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Star BUSINESS

Onion prices go up as India slaps fresh duty

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Onion prices at wholesale and retail markets in Bangladesh rose overnight yesterday after India imposed a 40 percent duty on exports of the bulb.

India slapped a fresh tax on onion exports on Saturday in a bid to retain stocks and thereby tame escalating domestic prices, according to a notification from the neighbouring nation's finance ministry.

As such, the wholesale price of Indian onions has risen by as much as Tk 12 per kilogramme (kg), according to traders in Dhaka and Chattogram.

Mohammad Hafiz Uddin, a wholesaler in the capital's Shyambazar, said he sold Indian onions for about Tk 50 per kg on Saturday while the price was Tk 62 on Sunday.

India imposed a fresh tax on onion exports on Saturday in a bid to retain stocks and thereby tame escalating domestic prices

"The price started to rise after the Indian government imposed a new duty on onion exports," he added.

Although Bangladesh produces enough onion to meet domestic demand, a significant portion is imported each year to cover the supply dearth resulting from post-harvest losses caused by insufficient storage facilities.

And with India being a major source for the bulb, the recent restriction on onion exports from the country has encouraged local traders to hike their prices in order to profit from the situation.

As such, the price of local onions has increased by Tk 10 at the retail level.

Mohammad Shiplu, who operates a retail outlet at Mirpur-11 in Dhaka, said he sold local onions for Tk 85 per kg on Saturday while it was Tk 95 the day after.

While visiting the Khatunganj wholesale market in Chattogram, it was found that most traders are not selling onions for the time being in hopes of getting higher prices later.

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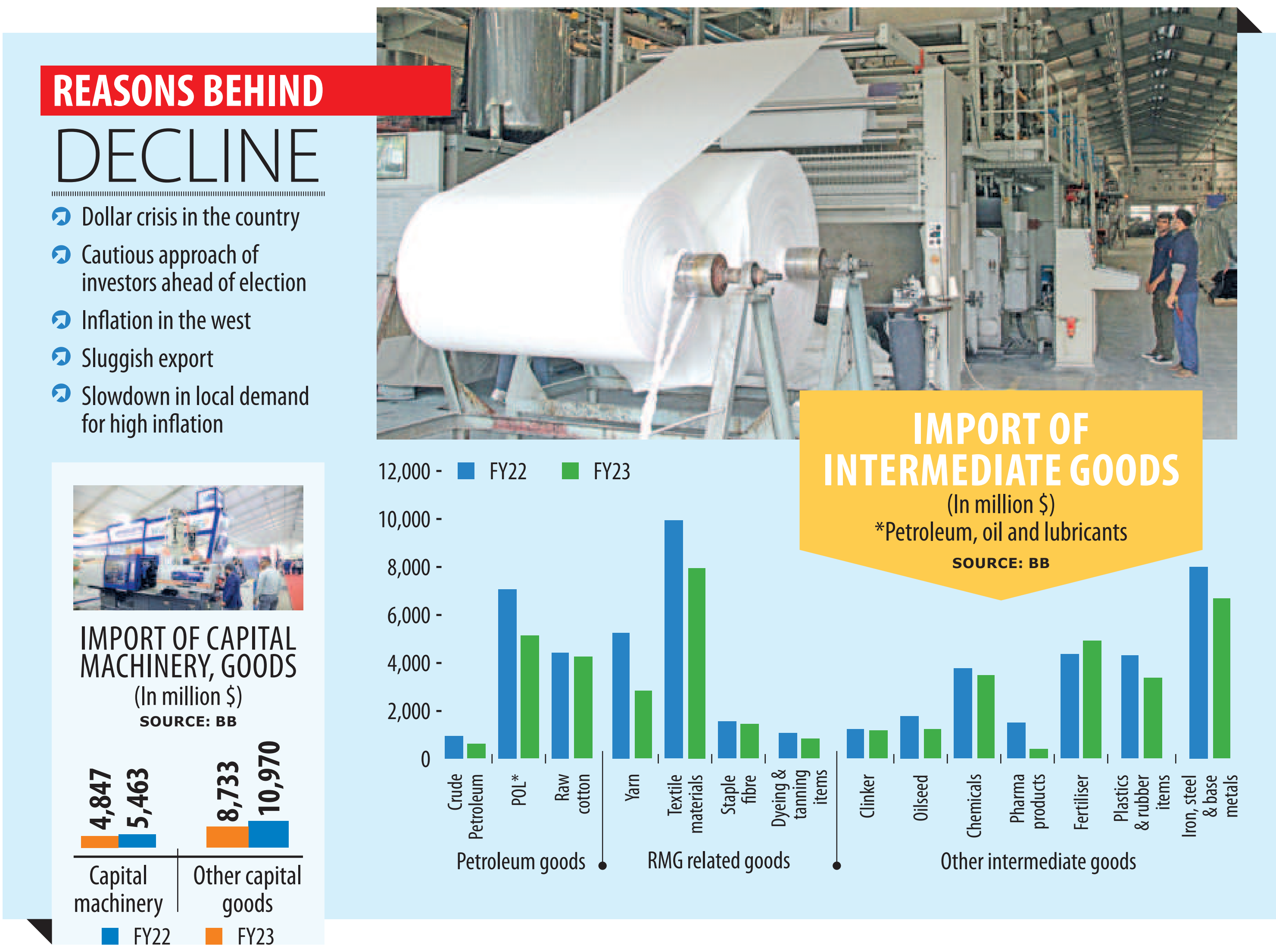

