The price of cars has shot up by 20 to 25 per cent due to the dollar price spike after the taka lost its value by about 25 per cent against the American greenback in the past one year owing to dollar shortages.

PHOTO: STAR/FILE

Car sales plunge for higher prices, uncertainty

JAGARAN CHAKMA

Sales of passenger cars declined significantly in the first quarter of 2023 owing to higher prices and macroeconomic volatility, industry people said.

Bangladesh Road Transport Authority (BRTA) data showed that 2,867 vehicles were sold between January and March, bringing the monthly average to 955 units, down 31 per cent from a monthly average of 1,391 seen in 2022.

Industry people say the three-month sales average has been the lowest in a decade.

"This year's sales have been the lowest in the past 10 years. Even during the pandemic, average sales were better although the business was hit significantly by the lockdowns," said Mohammed Shahidul Islam, secretary general of the Bangladesh Reconditioned Vehicles Importers and Dealers Association.

Sales averaged 1,033 units per month during the peak of the coronavirus pandemic in 2020.

Industry people say customers are not purchasing luxury products due to the hike in prices, the liquidity squeeze and a lack of required models of cars in the market as imports have declined significantly.

The price of cars has shot up by 20 to 25 per cent due to the US dollar price spike after the taka lost its value by about 25 per cent against the American greenback in the past one year owing to dollar shortages.

The dollar crunch has prompted the central bank to tighten rules to curb imports, particularly those related to non-essential and luxury items, with a view to stopping depletion of the foreign currency reserves, which have fallen by 30 per cent in the past one year.

In July last year, the central bank asked banks to take up to 100 per cent of import payments in advance from businesses while opening letters of credit (LCs) for luxury and non-essential items. This means car importers have to pay a 100 per cent margin to open LCs to bring in vehicles from abroad.

"As a result, imports have declined by at least 60 per cent in the last few months," said Islam.

Still, some retailers have imported a good number of cars fearing that the dollar might strengthen further against the taka.

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>
> **Mohammed Shahidul Islam**
> Secretary general of Barvida

Their fear is not baseless as the factors responsible for the unprecedented fall in the value of the taka such as the Russia-Ukraine war, global supply disruptions, higher commodity prices and the energy crisis are still there.

HNS Group, an importer of reconditioned cars, said its sales dropped around 50 per cent in the last three months. The company usually sells around 130 units per month but it has come down to 60 to 70 units per month now.

Islam, chairman of HNS Group, said banks are not interested in opening LCs due to the dollar crisis even if traders offer a 100 per cent margin.

Sales of Motorsbay Limited have fallen around 40 per cent this year.

Arif Khan Bipu, the proprietor of the reconditioned car importer, said the government has stopped purchasing cars for various development projects.

"It has impacted the car market. Besides, we can't open LCs. So, the sales of cars have dropped remarkably in the last few months."

Bipu said the shipment of cars from Japan, a major supplier of reconditioned cars for Bangladesh, is delayed since exporters don't make shipments before they become sure about the payments.

He suggested the government restructure the duty of hybrid cars and high-capacity microbuses in the next budget in order to reduce prices and help the industry sustain in the current difficult period.

"The government needs to encourage the imports of hybrid cars to reduce energy consumption and protect the environment."

Bipu suggested the government increase the duty on high-end cars since they are preferred by wealthy people.

Safayet Bin Taiyab, country lead (sales) at Progress Motors Import Ltd, the distributor of Germany's Audi-branded cars, said sales of both premium and non-premium passenger vehicles have declined as prices have gone up.

According to him, the company used to sell 12 units per month in the past whereas it has slipped to six to seven units now.

However, Taiyab said, there is demand for Audi cars but it can't supply as per demand since it can't import the required number of vehicles due to the difficulty in opening LCs.

Chiranjeev Roy, chief operating officer of Suzuki Car Bangladesh, echoed the same.

"We can't bring in Suzuki cars as per demand," he said.

Both Islam and Taiyab don't see any possibility for the situation to improve immediately.

"The situation will improve once the global economy returns to normalcy since Bangladesh's economy is integrated with the international economy to a significant extent," said Islam.

"The automobile market may witness a tough situation this year," said Taiyab.

Oil steadies

REUTERS, *London*

Oil steadied on Monday, after rising for three straight weeks, as looming supply cuts from Saudi Arabia and other Opec+ producers balanced concern about weakening global growth that may dampen fuel demand.

Crude last week jumped more than 6 per cent, a third weekly gain, after Opec+, the Organization of the Petroleum Exporting Countries (Opec) and allies including Russia, surprised the market with a new round of production cuts starting in May.

Brent crude slipped 3 cents to $85.09 a barrel by 0816 GMT, while US West Texas Intermediate crude gained 8 cents to $80.78.

"Those who were bearish are questioning the demand outlook in light of the cuts, whilst clearly those who were bullish are now seeing even a tighter market over the second half," ING's head of commodities research Warren Patterson said.

"I am in the latter camp and still see prices moving higher from here as we go through the year."

