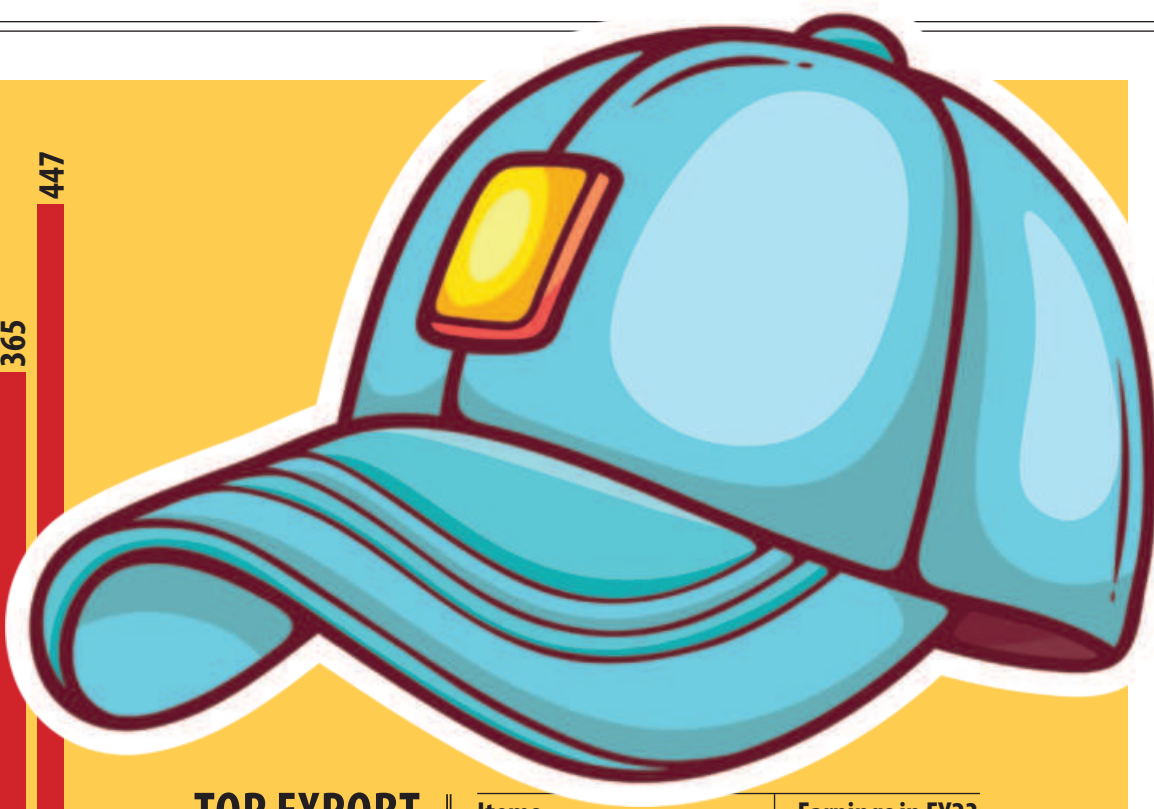
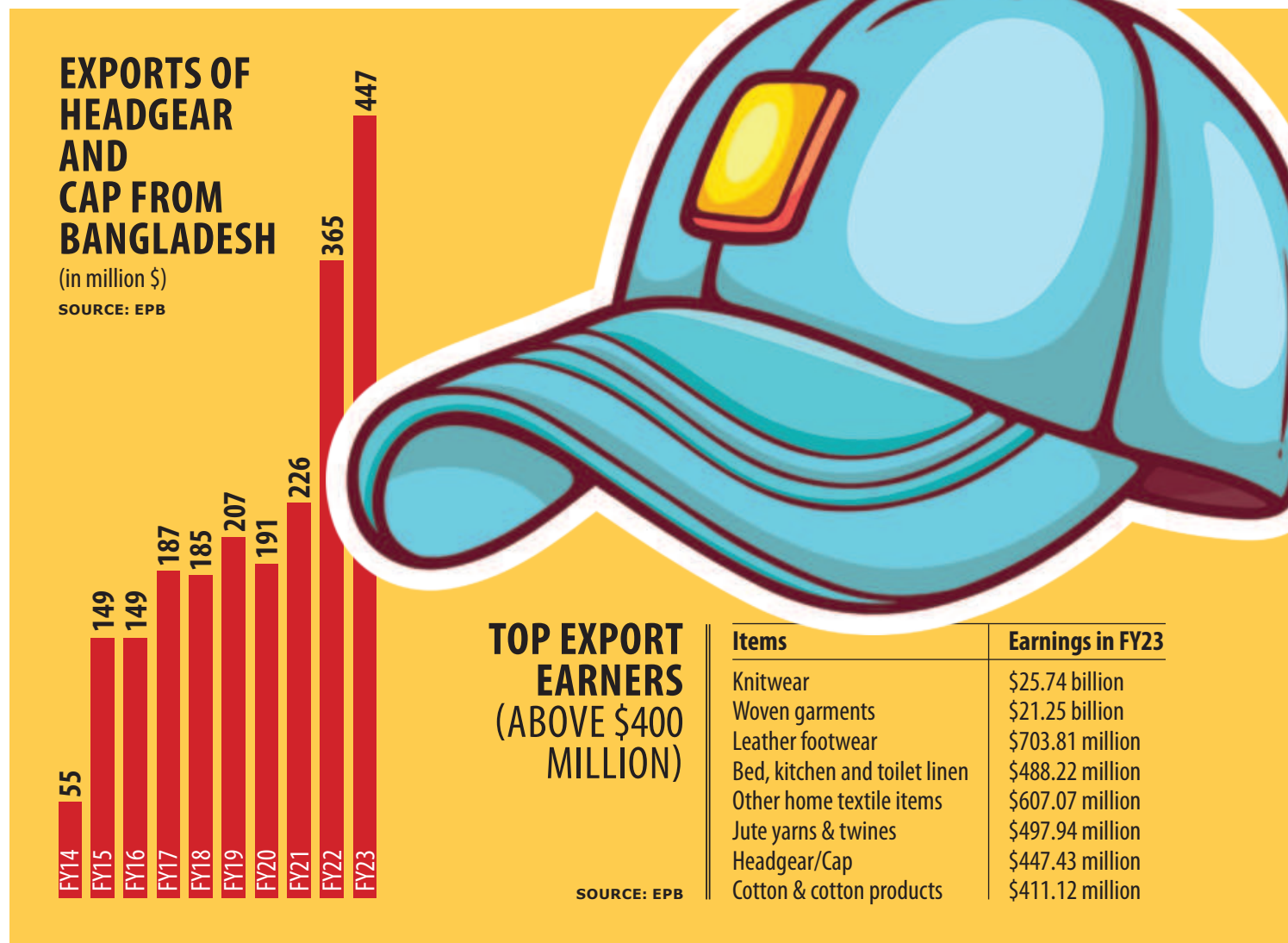


