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Navana
Pharma
ditches plans
for new unit

STAR BUSINESS REPORT

Navana Pharmaceuticals yesterday decided to use the proceeds from its initial public offering (IPO) to expand and modernise existing facilities rather than establish a new production unit, according to a posting on the Dhaka Stock Exchange (DSE) website.

The newly listed drug company planned to construct a new general production building using Tk 23.24 crore from its IPO proceeds worth Tk 75 crore.

However, Navana Pharma's board of directors instead recommended utilising Tk 13.12 crore of the fund for modernising and expanding its small volume parenteral and ophthalmic (SVPO) facility.

In addition, they suggested setting aside Tk 4.68 crore for expanding the company's general liquid facility by adding a dispensing area.

Navana Pharma will

The company had planned to construct a new general production building using Tk 23.24 crore from its IPO proceeds

use another Tk 5.44 crore of the IPO proceeds for modernising and expanding its animal health facility.

Besides, the drug maker plans to modernise its overall quality control system by spending Tk 2.34 crore, which will be financed from the company's own source.

Navana Pharma's board elected to change their initial decision after a market assessment showed that the benefits of upgrading existing facilities outweighed those of establishing a new production unit.

This is because construction would take a considerable amount of time while marketing products of the new unit would be a prolonged process as well.

On the other hand, it was seen that modernising and expanding existing facilities would help immediately meet up the demand for the company's products. READ MORE ON B3

BBS' NEW CPI: AT A GLANCE

Updated CPI compilation from April 2023

Changed the base index from 2005-06 to 2021-22

Introduced new basket weights based on Household Income and Expenditure Survey of 2016-17

In line with 2020 CPI manual of International Monetary Fund

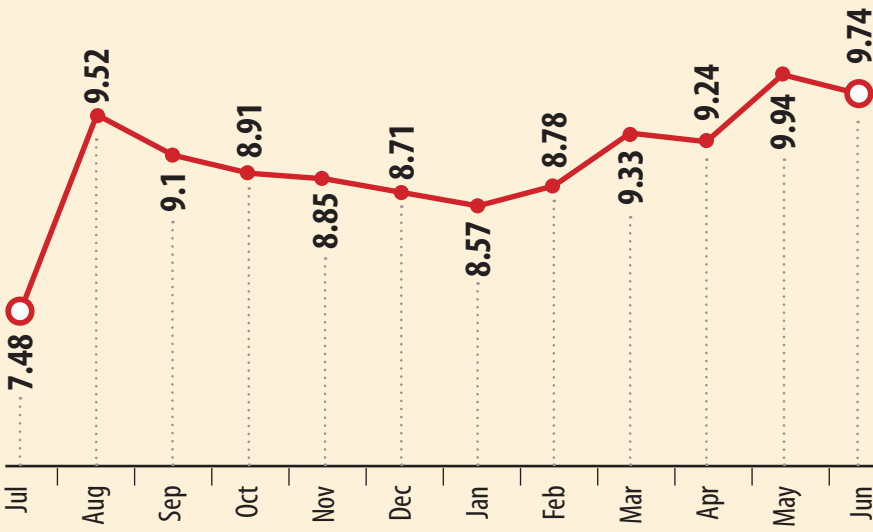
New basket contains 383 items (goods and services) with 749 varieties

There are 127 food items with 242 varieties and 256 non-food items with 507 varieties

CPI data are collected from 154 markets from 64 districts

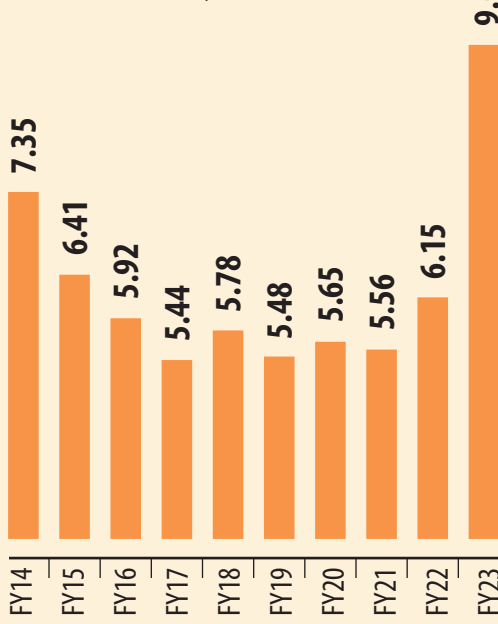
Trend of inflation in FY23

In %; SOURCE: BBS



CONSUMER PRICE INDEX

In %; SOURCE: BBS



Inflation climbs
to 12-year high
Overshoots target

REJAUL KARIM BYRON and MD FAZLUR RAHMAN

Average inflation in Bangladesh surpassed the government's target for the just-concluded fiscal year by a large margin as higher prices of goods and services continue to linger for the economic crisis at home and abroad.

The Consumer Price Index (CPI) rose 9.02 per cent in 2022-23 against the government's revised target of 7.5 per cent. This was the highest average inflation rate in 12 years, according to the Bangladesh Bureau of Statistics (BBS).

This was much higher than the 5-6 per cent average inflation seen in the decade before the Russia-Ukraine war. General inflation was 6.15 per cent in 2021-22.

At the beginning of FY23, the government had aimed to limit the inflation to 5.6 per cent.

The goal was later revised upwards first to 6.5 per cent and then to 7.5 per cent since the war rages and the slide in the foreign currency reserve, the weakening of the taka against the US dollar, and the energy crisis continues.

