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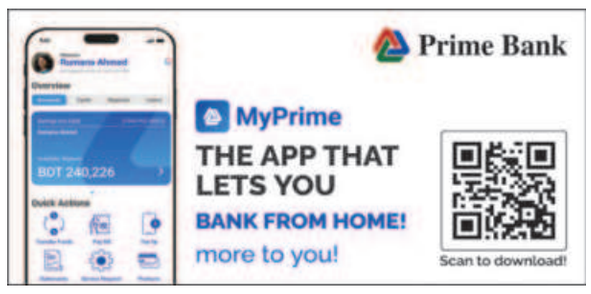

ACI to expand footprint in marine engine market

STAR BUSINESS REPORT

ACI Limited, one of the biggest conglomerates in Bangladesh, is set to expand its footprint in the country's marine engine business segment in order to capture a piece of a market that is growing 12 per cent annually.

Chinese engines dominate the $61-million market in Bangladesh with a 33 per cent share, followed by Japan with 21 per cent, and the United States with 15 per cent.

According to ACI, the marine engine market was around $24 million in 2019-20 and it doubled to $52.2 million in the following financial year as demand from operators rose. The number of ocean- and river-going ships is also going up.

Subrata Ranjan Das, executive director of ACI Motors, said roughly 10,000 inland and coastal ships operating in Bangladesh carry 90 per cent of the total oil products, 70 per cent cargoes and 35 per cent of passengers.

Bangladesh requires 586 units of vessels every year and another 350 lighter ships would be required by Payra seaport once it opens, according to an assessment of ACI.

More than 50 shipyards and 100 shipbuilders are active in the shipbuilding sector. They can build around 250 vessels annually.

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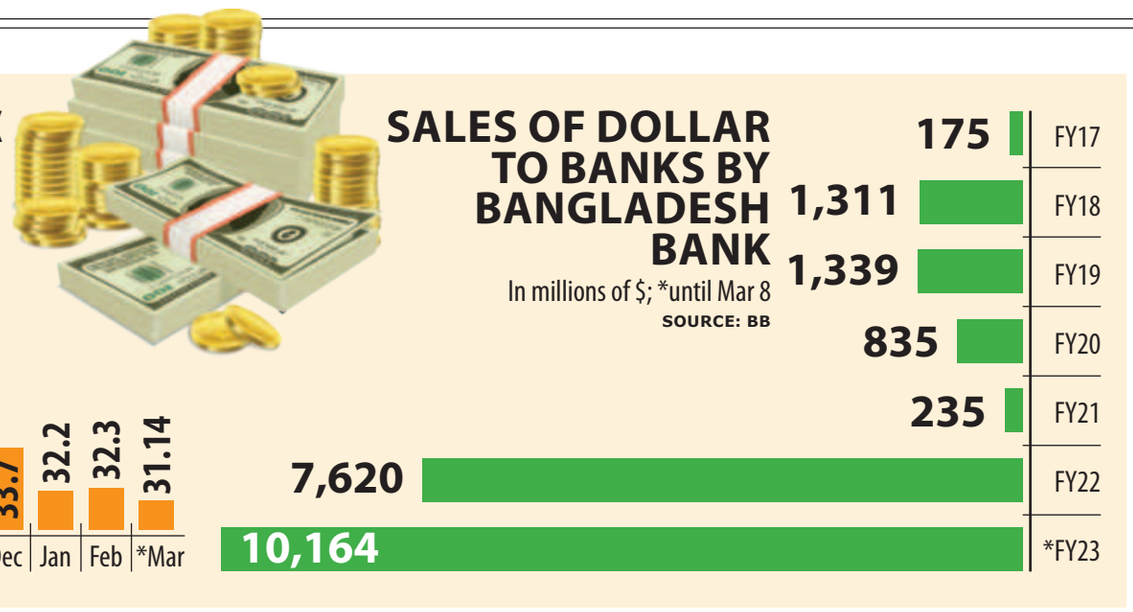

Forex reserves slip to six-year low

AKM ZAMIR UDDIN

Bangladesh's foreign currency reserves have slipped to a six-year low of $31.15 billion after the central bank cleared import bills to the tune of $1.05 billion with a number of Asian countries, official figures showed.

This means the reserves have fallen by about 30 per cent from $44.14 billion recorded in March last year.

The current level of the reserves is the lowest since the financial year of 2016-17 when it stood at $33.49 billion.

The BB settled the import payments through the Asian Clearing Union (ACU) on Monday.

The ACU, headquartered in Tehran, is an arrangement to settle payments for intra-regional transactions among member countries: Bangladesh. India, Bhutan, Iran, the Maldives, Myanmar, Nepal, Pakistan, and Sri Lanka. The countries settle bills every two months.