Star BUSINESS



TOP EXPORT EARNERS (ABOVE \$400 MILLION)

Items	Earnings in FY23
Knitwear	\$25.74 billion
Woven garments	\$21.25 billion
Leather footwear	\$703.81 million
Bed, kitchen and toilet linen	\$488.22 million
Other home textile items	\$607.07 million
Jute yarns & twines	\$497.94 million
Headgear/Cap	\$447.43 million
Cotton & cotton products	\$411.12 million

SOURCE: EPB

Finalising study for EPA with Japan underway

REEFAYET ULLAH MIRDHA

Bangladesh and Japan yesterday outlined areas of focus for a joint study that would act as a principal guideline for signing an economic partnership agreement (EPA) to increase bilateral trade and investment between the two countries.

Both sides discussed tariff and duty structures, trade in goods and services, investment, mutual recognition of certifications and the current market situation, said Noor Md Mahbul Haq, additional secretary of the commerce ministry.

The discussions were undertaken by senior government officials of both countries at a hotel in Dhaka to prepare the study for launching formal negotiations on signing an EPA, he added.

Haq, who is engaged in the discussions, informed

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Banks raising interest rates

STAR BUSINESS REPORT

Banks in Bangladesh are raising the interest rate on deposits gradually in order to lure depositors and improve their liquidity situation amid a lack of appetite among savers because of the stubbornly high inflation.