The Consumer Price Index rose 9.02 per cent in 2022-23 against the government's revised target of 7.5 per cent

In FY23, average inflation stayed above 9 per cent for six months, above 8 per cent for five months and more than 7 per cent in one month, data from the national statistical agency showed.

In June, general inflation fell 20 basis points to 9.74 per cent compared to a month ago. This was down from an 11-year high of 9.94 per cent in May.

Food inflation rose 49 basis points to 9.73 per cent in the last month of the fiscal year, highlighting the persisting pains confronting the poor and the low-income groups. Non-food inflation declined 36 basis points to 9.6 per cent.

At the end, food inflation averaged 8.71 per cent, the highest in 12 years. Non-food inflation stood at 9.39 per cent, an 11-year high.

Economists blame inadequate measures on the part of the government and the central bank for the surge in consumer prices.

They argue that although the central bank has raised the policy rate five times in the past one year, it has not been able to rein in the rocketing inflation owing to the lending rate cap on loans and the largely administered exchange rate.

Recently, Sadiq Ahmed, vice-chairman of the Policy Research Institute of Bangladesh, a think tank, said the government's responses to inflation reduction comprised of control over the exchange rate and the use of subsidies to prevent a pass-through of global energy price increases.

READ MORE ON B3

Tannery CETP needs
renovation even before
offering full service

REFAYET ULLAH MIRDHA

Bangladesh is yet to reap the full benefit from the much-talked central effluent treatment plant (CETP) at the Savar Tannery Industrial Estate (STIE) despite spending more than Tk 500 crore and waiting for nearly a decade.

Yet, it now requires renovation or rebuilding since the contractor that built the facility on the outskirts of the capital city handed over an incomplete CETP.

Now, uncertainty has emerged over who will foot the bill for the necessary work: the government is not keen to provide the fund needed to make the facility fully ready, while the tanners, the users, say they don't have the capacity to fund it.

But without a fully functional CETP, Bangladeshi companies will not be able to obtain the much-required Leather Working Group (LWG) certification, which is a must to attract international retailers and brands in the leather sector.

This means the country will continue to be deprived of valuable foreign currencies since local tanners don't get higher

prices for tanned leathers owing to a lack of compliance while finished goods manufacturers can't sell products made using the leather produced in the country.

This is unfortunate for Bangladesh as leather is among

not have the capacity to treat all of the rawhides collected during Eid-ul-Azha, an occasion when nearly half of the country's annual animal skins are generated.

As a result, untreated waste is being released into the Dhaleshwari river and the local

fully functional," said Mustak Ahmed, managing director of the Dhaka Tannery Industrial Estate Waste Treatment Plant Company (DTIEWTPC), which runs the plant and manages the solid waste generated at the STIE.

He said the CETP needs to be refurbished or replaced as the Chinese company handed over an incomplete plant to the DTIEWTPC in July 2021.

"The CETP is currently running partially. It needs to be refurbished to obtain the LWG certification."

Presently, DTIEWTPC earns Tk 2.25 crore a month from 142 out of 162 tanneries housed inside the estate. Its monthly expenditure stands at more than Tk 2 crore.

Most of the members of the DTIEWTPC board are tanners and the company has a deposit of Tk 5 crore, but the fund is inadequate to renovate or even rebuild the CETP, Ahmed said.

Owing to the partial operation of the CETP, the government has started allowing private ETPs inside the STIE.

READ MORE ON B3



a handful of products that offers almost 100 per cent value-addition scope to exporters since raw materials are entirely available locally.

Another price for a lack of a well-equipped CETP is that the environment around the STIE is seen pollution.

This comes as the solid waste management system is not functioning and the plant does

environment due to the overflow at the tank at the CETP, which cost Tk 565 crore.

Currently, the CETP can treat 25,000 to 30,000 cubic metres of liquid waste. But during Eid-ul-Azha, the generation of waste climbs to 45,000 cubic metres as the number of rawhides collected shoots up.

"More than Tk 1,000 crore is needed to make the CETP



Women are seen strolling down an avenue displaying various plants at the Jatiya Brikkho Mela, a monthlong exhibition that aims to promote and raise awareness on the benefits of planting trees. Being held in Agargaon, Dhaka, visitors can attend the event from 9:00am to 8:00pm every day till July 12.

PHOTO: PALASH KHAN

\$1.09b import bills
to bring down
forex reserve again

STAR BUSINESS REPORT

The Bangladesh Bank will clear import bills to the tune of \$1.09 billion through the Asian Clearing Union (ACU) this week, which will bring down the country's foreign exchange reserve level.

A BB official told The Daily Star that the central bank would settle the import bills within a day or two.

The ACU is an arrangement for settling payments for intra-regional transactions among member countries.

India, Bangladesh, Bhutan, Iran, the Maldives, Myanmar, Nepal, Pakistan, and Sri Lanka are members of the Tehran-based organisation. Members clear payments every two months.

The forex reserve usually falls after ACU payments are made. The BB cleared import bills amounting to \$1.18 billion in May.

The reserves stood at \$31.19 billion on June 30 in contrast to \$41.82 billion on the same day a year ago, BB data showed. And the reserves could drop below \$31 billion after import bills are cleared this week.

It rose past \$31 billion on June 26 after

three multilateral lenders extended \$925 million in loans to Bangladesh. In addition, a higher inflow of remittances on the occasion of Eid-ul-Azha also played an important role in pushing up the reserve level last month.

Migrant workers sent home \$21.61 billion in the just-concluded fiscal year, up 2.75 per cent from the \$21.03 billion remitted a year ago.

The expatriate Bangladeshis remitted about \$2.2 billion in June, the highest in a single month since July 2021 when \$2.6 billion entered the country.

