undisclosed amount to Yandex as it down-scaled IKEA Retail Russia.

Yandex Market said it puts suppliers who previously sold goods via IKEA stores in direct contact with customers.

But former suppliers are also ready to sell lightly modified IKEA items under different names. One already advertises a bedding set it calls "ARUA (analogue of IKEA BERGPALM)".

IKEA said it was looking into goods being advertised as similar to IKEA online.

Although new opportunities are opening up for Russian firms, the fixation with Western brands may hinder efforts to boost local production.

"Over time, market forces will continue to drive the products Russians are used to into the market and while there is an aspiration to move to 'Made in Russia' it will be very difficult to actually get people hooked up on Russian coke," said Ben Tzion.



Nur Mohammed, chairman of Jamuna Bank, cuts a ribbon to inaugurate a foreign currency exchange booth of the bank at the departure lounge of Hazrat Shahjalal International Airport in Dhaka yesterday. Md Abdus Salam, additional managing director of the bank, was present.

PHOTO: JAMUNA BANK

## German business sentiment rises in Feb

REUTERS, Berlin

German business morale improved in February for the fourth consecutive month, adding to signs that Europe's largest economy is recovering despite the energy crisis and high inflation, a survey said on Wednesday.

The Ifo institute said its business climate index stood at 91.1 following a revised reading of 90.1 in January.

A Reuters poll of analysts had pointed to a February reading of 91.2.

"The German economy is gradually working its way out of a period of weakness," said Ifo President Clemens Fuest.

Business sentiment is forecast to continue improving in the coming months, according to Union Investment's chief economist Joerg Zeuner.



A farmer collects flowers from a patch of land being used to grow pumpkin for consumption as a side dish prepared in a way very similar to the Japanese tempura -- dipped in batter and deep-fried. The east Asian version uses anything from fruits and vegetables to seafood to make a lightly coated tempura. The photo was taken at Rajdhor village Barishal sadar upazila recently.

PHOTO: TITU DAS

# IFC to invest \$5b in Bangladesh in 5 years

STAR BUSINESS REPORT

The International Finance Corporation will invest \$1 billion annually over the next five years under the Bangladesh Investment Climate Fund (BICF) programme.

"We are committed to supporting Bangladesh's continued sustainable development and hope to be able to invest \$1 billion each year over the next five years," said Martin Holtmann, country manager for Bangladesh, Bhutan and Nepal, at the World Bank Group's private sector lending arm.

He was addressing a programme styled "Investment climate reform in Bangladesh -- findings from the end-term evaluation of BICF programme", which was jointly organised by the Bangladesh Investment Development Authority (Bida), the UK's Foreign, Commonwealth & Development Office (FCDO) and the IFC at the intercontinental Dhaka yesterday.

Referring to the IFC's country diagnostics report, Holtmann said policy

reform can unlock \$2.6 billion in potential investment from the IFC in Bangladesh by 2026.

The BICF programme is supporting reforms to help the private sector grow.

"The BICF programme has been important not only for this country but also for the IFC as it's the largest single-country advisory programme for private sector development to date at the IFC," Holtmann said.

The IFC supported the enactment of the economic zones policy and regulatory framework and helped establish the Bangladesh Economic Zones Authority (Beza).

It piloted environmental and social programmes with the Bangladesh Export Processing Zones Authority (Bepza) and the lessons learned have been incorporated into the Beza's environmental compliance standards.

The BICF programme pioneered in supporting ICT-led reforms in government-to-business services through the automation of company registration, the introduction of online tax registration

and regulatory framework for e-payment.

The programme also initiated the automation of investor service at the Bida and helped establish Business Initiative Leading Development, a public-private dialogue platform, according to Holtmann.

The second phase of the programme has focused on three core areas: improving the investment climate, thus improving Bangladesh's investment competitiveness; facilitating private investment in industrial infrastructure such as economic zones and logistics; and diversifying exports beyond readymade garments.