Interest rates offered by banks vary. However, the weighted average rate on deposits offered by banks increased to 4.41 per cent, the highest in one year, in May.

A month ago, the weighted average interest rate on deposits was 4.38 per cent, according to the Bangladesh Bank data.

"Public sector borrowing and demand of loans from the private sector have increased and banks have to take deposits at a higher cost as there is a liquidity stress," said Mohammad Ali, managing director of Pubali Bank Ltd.

He said the availability of liquidity has reduced in the banking system owing to higher borrowing by the government to finance its expenditure.

"The overall interest rate on deposits is expected to increase further because of persistently higher inflation."

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Rising headgear, cap export gives diversification a leg-up

JAGARAN CHAKMA

Bangladesh bagged \$447.43 million by exporting headgear products such as hats and caps in the last financial year, a positive development for a country that relies heavily on a handful of products to earn foreign currencies.

Data from the Export Promotion Bureau (EPB) showed that the receipts were up 22.71 per cent in 2022-23 from a year earlier as Bangladesh has emerged as one of the key suppliers of headgear items in the growing segment of the global market.

Headgear items include headbands, hats, beanies, and caps, and in Bangladesh, their manufacturing began nearly two decades ago and is completely export-oriented.

The shipment, however, accelerated in recent years rising from just \$55 million in 2013-14 to nearly \$450 million in 2022-23.

"It is amazing to see how much the headgear export from Bangladesh has advanced," said Nazmus Shakib, a former senior official of a cap

manufacturer.

According to the Bangladesh Exports Processing Zones Authority (Bepza), there are five headgear-making factories in EPZs. Of them, Actor Sporting Ltd and Dhakarea Ltd are located in the Dhaka EPZ and Young An Hat (BD) Ltd, Young

in the western economies as retailers and brands target the winter season to boost sales.

"The headgear segment is a significant addition to Bangladesh's export basket."

Nearly 85 per cent of Bangladesh's export earnings come from shipping apparel items. Other notable export-earning sectors include leather and jute.

And less than 10 items brought home earnings of more than \$400 million in FY23, EPB data showed.

Bangladesh ships headgear products largely to the United States and Europe, the

two largest markets for the country. Industry people say manufacturers can produce world-class headgear products at competitive prices thanks to cheap labour and the availability of a skilled workforce.

Nazma Binte Alamgir, executive director for public relations at the Bepza, said investors from many countries, including China (Hong Kong) and South Korea are

READ MORE ON B2

An International (BD) Ltd, and Wink Company Ltd are based in the Chittagong EPZ.

Shafiu Azam, general manager of Actor Sporting, said there are a few headgear manufacturers in Bangladesh and they are largely based in the export processing zones. All manufacturers are from Hong Kong and South Korea.

He said the demand is seasonal and orders for headgear items are placed towards the end of summer

STOCKS	
DSEX ▼	CASPI ▼
0.10%	0.06%
6,331.03	18,709.92

COMMODITIES	
Gold ▲	Oil ▼
\$1,960.85 (per ounce)	\$78.77 (per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.04%	▼ 0.05%	▲ 0.64%	▲ 2.29%
66,355.71	32,682.51	3,286.16	3,231.52

Local handset making plunges

MAHMUDUL HASAN

The grim scenario of the mobile manufacturing industry in Bangladesh continues to persist as local production plunged by half in the first six months of 2023, primarily due to the expanding grey market.

Local manufacturers produced 96 lakh handsets from January to June this year, down 48 per cent from 1.85 crore units in the same period a year earlier, according to the latest data of Bangladesh Telecommunication Regulatory Commission (BTRC).

According to the Mobile Phone Industry Owners' Association of Bangladesh, smartphone sales plunged by 42 per cent to 33 lakh in the first half of the current year compared to the same period of 2022.

Meanwhile, feature phone sales plummeted by 40 per cent year-on-year to 46 lakh.

Industry people said import costs have increased due to the taka's sharp depreciation against the US dollar. Moreover, there is a shortage of the greenback, making it challenging to open letters of credit.