Bangladesh's foreign exchange reserves soared to a historic high of \$48 billion in August 2021. But higher import payments driven by a surge in commodity prices globally dealt a blow in recent months.

The import payments, however, have decreased recently after the central bank took a set of measures to discourage non-essential and luxurious imports.

Between July and May of 2022-23, import payments stood at \$64.76 billion, down 14.11 per cent year-on-year.



An employee works on a wind turbine tower at a factory in Lianyungang, in China's eastern Jiangsu province on May 31. While manufacturing activity expanded marginally in China, it contracted in powerhouses Japan and South Korea as Asia's fragile economic recovery struggled to maintain momentum. PHOTO: AFP

Pakistan inflation eases for first time in seven months

AFP, Islamabad

Pakistan's headline inflation eased for the first time in seven months in June, figures released Monday showed, a bright spot for a beleaguered government that must call an election this year.

Year-on-year inflation was 29.4 per cent last month, Pakistan Bureau of Statistics data showed, compared with a record 38 per cent in May.

Years of financial mismanagement have pushed Pakistan's economy to the limit, exacerbated by the Covid pandemic, a global energy crisis and record floods that submerged a third of the country last year.

Pakistan struck a \$3 billion standby deal with the International Monetary Fund on Friday, which could provide temporary relief for the country's ballooning foreign debt.

To meet the demands of the deal – which will be considered by the IMF's board by mid-July – Pakistan scrapped popular subsidies on gas and electricity, which had cushioned the cost-of-living crisis.

With elections due in October, campaigning is likely to be driven by promises of development and vows to fix the economy.

Asia's factory output falls

REUTERS, Tokyo

Asia's factory activity slumped in June, business surveys showed on Monday, as sluggish demand in China and advanced nations clouded the outlook for the region's exporters.

While manufacturing activity expanded marginally in China, it contracted in powerhouses Japan and South Korea as Asia's fragile economic recovery struggled to maintain momentum.

The surveys underscore the toll China's weaker-than-expected rebound from Covid lockdowns is inflicting on Asia, where manufacturers are also bracing for the fallout from aggressive US and European interest rate hikes.

"The worst may have passed for Asian factories but activity lacks momentum because of diminishing prospects for a strong recovery in China's economy," said Toru Nishihama, chief emerging market economist at Dai-ichi Life Research Institute.

"China is dragging its feet in delivering stimulus. The US economy will likely feel the pain from big rate hikes. These factors all make Asian manufacturers gloomy about the outlook."

China's Caixin/S&P Global manufacturing purchasing managers' index (PMI) eased to 50.5 in June from 50.9 in May, the private survey showed

on Monday, staying above the 50-point index mark that separates growth from contraction.

The figure, combined with Friday's official survey that showed factory activity extending declines, adds to evidence the world's No. 2 economy lost steam in the second quarter.

The worst may have passed for Asian factories but activity lacks momentum because of diminishing prospects for a strong recovery in China's economy, says an economist

The impact is being felt in Japan where the final au Jibun Bank PMI fell to 49.8 in June, returning to a contraction after expanding in May for the first time in seven months.

New orders from overseas customers decreased in June at the fastest rate in four months reflecting feeble demand from China, the Japan PMI survey showed.

South Korea's PMI fell to 47.8 in June, from 48.4 in May, extending its downturn to a record 12th consecutive month on weak demand in Asia and Europe.

Factory activity also contracted in

Taiwan, Vietnam and Malaysia, the PMI surveys showed.

There were bright patches among the economic indicators released on Monday with India's manufacturing industry bucking the trend and expanding at a brisk pace in June, albeit slightly slower than in May, supported by robust demand.

The Bank of Japan's closely watched tankan survey also showed Japanese business sentiment improving in the second quarter as raw material costs peaked and the removal of pandemic curbs lifted consumption.

Asia's economy is heavily reliant on the strength of China's economy, which saw growth rebound in the first quarter but subsequently fell short of expectations.

The fate of Asia's economy, including China's, will have a huge impact on the rest of the world with aggressive monetary tightening also expected to weigh on U.S. and European growth.

In forecasts released in May, the International Monetary Fund said it expects Asia's economy to expand 4.6 per cent this year after a 3.8 per cent gain in 2022, contributing around 70 per cent of global growth.

But it cut next year's Asian growth forecast to 4.4 per cent and warned of risks to the outlook such as stickier-than-expected inflation and slowing global demand.

Faruk made DMD of UCB

STAR BUSINESS DESK



United Commercial Bank (UCB) has recently promoted a senior executive vice-president to the post of deputy managing director (DMD).

The promotee, Faruk Ahammad, joined the bank as a chief financial officer in 2019.

Ahammad embarked on his professional journey at IPDC and went on to hold senior management strategic roles in different organisations, said a press release.

He previously worked for Prime Bank as a chief internal auditor, City Bank as a chief financial officer and Brac Bank as a company secretary.

He was a director of finance at Edotco Bangladesh Company Limited, a subsidiary of Axiata Group Malaysia, managing director and CEO of Apex Investments Limited, and group chief operating officer of Saad Musa Group of Industries.

Ahammad obtained his bachelor's degree in commerce from the National University and was a qualified chartered accountant and a fellow member of the Institute of Chartered Accountants of Bangladesh.

Rupee hits near 2-month high

REUTERS, Mumbai

The Indian rupee climbed to a near two-month high versus the US currency on Monday on the back of dollar offers by foreign banks, traders said.

The rupee was at 81.8175 to the dollar by 11:16 IST, up from 82.0375 in the previous session. The local currency reached 81.76, the highest since May 8.