The IFC helped establish the award-winning One Stop Service (OSS) of the Bida, which has reduced the time taken to register a business and deepened reforms in established institutions to improve the investment climate.

OSS is an end-to-end automated system and is currently providing 58 services of 18 agencies. It has significantly improved the government's efficiency in delivering services to businesses.

In order to attract investments, the programme addressed a critical challenge faced by the private sector -- the unavailability of serviced industrial land -- together with a World Bank lending programme.

According to Holtmann, 13 private economic zones received investment proposals worth \$4.3 billion.

"Moreover, technical support from us through the development of master plans, feasibility studies and investment promotion strategy helped five government-owned economic zones receive investment proposals worth more than \$22 billion for 177 projects. The numbers speak for themselves."

Lokman Hossain Miah, executive chairman of the Bida, Selma Rasavac, manager for regional advisory services at the IFC, Robert Chatterton Dickson, British high commissioner to Bangladesh, Mohsina Yasmin, executive member for international investment promotion at the Bida, Duncan Overfield, deputy development director of the FCDO in Bangladesh, also spoke at the event.

## DSE's turnover slips below Tk 300cr again

STAR BUSINESS REPORT

All indices of the Dhaka Stock Exchange (DSE) fell slightly yesterday, extending the loss to the third straight session while turnover dropped below Tk 300 crore.

The DSEX, the benchmark index of the top bourse in Bangladesh, edged down 0.53 points, or 0.008 per cent, to 6,218.

The DS30, the blue chip index, went down 0.001 per cent to 2,221 while the DSES, the shariah-compliant index, dropped 0.046 per cent to 1,359.

"The stocks have been suffering for many days mainly due to the confidence crisis among investors and challenges facing the economy of Bangladesh," said a stockbroker.

Similarly, the performance of the listed companies was not encouraging.

Most companies listed on the DSE reported a loss or decline in profit in the first half of the current financial year, owing to sales drop, the significant depreciation of the local currency and higher fuel prices.

Since most of the stocks are not allowed to fall owing to the floor price, investors have adopted a wait and see approach to see what happens once the floor price is lifted fully.

**"The stocks have been suffering for many days mainly due to the confidence crisis among investors and challenges facing the economy of Bangladesh," said a stockbroker**

At the end of last July, the Bangladesh Securities and Exchange Commission (BSEC) set the floor price for every stock to halt the free-fall of the market amidst global economic uncertainties. The floor price was the average of the closing prices on July 28 of last year and the preceding four days.

In December, the commission lifted the floor price for 169 companies in order to make the stock market vibrant, out of nearly 400 companies listed. But these stocks can't fall more than 1 per cent in a single day because of a circuit breaker.

Turnover, a key indicator of the market, dropped 21 per cent to Tk 257 crore yesterday. Of the securities, 36 advanced, 120 declined and 152 did not show any price movement.

"The stocks on the DSE edged flat after a bumpy ride as most of the investors followed a cautious stance amid sluggish turnover," said International Leasing Securities Ltd in its daily market review.

The investors remained shaky due to the lack of a clear direction of the market as the regulator is yet to decide on the floor price withdrawal, it said.

Among the sectors, travel rose 1.3 per cent, life insurance advanced 0.7 per cent and services were up 0.5 per cent. The jute sector fell 1 per cent and the general insurance sector dropped 0.6 per cent.

Investors' activities were mainly focused on the pharmaceuticals sector, which captured 18.1 per cent of the day's total turnover, followed by IT (11.3 per cent) and food (10.8 per cent).

Rupali Life Insurance Company made the highest gain with an increase of 5.8 per cent. Popular Life Insurance, Shinepukur Ceramics, Pragati Life Insurance, and Gemini Sea Food were also on the top gainers' list.

## Spike in funding costs to hurt banks' profitability

FROM PAGE B1

extraordinary liquidity support to help them tackle the ongoing crisis.

"Islamic banks are more vulnerable to the tightening of liquidity than conventional banks because they have smaller liquidity buffers," the report said.