At the same time, the government has substantially increased the VAT on local manufacturing. All these factors together increased the price



of locally manufactured phones.

Also, a section of unscrupulous businesspeople swarmed the market with phones imported through unauthorised channels.

And as they do not pay taxes for these devices, their devices are cheaper and thereby lure customers suffering from economic woes.

"The key factor in the downturn of the market is the expansion of the grey market," Rizwanul Haque,

vice-president of the Mobile Phone Industry Owners' Association of Bangladesh, told The Daily Star.

He said they witnessed some sales during the last two months as it is peak season for handset sales. However, the sales were not substantial.

Handset purchases have become more infrequent in recent times as people only buy them when

READ MORE ON B3

Alliance Finance PLC has successfully completed 15-Year Syndicated Loan of BDT 1.94 billion under IPFF II Project

Co-Funded By: THE WORLD BANK

Implemented By: Bangladesh Bank

Arranged For: Fiber @ Home

Arranger: alliance finance

Facility & Security Agent: midlandbank

Participants: midlandbank, alliance finance, LankaBangla Finance, UCB, Eastern Bank Ltd, IDLC

This is a matter of record only

AB Bank's profit surges over 34%

STAR BUSINESS REPORT

AB Bank Ltd posted a 34.75 per cent year-on-year growth in profit in the April-June quarter of 2023.

Thus, the earnings per share rose to Tk 0.31 in the second quarter of the year from Tk 0.23 in the same quarter of 2022.

The private commercial bank registered a 4 per cent year-on-year jump in profit in the first half of 2023 as its EPS rose to Tk 0.43 from Tk 0.41, according to a posting on the Dhaka Stock Exchange.

AB Bank shares closed at Tk 9.7 on the DSE yesterday, unchanged from a day earlier.

The bank's paid-up capital is Tk 878 crore and it provided 2 per cent stock dividend to shareholders in 2022.

India to face apple crunch as heavy rain hits production

REUTERS, New Delhi/Srinagar

India's apple production is expected to nearly halve this year after heavy rains and flash floods wiped out about \$122 million worth of fruit in the main producing Himalayan region, officials and farmer unions said.

The mountainous Kashmir territory and Himachal Pradesh produce nearly all of India's apples, which are largely consumed domestically. Less than 2 per cent of the country's apples are exported, mostly to Bangladesh and Nepal.

Heavy rains have not only damaged farms, but also destroyed roads, power lines and infrastructure worth \$550 million in Himachal Pradesh, while bad weather at the same time has hit India's crucial rice crop, which led to an export ban last week.

Fruits including apples have been left rotting in farms after a fungus infestation, according to farmer unions.

"About 10 per cent of Himachal's apple orchards have been washed away, which is a major loss as it takes around 15 years for the tree to give fruit," said Harish Chauhan, the state convener of farmers union Samyukta Kisan Manch.

The Apple Growers Association of India and Kashmir Valley Fruit Growers estimate output in Kashmir, the largest apple grower in the country, will drop 50 per cent this year from 1.87 million metric tons a year ago.



Though average production of large and medium manufacturing units grew 9.02 per cent in the July-March period of fiscal year 2022-23, it is lesser than the 16.5 per cent growth recorded in the same period of the previous year, according to the Bangladesh Bureau of Statistics. The BBS assessment utilised data from 2,040 public and private factories producing apparel, textile, food products, leather and leather goods, basic metals, chemicals and chemical products, fabricated metal products sans machinery, pharmaceuticals, and non-metallic mineral products.

PHOTO: SOURAV HOSSAIN SIAM

Industrial production growth almost halves

Industry people blame reduced export demand, inadequate gas and power

MD ASADUZ ZAMAN

Production growth in Bangladesh slowed significantly in the July-March period of 2022-23 due to the global economic slowdown and gas and electricity shortages at home, according to the Bangladesh Bureau of Statistics (BBS).

The average production of large and medium manufacturing units grew 9.02 per cent in the first nine months of the previous fiscal year, down from 16.5 per cent in FY22, shows BBS data compiled by the Bangladesh Bank.

Mohammad Hatem, executive president of the Bangladesh Knitwear Manufacturers and Exporters Association, said their production levels have fallen due to slower export demand and some domestic issues.