There has been "massive (dollar) selling" by foreign banks since open, a proprietary trader at a private sector bank said.

There was talk of debt inflow related to a large conglomerate, and then "there are the usual equity inflows," the trader added.

PRICES OF KEY ESSENTIALS IN DHAKA CITY			
	PRICE (JUL 3, 2023)	% CHANGES FROM A MONTH AGO	% CHANGE FROM A YEAR AGO
Fine rice (kg)	Tk 60-Tk 75	0	-6.25 ↓
Coarse rice (kg)	Tk 48-Tk 50	0	-2 ↓
Loose flour (kg)	Tk 52-Tk 55	-2.73 ↓	25.88 ↑
Lentil (kg)	Tk 90-Tk 100	0	-11.63 ↓
Soybean (litre)	Tk 167-Tk 175	-5 ↓	-5 ↓
Potato (kg)	Tk 35-Tk 40	-1.32 ↓	29.31 ↑
Onion (kg)	Tk 80-Tk 85	6.45 ↑	73.68 ↑
Egg (4 pcs)	Tk 48-Tk 50	3.16 ↑	25.64 ↑

SOURCE: TCB



IFIC Bank opened three new branches in three different districts -- Meherpur, Nilphamari and Lalmonirhat -- across the country recently. PHOTO: IFIC BANK



Selim RF Hussain, managing director of Brac Bank, poses for photographs with Tara Business Champion Award-winning officials of the bank at its head office in Dhaka recently. PHOTO: BRAC BANK

IFIC Bank opens 3 branches

STAR BUSINESS DESK

IFIC Bank recently opened three new branches in three different districts -- Meherpur, Nilphamari and Lalmonirhat.

Of these, the Meherpur branch was inaugurated by Md Azizul Islam, deputy commissioner and district magistrate of Meherpur, on Hotel Bazar Road in Meherpur Sadar Upazila.

The Nilphamari branch was opened by SM Sofiqul Alam Dablu, president of the Nilphamari Chamber of Commerce and Industry, on Hazi Mohsin Road in Nilphamari Sadar Upazila.

Lalmonirhat branch was inaugurated by Mohammad Ullah, deputy commissioner and district magistrate of Lalmonirhat, at Lalmonirhat Church Missionary Building in Lalmonirhat Sadar Upazila.

46 Brac Bank officials get its Tara business awards

STAR BUSINESS DESK

Brac Bank honoured 46 officials -- 24 from retail banking and 22 from SME banking -- with "Tara Business Champion Award" marking the sixth anniversary of its women's banking initiative "Tara".

Selim RF Hussain, managing director and CEO of the bank, handed over the awards at a ceremony at its head office in Dhaka recently, said a press release.

M Masud Rana, Md Sabbir Hossain, and Syed Abdul Momen, deputy managing directors of the bank, and other senior officials were present.

Indian refiners start paying

FROM PAGE B4

All the sources declined to be named because of the sensitivity of the matter. None of India's private refiners -- Reliance Industries Ltd, Russia-backed Nayara Energy and HPCL Mittal Energy Ltd -- responded to requests for comment. Indian Oil also did not reply to a request for comment.

It could not immediately be determined how much Russian oil Indian refiners have bought with yuan, although Indian Oil has paid in yuan for multiple cargoes, sources said.

The rise in yuan payments has given a boost to Beijing's efforts to internationalise its currency, with Chinese banks promoting its use specifically for Russian oil trade.

Since the imposition of sanctions on Moscow, Indian refiners have mostly bought Russian crude from Dubai-based traders and Russian oil companies such as Rosneft, the Litasco unit of Russian oil major Lukoil, and Gazprom Neft, according to shipping data compiled by Reuters.

Indian refiners have also settled some non-dollar payments for Russian oil in the United Arab Emirates' dirham, sources have said.

"First preference is to pay in dollars but refiners sometimes pay in other currencies such as dirham and yuan when sellers ask them," said the government source, who did not elaborate further and declined to identify any Indian companies paying in yuan for Russian oil.

India's oil and finance ministries, which had previously been trying to convince Russia to accept rupees for oil payments, did not respond to requests for comments.

Reuters reported in March, citing government officials and banking sources, that India had asked banks and traders to avoid using the yuan to pay for Russian imports because of long-running political differences with China. It was not immediately clear whether recent purchases represent a change in that view.

India's imports from Russia rose to

a record in May, with Russian crude oil accounting for 40 per cent of India's overall oil imports compared with 16.5 per cent a year earlier, denting purchases from Iraq and Saudi Arabia.

While Western sanctions against Moscow are not recognised by India and its purchases of Russian oil may not violate them, Indian banks are wary of clearing payments for such imports.

In May, State Bank of India, the country's top lender and a key banker for state refiners, rejected IOC's planned payment in dollars for a cargo delivered by Rosneft, two sources said.

The cargo was loaded on tanker NS Bora, handled by Dubai-based Sun Ship Management, an entity connected to Russia's largest state shipping company, Sovcomflot, which the European Union sanctioned in February and the United Kingdom in May.

In June, IOC used ICICI Bank, a private-sector Indian lender, to settle this trade with Rosneft by paying in yuan to Bank of China, two sources with direct knowledge of the matter said. One private refiner has also been using the same mechanism for payments for Russian oil, one of the sources said.

Since then, IOC has used the same method to pay with yuan for other cargoes from Rosneft, one of the sources with direct knowledge of the matter said.

"Whenever IOC will face problems it would push for payment in yuan," the person said, adding that IOC had asked Rosneft to consider supplying oil in vessels not managed by sanctioned entities. Rosneft did not reply to a request for comment.