One reason that Islamic banks have weaker liquidity cushions is that the central bank has more relaxed liquidity requirements for them to support the growth of the sector.

Another reason is that Islamic banks are prohibited from holding conventional interest-bearing government bonds, and there is a limited amount of liquid Shariah-compliant instruments.

The profitability of Islamic banks has already become weaker than that of conventional banks because they are more reliant on term deposits, which results in a narrower spread between financing yields and deposit costs than the systemwide level.

In addition, in the first three quarters of 2022, Islamic banks' deposit growth lagged that of conventional banks, while the

financing growth of the former continued to outpace the loan growth of the latter.

"The funding cost in the entire banking sector will jump, which may hurt the profitability of banks," said the report.

Although banks can fill liquidity shortfalls through borrowing from the interbank market or the central bank, the costs of such funding have increased materially as demand has grown and the central bank has started tightening monetary policy to curb inflation.

"This will pressure banks' net interest margin and their profitability," said Moody's.

The weighted average of interbank repo rates jumped to 8.1 per cent at the end of 2022 from 1.4 per cent at the start of the year, while the weighted average of interbank overnight rates rose to 5.8 per cent from 2.7 per cent, the highest since 2015.

The central bank raised the repo rate, the rate at which it lends to banks, to 6 per cent in January this year from 4.75 per cent at the beginning of 2022.

## Call for compliance in plastic industry

FROM PAGE B1

Bangladesh is now recycling only 36 per cent of its total plastic waste with many industries still outside the recycling process.

With this backdrop, Uddin said Bangladesh is failing to handle this waste due to the lack of a proper collection system.

"We need to focus more on ensuring compliance in industries and work for awareness to protect the environment," he added.

Uddin, also vice chairman of Bengal Group, one of the biggest plastic exporters in the country, then said producers will face trouble in the coming days if they fail to ensure industry compliance.

The FBCCI chief went on to say that many plastic businesses, some of whom do not even have trade licences, are still operating illegally in the Old Dhaka area of the capital.

"We badly need to relocate these plastic businesses to ensure compliance in a new venue," he added.

Foreign officials, including those from Saudi Arabia's commerce and investment ministers, are expected to attend a business summit in March as a delegation of Aramco, a petroleum



refining company.

Uddin proposed building a refinery complex in association with Aramco at the industrial area in Matarbari of Cox's Bazar.

The four-day fair was jointly organised by the Bangladesh Plastic Goods Manufacturers and Exporters Association and Yorker Trade and Marketing Service Company at the International Convention City

Bashundhara.

Around 700 stalls have been set up by 494 companies from some 21 countries, including China, South Korea, Belgium, Canada, the US, UAE, France, Italy, Japan and Austria.

Industries Minister Nurul Majid Mahmud Humayun inaugurated the fair as chief guest while Commerce Secretary Tapan Kanti Ghosh was present as special guest.

## Declaration not needed

FROM PAGE B1

More than 11.35 lakh Bangladeshis left the country for jobs abroad last year, the highest in a single month and nearly doubling from 6.17 lakh migrant workers who flew abroad in 2021, data released by the Bureau of Manpower Employment and Training showed.

Still, the remittance has not picked up proportionately as workers reportedly send half of their money to the beneficiaries back home using informal channels owing to the better rates of the US dollar offered by hundi operators, depriving the country of much-needed American greenback.

Between July and January, expatriate Bangladeshis sent remittances amounting to \$12.45 billion, up 4.25 per cent year-on-year.

## Banking diploma mandatory for NBFIs officials too

FROM PAGE B1

this year 2023, according to the Bangladesh Bank.

Kanti Kumar Saha, vice chairman of Bangladesh Leasing and Finance Companies Association, said it is a very good initiative by the Bangladesh Bank.

"However, the time given for its implementation is too short to get so many officials for diploma programme. There is also capacity issue of the training institute," he said adding that the institute might not be able to train all the bankers and NBFIs within such a short time.

Besides, curriculum for non-bank financial sector officials should be modified and different from the one for the bankers, said Saha, also chief executive officer at Lankan Alliance Finance.