"Currently, our export orders have declined and it may decline further in the coming days."

For example, the ongoing recession in Germany, a major export market for Bangladesh, recently became acute.

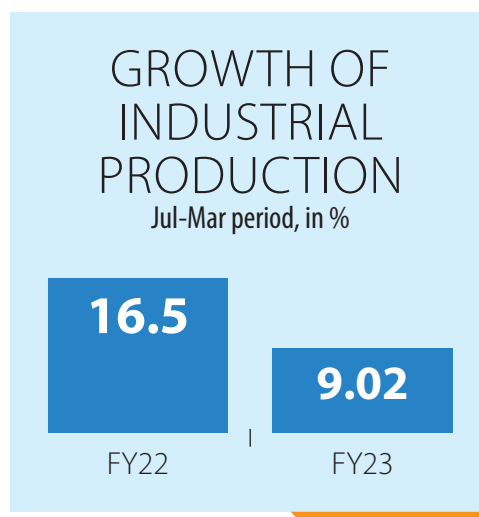
"So, we do not have a ray of hope for increasing sales in the coming days," Hatem said.

The entrepreneur also mentioned that the domestic gas and power crisis contributed to slower production growth in knitwear industries.

Anwar-ul Alam Chowdhury, president of the Bangladesh Chamber of Industries, said the global market situation has affected domestic industrial production.

Following the fallout of Covid-19 and the Russia-Ukraine War, the global market has become unstable and sales dropped significantly.

"As a result, the domestic market is



SOURCE: BBS

suffering from it."

Chowdhury pointed out that the US and the EU have lowered their imports by more than 13 per cent and 15 per cent, respectively.

"So, the reduced growth in factory output is not so bad considering the decreased demand from these two major markets. Besides, existing problems in backward linkage in the manufacturing sector are continuously contributing to low productivity."

The BBS collects production data from 2,040 factories, both public and private, on a monthly basis to assess the movement of factory output.

The sectors include wearing apparel, textiles, food products, leather and leather goods, basic metals, chemicals and chemical products, fabricated metal products sans machinery, pharmaceuticals, and non-

metallic mineral products.

Talking to The Daily Star, Zaidi Sattar, chairman and chief executive of the Policy Research Institute of Bangladesh, said production growth has slowed due to compressed imports.

Imports declined by about 12 per cent in the July-March period of FY23.

Sattar said that the country's exports, which are primarily manufactured goods, require imports.

"So, import compression will have a dilatory impact on production and consequently, on GDP growth."

The slower manufacturing growth is also reflected in the GDP growth estimate of 6.03 per cent for the previous fiscal year compared to 7.1 per cent in FY22.

The economist said 2021-22 was a record year in terms of exports as well as factory output.

Sattar suggested the government move away from import control measures, such as limiting or delaying opening letters of credit, and selecting import products.

"These were correct as emergency measures to bring the current account deficit to a sustainable level, and that has been achieved. Now, it is time to let the market mechanism take care of trade and the current account balance."

The former World Bank economist said the taka's depreciation against the US dollar by 25 per cent over the past year should be enough to restrain imports and drive appropriate resource allocation.

Moreover, the depreciation has provided a boost to exports that still have good potential as the "China Plus One" geo-economic strategy is taking deeper roots.

READ MORE ON B2

UCB's profit falls 43.50% in April-June

STAR BUSINESS REPORT

United Commercial Bank PLC suffered a 43.50 per cent year-on-year decline in profit in April-June of 2023 owing to a significant decrease in operating profit stemming from a spike in interest expenses on deposits and borrowings and operating expenditures.

The profit stood at Tk 51.68 crore in the second quarter of the financial year, down from Tk 91.55 crore during the identical period a year ago, according to the unaudited financial statements of the private commercial lender.

Thus, the consolidated earnings per share were Tk 0.35 in April-June of 2023 against Tk 0.62 in the same three-month period a year ago.

UCB posted a Tk 100.41 crore profit in January-June, a year-on-year decrease of 20 per cent from Tk 125.51 crore in the first half of 2022. As a result, the consolidated EPS fell to Tk 0.68 from Tk 0.85.