Another state refiner, Bharat Petroleum Corp Ltd, is also exploring yuan payment for Russian oil, a separate source said.

"Many traders (sellers) are insisting for yuan payments," the source said.

BPCL, ICICI, State Bank of India and Bank of China did not respond to requests for comment.



The government allocated Tk 3,500 crore for the Padma Bridge Rail Link Project from foreign assistance in fiscal year 2023-24.

PHOTO: STAR

PADMA BRIDGE RAIL LINK PROJECT

Railway seeks one-year extension on loan tenure

JAGARAN CHAKMA

Bangladesh Railway (BR) is seeking a one-year extension on its loan tenure for the Padma Bridge Rail Link Project as a means to avoid upward cost revisions resulting from hassles in clearing payments after the task is complete.

Md Kamrul Ahsan, director general of BR, made this request to the government of China through the Economic Relations Division (ERD) last month.

As per the loan-financing agreement signed between the ERD and officials of the Chinese embassy in Dhaka on April 17, 2018, the loan duration is set to end on May 12, 2024.

The extension was sought by BR as the contractor, China Railway Group Ltd (CREC), informed that it would not be possible to finish implementing the project within the stipulated deadline on May 4, 2024.

This is due to delays in land acquisition

along the Dhaka-Mawa and Bhanga-Jashore sections as well as the shifting of utility lines.

In addition, there were changes to the plan, such as constructing railway underpasses instead of level crossings at the Tularampur and TT Para points, among other reasons, Ahsan said in a letter to the ERD.

So, if all tasks are completed as per the request of the contractor, additional time of four months will be required to pay the total cost, including the 85 per cent share of the Exim Bank of China, he added.

The government allocated Tk 3,500 crore for the project from foreign assistance in fiscal year 2023-24, which is to be spent within the loan duration.

Considering the rate of expenditure from project assistance in previous years, it will be possible to spend Tk 2,009 crore within the next 10 months before the deadline.

In that case, project assistance within

the loan availability period amounting to Tk 1,910.43 crore will remain unspent within the stipulated timeframe, according to BR.

So, if the loan availability period is not extended as per the terms of the agreement, it will not be possible to spend the money allocated for the remaining works.

As such, the government of Bangladesh would have to spend Tk 1,910.43 crore, for which resources are not available in the sanctioned budget.

"We urged to increase the loan availability period by at least 12 months until June 2025 to complete all bill disbursements smoothly," said Afzal Hossain, project director of the Padma Bridge Rail Link, citing that they will complete implementation in due time.

According to him, they have overcome the land acquisition hassle, which was a lengthy process.

"This was done by virtue of cooperation from the concerned deputy

commissioners to expedite the acquisition process," he added.

Hossain said that till June, overall physical progress was 80 per cent while financial achievement was 75 per cent.

According to ERD officials, they have already discussed with the embassy of China to extend the duration of the loan availability.

The Exim Bank of China was asked to wait until December this year to observe the progress of implementation, Hossain said, adding that if the progress is not as per their expectation, then the loan duration may be considered for further extension.

The Executive Committee of the National Economic Council approved the project at a cost of Tk 34,988.86 crore on May 3, 2016.

Of the total cost, the government is spending Tk 10,239.81 crore while the remaining Tk 24,749.04 crore is being financed by the Exim Bank of China.

Commerce Bank gets new DMD

STAR BUSINESS DESK



Bangladesh Commerce Bank recently appointed Mohammad Jamil Hossain as its deputy managing director.

Hossain was serving Premier Bank as its senior executive vice-president and head of corporate banking division, CAMLCO, zonal head, and chief risk officer concurrently prior to joining Bangladesh Commerce Bank, said

a press release.

Hossain started his banking career with Eastern Bank as a probationary officer in January 1997.

He then worked for Woori Bank, Prime Bank and NRB Bank.

Hossain was a certified management accountant from the ICMA in Australia and New Zealand, and a certified credit professional from the OMEGA Credit in the UK.

Janata Bank customers now can 'Add Money' to bKash

STAR BUSINESS DESK

Janata Bank's account holders can now transfer money to bKash accounts from anywhere and anytime without additional charges using its internet banking app "eJanata".

bKash account needs to be added as the beneficiary of JBL account through "eJanata" app in the first place to add money.

A customer can tap the "Add Money" icon to select "Internet Banking" from the "bank to bKash" section, said a press release.

Customers can also directly add money to bKash via the eJanata app following simple steps from the "Transfer" menu of the app.

Currently, customers of bKash can "add money" instantly to their accounts from 44 top commercial banks in the country as well as Visa and MasterCard issued by banks.

Tesla beats delivery estimates

REUTERS

Tesla Inc on Sunday said it delivered a record number of vehicles in the second quarter, topping market estimates as price cuts and US federal credits helped make its electric vehicles more affordable.

The Elon Musk-led company handed 466,140 vehicles in the April to June period, up 10 per cent from the preceding quarter, and 83 per cent higher from a year earlier.

Oil giants drill deep as profits trump climate concerns

REUTERS, London

Oil and gas companies have intensified the hunt for new deposits in a long-term bet on demand, as they reinvest some of the record profits from the fossil fuel price surge driven by the Ukraine war, according to data and industry executives.

The exploration revival - on the part of European majors in particular - reflects a renewed commitment to oil and gas after Shell and BP went back on pledges to reduce output and invest in renewables as part of the energy transition.

It responds to pressure from a majority of investors to maximise their oil and gas profits rather than invest in lower margin renewable energy businesses.

It also defies protests from a minority of activist investors who want oil companies to be more closely aligned with global efforts to mitigate climate change.