The forex reserves of Bangladesh have witnessed a major slide in recent months after every ACU payment is made, said a central banker.

The reserves surged to $48 billion in August 2021, the highest in history. However, due to the escalated import payments resulting from high commodity prices amid the Russia-Ukraine war, the reserves have been declining since May 2022.

The sharp decrease in foreign exchange reserves has caused macroeconomic instability amid an acute dollar shortage. The taka has lost its value by about 25 per cent against the American greenback in the past one year.

And Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, warned that the reserves might face an additional loss of $10-12 billion before the national election if the ongoing slide continues.

"We are slowly but surely heading towards a bad situation if existing policies are not fundamentally changed."

Zahid Hussain, a former lead economist of the World Bank's Dhaka office, says only the withdrawal of the ceiling of interest rate on loans and the introduction of a floating exchange rate can stop the deterioration of the reserves.

Although the deficit in trade and current accounts have decreased significantly in the last couple of months, the shortfall in the financial account widened to a large extent, worsening the volume of the reserves. Under such a situation, the central bank is injecting dollars into banks almost every working day.

The BB supplied a record $10.16 billion to the market between July 1 and March 8 this fiscal year. It injected $924 million in February and $216 million so far this month.

The central bank provided $7.62 billion to banks in the last financial year to help them clear import bills, which rocketed to over $82 billion.

Mansur also said the central bank should withdraw the interest rate ceiling on loans and make the exchange rate flexible.

Bangladesh's forex reserves might face further squeeze in the coming months as the

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Bangladesh Business Summit starts tomorrow

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The Bangladesh Business Summit will kick off tomorrow with the aim of creating new opportunities for trade and investment by showcasing the country's economic potential before a global audience.

The three-day event will be hosted by the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) at the Bangabandhu International Conference Centre in Dhaka.

Ministers from seven countries, including the UK, the UAE, Saudi Arabia, China and Bhutan, along with more than 200 foreign investors and business leaders are expected to participate in the summit.

The event is being organised as a part of the FBCCI's 50th founding anniversary celebrations.

The summit will highlight the success stories that have set the foundation for Bangladesh's sustainable growth, according to FBCCI President Md Jashim Uddin.

"This summit will play an important role in tapping Bangladesh's full economic potential, expanding trade and attracting investments," he said during a press conference at the FBCCI office yesterday.

Business representatives from both home and abroad are having to pay considerable sums as a registration fee to participate in the event.

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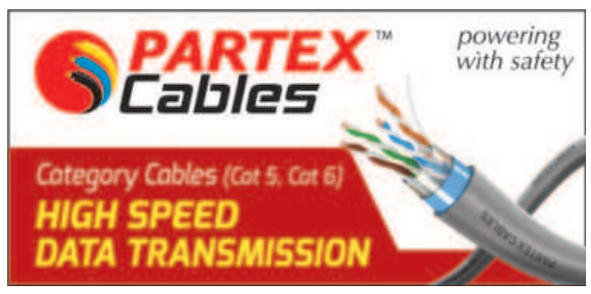

Govt to buy more LNG

Focusing Ramadan, summer irrigation

STAR BUSINESS REPORT

The government has approved the purchase of another shipment of liquefied natural gas (LNG) from the international spot market, the fourth since February, to ramp up electricity production ahead of Ramadan and the summer season.

The cabinet committee on purchase, during a meeting yesterday, approved the procurement of 33.60 lakh MMBtu of LNG from TotalEnergies Gas & Power of Switzerland for Tk 618.21 crore.

This time the price of the super-chilled fuel was $14.66 per MMBtu.

It was $16.10 last week when Bangladesh bought the same amount of fuel from Singapore-based Vitol Asia.

The country depends on imported LNG for about 25 per cent of its gas demand. It was forced to ration gas supplies last year as global prices were driven up by the Russia-Ukraine war.

The higher prices also forced Bangladesh to pause the purchase of LNG from the international spot market to save its foreign currency reserves.

Since the start of 2023, LNG prices plunged by more than 70 per cent from August's record $70 per MMBtu on slower demand and high inventory levels in Europe and North Asia.

With the summer and irrigation season coming up, Bangladesh ramped up its participation in the international spot market for LNG, issuing tenders regularly from the first week of February after seven months.

If the price stays at less than $20 per MMBtu, Bangladesh is likely to end up purchasing 10 to 12 shipments between February and June.

When Bangladesh halted spot LNG purchases in June, it had paid $24.25 per MMBtu.

Asian spot LNG prices slipped to $19.50 per MMBtu in the week to February 3, the first time it has fallen below $20 since September 2021, as inventories remain high with peak winter demand due to end soon.

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