The EPS fell owing to a significant decrease in the operating profit caused by a spike in interest expenses on deposits and borrowings and the hike in the operating expenses, said UCB in a filing on the Dhaka Stock Exchange.

However, the consolidated net operating cash flow per share returned to the positive territory to stand at Tk 28.95 in the first half from a negative Tk 8.77 a year ago.

The growth in the disbursement of loans was lower than that of deposits, resulting in the increase in the NOCFPS, the filing said.

The consolidated net asset value per share rose to Tk 29.09 on June 30 this year from Tk 27.32 on the same day in 2022.

UCB shares closed unchanged at Tk 12.40 on the DSE yesterday.

Uttara Bank's profit declines

STAR BUSINESS REPORT

Uttara Bank's profits fell 18 per cent year-on-year in the first six months of 2023.

The bank's earnings per share (EPS) stood at Tk 1.64 in the January to June period of the current financial year, down from Tk 2 in the same period of the previous year.

Despite the profit fall, the bank's stock price remained unchanged at Tk 22 for consecutive two days at the Dhaka Stock Exchange (DSE).

According to a posting on the DSE website, the bank's EPS dropped to Tk 0.9 in the second quarter of 2023 from Tk 1.38 in the same period of 2022.

Uttara Bank's paid-up capital is Tk 733 crore. It provided a 14 per cent stock and a 14 per cent cash dividend for its shareholders in 2022.

NRB Commercial Bank's losses widen

STAR BUSINESS REPORT

NRB Commercial Bank's losses widened in the April-June quarter of 2023.

The fourth generation bank's earnings per share hit Tk 0.51 in the negative in the second quarter of 2023, against Tk 0.065 in the negative in the same period of 2022.

The bank's EPS also declined in the January-June period: it was Tk 0.51 in the first half of 2023, down from Tk 0.73 in the same period the previous year, according to a filing on the Dhaka Stock Exchange.

The bank's paid-up capital is Tk 828 crore. It provided 7.5 per cent cash and 4.50 per cent stock dividends to shareholders in 2022.

NRB Commercial Bank's shares closed unchanged at Tk 16.8 on the DSE yesterday.

IMF raises 2023 global economic growth forecast

REUTERS, Washington

The International Monetary Fund on Tuesday raised its 2023 global growth estimates slightly given resilient economic activity in the first quarter, but warned that persistent challenges were dampening the medium-term outlook.

The IMF in its latest World Economic Outlook said inflation was coming down and acute stress in the banking sector had receded, but the balance of risks facing the global economy remained tilted to the downside and credit was tight.

The global lender said it now projected global real GDP growth of 3.0 per cent in 2023, up 0.2 percentage point from its April forecast, but left its outlook for 2024 unchanged, also at 3.0 per cent.

The 2023-2024 growth forecast remains weak by historical standards, well below the annual average of 3.8 per cent seen in 2000-2019, largely due to weaker manufacturing in advanced economies, and it could stay at that level for years.

"We're on track, but we're not out of the woods," IMF chief economist Pierre-Olivier Gourinchas told Reuters in an interview, noting that the upgrade was driven largely by first-quarter results. "What we are seeing when we look five years out is actually close to 3.0 per cent, maybe a little bit above 3.0 per cent. This is a significant slowdown compared to what we had pre-Covid."

This was also related to the aging of the global population, especially in countries like China, Germany

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Coins and banknotes of China's yuan are seen in this illustration picture taken on February 24, 2022.

PHOTO: REUTERS

China state banks selling USD to prop up yuan

REUTERS, Shanghai

China's major state-owned banks were seen selling US dollars to buy yuan in both onshore and offshore spot markets in early Asian trade on Tuesday, three people with direct knowledge of the matter said, moves aimed at supporting the Chinese currency.

China's state banks usually trade on behalf of the central bank in the country's foreign exchange market, but they could also trade on their own behalf.

The dollar sales come after China's top leaders pledged on Monday to step up policy support for the economy amid a tortuous post-Covid-19 recovery, focusing on boosting domestic demand and signalling more stimulus steps.

Policymakers also said China will keep the yuan exchange rate basically

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