The renewed appetite for oil and gas reserves and production is an especially big turnaround for BP, which got rid of most staff from its exploration unit three years ago.

Exploration is a long-term, high-risk business. Big ticket offshore projects typically take five years to develop from discovery and at least another 10 years to return the initial investment.

But as a source of profit, it has proved more reliable for the energy majors than the very different business model of producing renewable energy.

Upstream oil and gas have historically had returns of around 15 per cent to 20 per cent, while most renewables projects have delivered up to 8 per cent.

An oil and gas price rally driven by energy producer Russia's invasion of Ukraine translated into record profits for the energy majors.

That has increased confidence in the most costly, high-risk offshore exploration that can also deliver the highest rewards.

"Offshore is experiencing a renaissance," oilfield services company SLB Chief Executive Olivier Le Peuch said on June 21.

Leading industry data providers and consultancies endorse the view.

The number of offshore drilling vessels used to explore and produce

oil and gas recovered in May to pre-pandemic levels, rising by 45 per cent from October 2020 lows, an analysis of data from oil services firm Baker Hughes showed.

Wood Mackenzie analysts predict a continued increase in activity, forecasting offshore exploration and drilling activity to grow by 20 per cent by 2025. Already, the rise in drilling has helped to drive daily rates for leasing drilling rigs to the highest levels since a 2014 downturn when commodity markets crashed.

"Higher oil prices, the focus on energy security and deep water's emissions advantages have supported deep water development and, to some extent, boosted exploration," Wood Mackenzie analyst Leslie Cook said.

Tannery CETP needs renovation

FROM PAGE B1

Two companies have already obtained permission to set up the facility on their own. Many others have also applied to DTIEWTPC for the same.

Since local tanners don't have the LWG certification and thus can't export leather to developed markets because of poor compliance, they are not getting fair prices, according to Md Shaheen Ahmed, chairman of the Bangladesh Tanners Association.

At present, companies can export tanned leather only to some non-compliant Chinese buyers at rates that are more than 40 per cent lower than global prices.

Bangladesh earned \$1.22 billion in the just-concluded fiscal year by selling leather and leather products. But industry people say the leather sector has the potential to earn more.

Shaheen said tanners do not have the capability to spend Tk 1,000 crore to refurbish or rebuild the CETP. "We have already invested more than Tk 10,000 crore at the STIE."

"The government's grant is needed to make the CETP fully functional," he said, adding that seven months would be needed to complete the task.

According to Mustak Ahmed, two companies - one from Australia and another from Italy - have conducted audits to construct or renovate the CETP.

If one of them is selected either to rebuild or renovate the plant, it will also get the opportunity to run the plant for nearly 15 years since it will have to perform the task using its own funds, he said.

"However, the process is still at a primary stage."

The LWG was formed in 2005 as a collaborative initiative between footwear, apparel and upholstery brands and leather manufacturers. Today, it has become the world's largest leather industry-specific stakeholder organisation, representing over 2,000 stakeholders in more than 60 countries.

Inflation climbs to 12-year high

FROM PAGE B1

"Contrary to lowering demand, the government policy sought to boost demand by increasing domestic credit through controls over interest rates and a higher fiscal deficit. These policies further added to inflationary pressures."

"Evidence shows that countries that adopted demand reduction policies through hikes in interest rates have all succeeded in reducing inflation substantially."

The central bank has blamed several factors for the elevated domestic commodity prices and inflation, including higher prices of imported items and a larger depreciation of the taka, which fell around 25 per cent against the US dollar in the past one year.

The upward adjustments in fuel and energy prices have also significantly contributed to the inflationary pressure, it said.

"All these factors have collectively contributed to the overall increase in domestic commodity prices. The lack of a competitive environment, along with market syndication, could have

also contributed to the current CPI inflation."

The BB said the elevated level of inflation across the globe has declined due to the easing of supply-side conditions, and lower food and energy prices.

"The adjustments have not been reflected equally in Bangladesh's economy mainly due to the domestic price rigidity, lack of adequate market competition and large depreciation of the domestic currency."

Zahid Hussain, a former lead economist at the World Bank's Dhaka office, said headline inflation declined somewhat primarily due to a decline in non-food inflation in both rural and urban markets.

"It appears that the decline in the purchasing power of consumers has started to pinch demand for non-food items in which consumers have some discretion."

He said both monetary and fiscal policies have so far not made any significant move to combat inflation or to make it bearable for those who live hand to mouth.

"The family card programme is

one exception, but it is beset with irregularities."

The government hopes that due to the decrease in the prices of fuel, food, and fertiliser in the global market, along with the adjustment of fuel prices in the domestic market and government initiatives to keep the food and supply systems normal, inflation will remain much controlled in FY24.

Thus, it has targeted to limit it to around 6 per cent in the new fiscal year. The World Bank forecasts inflation to average 6.5 per cent in FY24 before falling to 5.7 per cent in FY25.

The IMF, however, predicts that inflation will likely exceed targets in most countries in 2024, but the rate is expected to approach targets in 2025 as global commodity prices trend lowers and oil prices decline.

The BBS said it has been updating its CPI compilation method in line with the 2020 CPI manual of the IMF from April 2023.

It has changed the base index from 2005-06 to 2021-22 and introduced the new basket weights based on the Household Income and Expenditure

Survey of 2016-17.

The new basket contains 383 items (goods and services) with 749 varieties, including 127 food items with 242 varieties and 256 non-food items with 507 varieties.

CPI data are collected from 154 markets from 64 districts, according to the BBS.

Navana Pharma

FROM PAGE B1

Other than establishing a new general production unit, Navana Pharma had planned to spend Tk 9.7 crore for constructing a new utility and engineering building, according to the IPO prospectus.