## Rules eased for US cotton

FROM PAGE B1

Some 98 per cent of the total requirement is met through imports as Bangladesh produces 200,000 bales of cotton, according to Cotton Development Board data.

The country imports cotton mainly from Africa and India followed by the USA and other countries, said BTMA Chief Executive Monsoor Ahmed.

In its December report, the USDA said Bangladesh imported 32 per cent of its required cotton from India followed by Brazil 15 per cent, Benin 12 per cent, and the United States 9 per cent.

The volume of US cotton exports to Bangladesh in the marketing year 2020-2021 were approximately

906,000 bales.

Industry operators said imports from the USA are likely to increase as lead time for import will reduce following the lifting of the requirement for fumigation test.

It will reduce the hassle of businesses and cost of doing business too, said Ahmed, adding that the quality of US cotton is good and has wide acceptability.

A Matin Chowdhury, managing director of New Asia Group, said the industry will become efficient.

He said the use of American cotton may increase following the easing of the rule. "It will also facilitate exports," he added.



## Real estate fair kicks off in Ctg today

STAR BUSINESS REPORT, Chattogram

REHAB Chattogram Fair 2023, a four-day housing exhibition, will begin in the port city today at the Radisson Blu Chattogram Bay View hotel.

Forty-eight companies, including renowned real estate firms from Dhaka and Chattogram, building material makers and financial institutions will take part in the fair to be organised by the Real Estate and Housing Association of Bangladesh (REHAB).

Land Minister Saifuzzaman Chowdhury is scheduled to inaugurate the fair as the chief guest, REHAB leaders said at a press conference at its office in Chattogram yesterday.

Two firms are gold sponsors and 17 real estate firms are co-sponsors of the fair that will have 60 stalls.



The entry fee is fixed at Tk 50 for single entry and Tk 100 for multiple entries, the organisers said, adding that the fair would remain open from 10am to 9pm every day.

Chattogram City Corporation Mayor Rejaul Karim Chowdhury, Chattogram Development Authority Chairman Zahurul Alam Dobhas and Chittagong Chamber of Commerce and Industry President Mahbul Alam will be special guests at the inaugural ceremony.

REHAB Vice President Md Abdul Kautam Chowdhury said the country's real estate sector is passing through a tough time due to price hike of construction materials as an impact of the Russia-Ukraine war.

The fair would offer a great scope for the developer firms to display their ongoing projects to help the prospective buyers to choose their desired flats, he said.

REHAB Vice chairman Kamal Mahmud, Directors Md Didarul Hoque and Mahbul Sobhan Jalal Tanvir were also present at the conference.

### AT A GLANCE

Local IT firms showed resilience despite global downturn

Export growth is driven by BPO, data processing

Freelancers bring in a big chunk of exports

Freelancers mainly do low-value work

We need big companies like India's Infosys or Wipro, the companies that employ tens of thousands of people each and earn billions of dollars

AKM Fahim Mashroor  
CEO of Bdjobs

### BY THE NUMBERS

Export earnings \$282.77m in July-Dec of FY23

Export growth 36pc year-on-year

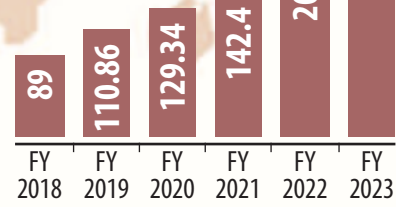
Total earnings were \$596m in FY22

But BASIS estimates annual earnings would be \$1.5b

Annual local IT market is over \$1b

### Computer and IT services export

In million \$; Jul-Dec period



SOURCE: EPB

# IT export surges despite global economic crisis

MAHMUDUL HASAN

Information technology exports from Bangladesh shot up 36 per cent in the first half of the current financial year, beating expectations of industry players as the local IT industry showed resilience against the global economic turmoil.

IT companies brought home \$282.77 million in the July-December period of 2022-23, up from \$208.09 million in the identical half of 2021-22, data from the Export Promotion Bureau (EPB) showed.

