

## 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

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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.

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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

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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

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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

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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

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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

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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.