Additionally, Tk 17.8 crore was lined up for refurbishing the company's cephalosporin unit and Tk 21.1 crore for repaying loans.

The balance of the IPO proceeds remains the same with 52 per cent having been spent so far.

Navana Pharma has paid-up capital of Tk 107 crore and a reserve of Tk 250 crore, according to DSE data. Stocks of the drug maker yesterday dropped 2.53 per cent to Tk 111.6 per share.



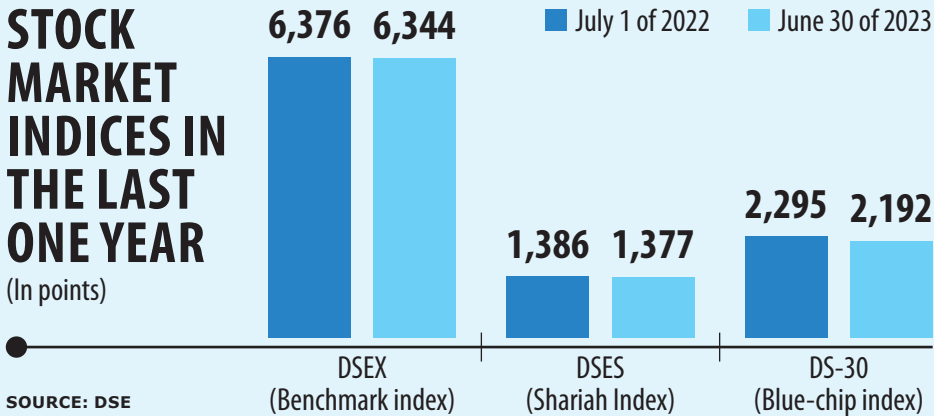
Without a fully functional CETP, Bangladeshi companies will not be able to obtain the much-required Leather Working Group certification.

PHOTO: STAR/FILE

WHY INDICES MOVED SLOWLY

- Imposed floor price made the market illiquid
- Most trade was junk stock-centric
- Lack of confidence among investors
- Lower participation from foreign, institutional investors

STOCK MARKET INDICES IN THE LAST ONE YEAR (In points)



SOURCE: DSE

OTHER INDICATORS

Key indicators	Fiscal year	Fiscal year
	2021-22	2022-23
Turnover (daily average)	Tk 1328 cr	Tk 792 cr
Turnover of SME market (daily average)	Tk 4 cr	Tk 9 cr
Market capitalisation	Tk 517,782 cr	Tk 772,078 cr
PE ratio	14.44	14.34

STOCK MARKET DURING LAST FISCAL YEAR

Indices moving nowhere for floor price

AHSAN HABIB

The main index of the stock market in Bangladesh remained relatively unchanged over the past fiscal year as most scrips were stuck at their floor price, according to market analysts.

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), fell by a total of 16 points, or 0.52 per cent, from July 1 of 2022 to June 30 this year.

This shows that even though the index registered multiple ups and downs to range from 6,600 and 5,980 points throughout the year, most of its time was spent hanging around the 6,200 mark.

A top official of a leading merchant bank, preferring anonymity, said the floor price mechanism kept stocks from rising as it dented investor confidence by artificially preventing share values from falling past a certain point.

At the end of July 2022, the Bangladesh Securities and Exchange Commission set floor prices for every stock to halt the freefall of market indices amid global economic uncertainties.

The floor price of each share was decided by averaging their closing price on July 28 that year with the preceding four trading days.

But later in December, the stock market regulator lifted the mechanism for 169 companies in order to bring vibrancy to the market. Then in March 2023, floor prices were again reintroduced for all stocks.

The official also said some general



investors do not realise how floor prices are hampering the market even though the mechanism has turned it into a “regulated stock market” rather than a “free” one.

On the other hand, foreign, institutional and corporate investors understood that this stock market is not ideal for investment as it is illiquid, the official added.

Mohammad Jakir Hussain, a stock investor, said he failed to make any profit after floor prices were imposed as no one wants to buy any of his shares.

This is because most investors believe that having floor prices in place means that stock values are being artificially maintained, even in the case of well-

performing stocks.

Hussain also said that people like him invest in the stock market despite the risks involved in hopes of securing high profits.

“But the stock market has given me nothing,” Hussain said while pointing out that he could have at least earned some interest by depositing his funds in a bank instead.

“Moreover, I cannot even sell the shares and withdraw the funds if urgently needed, which is not expected from a stock market,” added Hussain, who works for a private pharmaceutical company.

Daily average turnover of the DSE plunged 40 per cent to Tk 792 crore over the last fiscal while it was Tk 1,328 crore

the year prior.

And although the turnover dropped, it does not reflect the actual market scenario as most trading was conducted in the block market, according to a top stockbroker.

The block market is a platform where a large number of stocks are traded in single transactions at negotiated prices without affecting the index.

Meanwhile, a huge amount of trade took place among low performing or junk stocks mainly based on rumours, the stockbroker said.

However, most blue-chip and well-performing stocks are still stuck at their floor price.

So, even though a few investors traded good stocks, they are not able to sell the shares and their investments are stuck, the stockbroker added.

During the fiscal year, secondary trading of treasury bonds was launched in the stock exchanges so that general investors can also invest in the securities.

But the platform is yet to attract investors and so, market capitalisation soared with the inclusion of treasury bonds while trading in the alternative trading board remains pale.

Market capitalisation of the DSE ballooned 49 per cent to Tk 772,078 crore in fiscal year 2022-23.

Total turnover of the alternative trading board has stood at Tk 63 crore since its inception in January earlier this year.