The higher earnings were driven by the shipment of computer data-processing and hosting services, which cover most business process outsourcing and IT-enabled services.

The shipment of computer data processing and hosting services rose to \$233.55 million in the six months to December from \$154.82 million a year earlier.

Local entrepreneurs are receiving a good number of outsourcing orders for back-office operations, image processing, graphic design, animation, data entry, accounting and legal process outsourcing, and data analytics, according to industry people.

IT export growth has been phenomenal since the middle of last year after businesses around the world reopened following the improvement in the Covid-19 situation.

In the last financial year, IT exports from Bangladesh crossed a major mark after local firms and freelancers earned more than half a billion US dollars for the first time. Local IT companies saw their export earnings shoot up 95 per cent year-on-year to \$592.06 million in FY22.

The higher earnings came although industry people earlier expressed concerns whether the momentum would be maintained in the current financial year owing to the global economic crisis induced by the Russia-Ukraine war.

According to the EPB, IT consultancy services raked in \$19.76 million in July-December of FY23, up from \$18.62 million a year ago. The shipment of software dropped about 8 per cent to \$27.39 million.

However, some software firms say their business expanded during the period.

For example, Brain Station 23 said it posted 44 per cent year-on-year growth in the first half of the current fiscal year.

**Local entrepreneurs are receiving a good number of outsourcing orders for back-office operations, image processing, graphic design, animation, data entry, accounting and legal process outsourcing, and data analytics**

"Now we are facing some slowdown, which is a worldwide trend as business growth has slowed. But it is not alarming," said Raisul Kabir, chief executive officer of the software firm.

Brain Station 23 mainly exports custom-made software to European clients. It hired more than 200 people in the last one year to take its total employees to 670.

Export receipts for the installation, maintenance and repair of computers and peripheral equipment decreased around 58 per cent to \$2.07 million in July-December of FY23.

M Manjur Mahmud, president of DataSoft Systems, however, thinks the actual export earnings from the IT sector were much higher than the official figures.

"Many of the earnings are small in amount and they don't get included in the official calculation."

The IT firm has already exported software products to 31 countries and has offices in

four countries. It employs 450 people.

The Bangladesh Association of Software and Information Services (BASIS) estimates that the annual IT export stands at \$1.5 billion.

Besides, many firms and freelancers don't bring in their full export proceeds or fetch their export earnings through unofficial channels to avail a higher rate of the dollar against the taka in the informal market, industry people allege.

Despite the phenomenal growth, Bangladesh's IT export has remained at a far lower level than those of its peers.

India's technology industry generated export earnings of \$227 billion in FY22, according to the National Association of Software and Service Companies of the neighbouring country.

Pakistan's information and communication technology exports, including telecommunication, computer and information services, were \$2.62 billion in FY22.

AKM Fahim Mashroor, CEO of Bdjobs and AikerDeal, said the higher earnings in the first half were a good sign amid the global economic crisis.

"But the overall IT export is very low."

He said the government is spending heavily to develop the ICT skill of people, especially freelancers. But it has failed to boost IT exports.

"This is because most of the money is being spent on developing low-skill freelancers, who can't generate big revenue."

The IT entrepreneur recommended the government incentivise IT companies to hire fresh graduates.

"We should follow the growth story of the garment industry. In the RMG sector, the 100 top companies account for 80 per cent of exports."

"We need big companies like India's Infosys or Wipro, the companies that employ tens of thousands of people each and earn billions of dollars," he added.

## Banks get nod to complete procedures to add PLC suffix

STAR BUSINESS REPORT

The central bank has given permission to banks to complete legal procedures to change their name by adding PLC as a suffix.

In Bangladesh, the companies are switching to the PLC (Public Limited Company) suffix in order to comply with the amended Company Act 1994. The amendment was made in 2020.

A PLC is a public company and is the equivalent of a US publicly traded company that carries the Inc. or corporation designation.