Adding to tightness in supply has been a shutdown of Iraq's northern exports. Iraq's federal government and the Kurdish Regional Government signed a temporary agreement last week to restart the flows, but as of Thursday they hadn't resumed.

Oil also drew support from a steeper-than-expected drop in US crude inventories last week, as well as a decline in gasoline and distillate stocks, hinting at rising demand.

Asia Insurance's profit declines 36.5% in 2022

STAR BUSINESS REPORT

Asia Insurance Limited made a profit of Tk 9.84 crore in the financial year of 2022, down nearly 36.5 per cent year-on-year.

This compared to the Tk 15.49 crore profit the insurer made a year earlier.

Thus, the company reported earnings per share of Tk 2.09 for 2022, down from Tk 3.29 a year earlier.

The net asset value per share rose to Tk 26.88 in the last financial year from Tk 26.57 in 2021 while the net operating cash flow per share slipped to Tk 4.73 from Tk 6.83 during the same period.

The board of directors of Asia Insurance has recommended an 11 per cent cash dividend for the year that ended on December 31, according to a filing on the Dhaka Stock Exchange.

Shares of the company closed unchanged at Tk 48.90 on the bourse yesterday.

Debt crunch looms for weaker economies

REUTERS, *Washington*

A combination of sticky high interest rates and lacklustre global growth could push a number of emerging economies that are facing soaring refinancing needs into debt difficulties next year.

Many weaker economies navigated the fallout from the Covid-19 pandemic and the war in Ukraine with financing aid from multilateral and bilateral lenders.

But repayments on emerging markets' high-yield international bonds will total $30 billion in 2024, a steep increase compared to the $8.4 billion left for the remainder of this year. This adds a layer of complexity to more vulnerable countries if some issuers can't refinance their debt soon.

> **Meanwhile countries such as Tunisia, Kenya and Pakistan would need to find alternative sources of financing if the market doesn't re-open for them.**
>
> **Thys Louw**
> Portfolio manager of Ninety One, London

"A more prolonged period without market access would be of more concern for the lower-rated tiers of the emerging markets sovereign universe," said James Wilson, EM sovereign strategist for ING.

How to mitigate the threat of severe debt distress for more vulnerable emerging economies will be a key topic in Washington, where policy makers and asset managers are meeting for the World Bank/IMF Spring Meetings this week.

Tapping international debt markets hasn't been a problem across the board for emerging economies. Sovereign issuance has hit a record high so far this year, although that bond sale bonanza has been driven by higher rated sovereigns.

Meanwhile countries such as Tunisia, Kenya and Pakistan "would need to find alternative sources of financing if the market doesn't re-open for them," said Thys Louw, portfolio manager for the emerging markets hard currency debt strategy at Ninety One, in London.

Investors are concerned over refinancing risks for Kenya's $2 billion bond maturing in June 2024, said Merveille Paja, EEMEA sovereign credit strategist for BofA.

"The market expects more solutions to be delivered, either the IMF's resilience and sustainability trust or $1 billion external issuance or syndication loan," Paja told Reuters.

Saidpur railway workshop starved of manpower, funds

EAM ASADUZZAMAN, *Nilphamari*

While the government aims to expand railway services across Bangladesh, the country's largest locomotive workshop in Saidpur of Nilphamari is still unable to operate at full capacity as it lacks adequate manpower, funds and machinery.

The workshop situated on 110 acres of land mainly repairs carriages fit for broad gauge and metre gauge lines of Bangladesh Railway (BR) while also producing the necessary spare parts and tools.

During the post-independence period, Saidpur railway workshop could repair 900 carriages and construct 20 new ones each year.

But now, an average of 450 carriages are repaired annually as there is an official target to fix just two of them every two days while the construction of new ones has stopped.

Sources at the workshop informed that they needed Tk 27 crore to conduct repairing operations in the current fiscal year. However, BR has released just Tk 6.5 crore so far with only two months to go until FY 2023-24.

Hasanuzzaman, a manager of Saidpur railway workshop, said they are providing services with their workforce at less than 23 per cent of full capacity.

"Instead of the recommended 2,859 employees, just 622 people are working," he added.

Besides, most of the 750 heavy machineries used at the workshop have become outdated while their operation has become limited due to the lack of skilled manpower.

Hasanuzzaman went on to say a good number of coaches and wagons come for immediate repairs but sometimes have to wait for days on end due to various issues.

> **Most of the 750 heavy machineries used at the workshop have become outdated while their operation has become limited due to the lack of skilled manpower.**

And because of manpower and fund shortages, general and periodical overhauling of a carriage cannot be carried out as needed every 12 and four years respectively, shortening their longevity.

Rubaitur Rahman, general secretary of the Saidpur railway workshop union, said they suffered a major setback in 1993, when the then government mysteriously decided to stop the construction of new carriages.

READ MORE ON B2

Workers are seen repairing train carriages at the Saidpur railway workshop in Nilphamari. Operations at the facility have become extremely limited for its lack of funds, manpower and machinery.

PHOTO: EAM ASADUZZAMAN