Exim Bank moves to bring remittance from UK faster

STAR BUSINESS REPORT

Export Import (Exim) Bank of Bangladesh Limited has secured permission from the central bank to extend an overdrawn facility equivalent to five lakh pounds to Exim Exchange Company (UK) Ltd.

The exchange house, which opened more than a decade ago, is a fully-owned subsidiary of the private bank.

The investment (overdrawn) facility will facilitate the execution of inward remittance on time, said the bank in a filing on the Dhaka Stock Exchange website yesterday.

An overdraft occurs when there is not enough money in an account to cover a transaction or withdrawal, but the bank allows the transaction anyway.

“This will ultimately benefit the recipients of remittance since they will receive funds quicker than in the past,” said Md Monirul Islam, company secretary of Exim Bank.

EU, Japan to deepen chip cooperation

REUTERS, Tokyo

The European Union (EU) will deepen cooperation with Japan on semiconductors, industry chief Thierry Breton said on Monday, as countries move to strengthen control over a technology vital for the defence, electronic and automotive sectors.

The EU and Japan will work together to monitor the chip supply chain and facilitate the exchange of researchers and engineers, Breton said. The EU will also be supportive of Japanese semiconductor companies considering operating within the bloc.

“We believe that it’s extremely important to secure the supply chain of semiconductors,” Breton told Reuters in Tokyo, where he is discussing cooperation on chips and artificial intelligence with the government and companies.

Japan is offering subsidies to revitalise its chip industry, which retains an edge in materials and equipment but has lost overall global market share, while a Japanese government-backed fund last week agreed to buy photoresist maker JSR Corp for \$6.4 billion to drive consolidation in the industry.

Japan is also backing chip foundry venture Rapidus, whose executives are scheduled to meet Breton on Tuesday.

“I think it’s really an important initiative and going in the right direction,” he said of the foundry venture.

Plans by Rapidus to produce cutting edge chips rely on support from Belgium-based research company imec and IBM.

The deepening cooperation between the EU and Japan comes as the bloc has pledged to reduce its dependence on China, which aims to increase its capabilities in high-end technology such as chips.

“We made it very clear we just want to de-risk,” Breton said.

Breton also met with Japan’s Minister for Digital Affairs Taro Kono, Minister of Internal Affairs and Communications Takeaki Matsumoto and State Minister for Economy Trade and Industry Fusae Ota, for the first EU-Japan Digital Partnership ministerial talks.

They agreed to cooperate on undersea cable connectivity, semiconductors and cyber security, and in other areas of the digital economy, they said in a joint statement.

At a subsequent news conference Breton said much of the discussion was about AI. He said a further round of talks would be in Brussels in the first half of next year.

Indian refiners start paying in yuan for Russian oil

REUTERS, New Delhi

Indian refiners have begun paying for some oil imports from Russia in Chinese yuan, sources with direct knowledge of the matter said, as Western sanctions force Moscow and its customers to find alternatives to the dollar for settling payments.

Western punishments over Russia’s invasion of Ukraine have shifted global trade flows for its top export, with India emerging as the largest buyer of seaborne Russian oil even as it casts about for how to pay for it amid shifting sanctions.

The US dollar has long been the main global oil currency, including for purchases by India, but now the yuan is playing an increasingly important role in Russia’s financial system because Moscow has been frozen out of the dollar and euro financial networks by international sanctions.

China has also shifted to the yuan for most of its energy imports from Russia, which overtook Saudi Arabia to become China’s top crude supplier in the first quarter this year.

“Some refiners are paying in other currencies like yuan if banks are not willing to settle trade in dollars,” said an Indian government source.

Indian Oil Corp, the country’s biggest buyer of Russian crude oil, in June became the first state refiner to pay for some Russian purchases in yuan, three sources familiar with the matter said.

At least two of India’s three private refiners are also paying for some Russian imports in yuan, two other sources said.

READ MORE ON B2

Oil rallies as Saudi Arabia and Russia cut exports

REUTERS, London

Oil rose on Monday after top exporters Saudi Arabia and Russia announced supply cuts for August, overshadowing concern over a global economic slowdown and the potential for further increases to US interest rates.

Saudi Arabia on Monday said it would extend its voluntary cut of one million barrels per day (bpd) for another month to include August, the state news agency said.

Russia, meanwhile, will reduce its oil exports by 500,000 bpd in August, Deputy Prime Minister Alexander Novak said on Monday, further tightening global supplies.

Brent crude futures were up \$1.04 at \$76.45 a barrel by 0942 GMT after gaining 0.8 per cent on Friday. US West Texas Intermediate crude rose 97 cents to \$71.61, having gained 1.1 per cent in the previous session.

“Investors are turning upbeat as the second half of the year kicks off; they



Oil pump jacks are seen outside Almeteyevsk in the Republic of Tatarstan, Russia on June 4.

PHOTO: REUTERS

expect tighter oil balance and buoyant equities also suggest that recession will be avoided, albeit probably narrowly,” said PVM analyst Tamas Varga.

Prices had fallen earlier in the session after eurozone manufacturing activity contracted faster than initially expected in June, with persistent policy tightening by the European Central Bank squeezing finances.

Fears of a further economic slowdown denting fuel demand had grown on Friday as US inflation continued to outpace the central bank’s 2 per cent target and stoked expectations it would raise interest rates again.

Higher interest rates could strengthen the dollar, making commodities such as oil more expensive for buyers holding other currencies.

Factory activity growth in China, the world’s largest crude importer, also slowed in June as sentiment and recruitment cooled in sluggish market conditions, the Caixin/S&P Global private sector survey showed.