The use of the PLC abbreviation after the name of a company communicates to investors and to anyone dealing with the company that it is a publicly traded corporation.

**In Bangladesh, the companies are switching to the PLC (Public Limited Company) suffix in order to comply with the amended Company Act 1994**

As per Company (Second Amendment) Act 2020, banks would have to change the name of the company and the Articles of Association to assume the PLC suffix. They will also have to take permission from the central bank to do so.

In a notice yesterday, the central bank gave permission to banks to complete legal procedures to bring about the change.

Banks would not have to apply to the central bank before changing the name and the Articles of Association. They, however, would have to inform the BB after the procedure is completed so that the central bank can publish it as a gazette notification.

Delta Brac Housing Finance Corporation, Crown Cement, Runner Automobiles, Premier Cement Mills, Taufika Foods and Lovello Ice-cream, Citizens Bank, United Commercial Bank, Unique Hotel & Resorts, and Walton Hi-Tech Industries are among the listed firms that have added PLC to their names.

## Aramit Cement's losses more than double

STAR BUSINESS REPORT

Aramit Cement Limited suffered a Tk 17.11 crore loss in the second quarter of the current financial year.

The loss stood at Tk 7.28 crore in the October-December quarter of 2021-22.

The cement manufacturer, thus, reported earnings per share of Tk 5.05 negative in October-December of 2022-23, which was Tk 2.15 negative in the second quarter of 2021-22.

Aramit Cement reported a loss of Tk 26.05 crore in the first half of the ongoing financial year, up from a loss of Tk 13.92 crore in the identical period of FY22.

The net operating cash flow per share of the company, however, returned to positive territory in July-December: it was Tk 3.57 in the first half of FY23 compared to a negative Tk 0.15 in July-December of FY22.

The net asset value per share fell to Tk 4.93 on December 31 from Tk 12.58 on June 30.

Shares of Aramit Cement closed 0.87 per cent lower at Tk 22.70 on the Dhaka Stock Exchange yesterday.

## Top brands leave Russia, their goods don't

REUTERS, Moscow

Trucks carrying Coca Cola roll across the border into Russia, tourists return from abroad laden with Zara's latest designs, and local online marketplaces snap up IKEA's furniture stocks. Western brands may have left the country, but their goods haven't.

Despite European, North American and Japanese companies exiting Russia over its actions in Ukraine, the impact on Russian consumers is minimal, although delivery times can be longer and some goods more expensive.

The main change has been to supply routes, but the products remain available both online and in stores. Buyers just need to know where to look.

Crucially, the vast majority of goods concerned are not subject to sanctions and these cross border flows are legal. And Moscow is happy to let them in, whatever route they take.

Brands' continued availability shows the challenge companies face in controlling supply chains when exiting a market.

Zara-owner Inditex shuttered its 502 Russian stores after Moscow sent troops into Ukraine, and then sold them to UAE-based Daher Group.

Now, small-scale imports and online sellers are keeping them alive, a Reuters review of six major online marketplaces

and conversations with a dozen buyers and sellers showed.

Albina, 32, took an empty suitcase to Minsk last summer and returned 24 hours later with 33,000 roubles (\$442) worth of Inditex-brand Zara, Bershka and Massimo Dutti clothes for herself and friends.

**Despite European, North American and Japanese companies exiting Russia over its actions in Ukraine, the impact on Russian consumers is minimal, although delivery times can be longer and some goods more expensive**

While most Western brands that have halted Russian operations have also pulled out of Belarus - a staunch Moscow ally - Inditex has not. The company did not respond when asked about this.

Albina told Reuters she has also bought clothes in Paris and Dubai and used a network of online sellers.

"There are pages on Instagram, on Telegram, there are girls I know who moved to live in Europe or Istanbul or Dubai," she said. "They collect orders, let's say in Istanbul, they take 15 per cent-30 per cent

READ MORE ON B2



Bottles and cans of Coca-Cola imported from Japan and China together with other soft drinks containers are displayed for sale in Vladivostok, Russia on February 20.

PHOTO: REUTERS