Capital machinery import slumps, a sign of slowing investment, economy

STAR BUSINESS REPORT

Bangladesh's import of capital machinery and intermediate goods, which are used to make finished products for both local and export markets, declined in the last fiscal year, reflecting a slowdown in private investment and the economy.

The persistent dollar crisis, which began at the beginning of 2022-23, and higher inflation at home and abroad for a fall in the purchasing capacity of consumers are all to blame for the drop.

Of late, businesses have become cautious when it comes to investments as political uncertainty is deepening ahead of the parliamentary election due early next year.

Subsequently, the import of capital machinery fell 11 percent year-on-year to $4.84 billion in FY23, according to the import data compiled by the Bangladesh Bank based on customs records.

Other capital goods import dipped 20 percent.

"The lack of availability of foreign currencies affected the import of capital machinery. Banks had been slow in opening letters of credit," said Md Saiful Islam, president of the Metropolitan Chamber of Commerce and Industry.

"Besides, traditionally, investors go slow while making investments during an election year. It seems that existing investors are cautious while new investors are not coming forward to make fresh investments now."

The import of intermediate goods also suffered as well.

For example, the overall import of intermediate goods used in the garment industry, the largest exporting sector, plunged 22 percent to $17.31 billion in FY23.

The sharpest slump was registered by yarn, followed by textile articles and dyeing and tanning materials.

Yarn import plummeted nearly 47 percent to $2.79 billion in the last fiscal year. Raw cotton import declined marginally.

"Sales have dropped everywhere because of higher inflation. The sales situation is not good in the domestic market as well," said Anwar-ul Alam Chowdhury Parvez, president of the Bangladesh Chamber of Industries.

Prof Mustafizur Rahman, a distinguished fellow of the Centre for Policy Dialogue, attributes the fall in prices in the international market for the decline in the import of intermediate goods.

"It seems that the import of raw materials has not fallen in terms of volume. Had it fallen volume-wise, garments exports would not have grown."

The economist thinks the price fall alone can't explain the significant drop in the capital machinery import.

"Business faced difficulties in opening LCs due to the dollar shortage. High inflation and political uncertainty have affected investment decision."

Rahman said the slowing private investment will affect job creation and impact economic growth in the mid-term.

"All are taking a wait-and-see approach," said Parvez, citing factors such as the increased cost of production, the shortage of dollar and the spike in the interest rate.

He thinks the sluggishness in investment is temporary and it will be over after the elections.

Mohammad Ali, managing director of Pubali Bank, says investors usually embrace a go-slow approach during elections year.

"Besides, the export growth has slowed. So, investors who expanded their capacity in 2021-22 could not utilise their production facility fully. They will expand once they can make the most of their current capacity."

Selim Raihan, a professor of economics at the University of Dhaka, said the decline in the capital machinery import means that investment is going to fall and the economic growth is going to decelerate.

Bangladeshi jute, jute goods may face fresh Indian blow

Neighbour plans to impose countervailing duty

REFAYET ULLAH MIRDHA

Jute and jute goods exporters could come under more pressure in India as New Delhi plans to impose countervailing duty (CVD) on their shipment, at a time when they are already facing an anti-dumping duty (ADD) in the market.

India has started investigation to levy CVD as it thinks that its domestic industry is being hurt by the subsidies provided by Bangladesh.

The Indian government has sent a letter to the commerce ministry of Bangladesh on August 4 seeking a meeting with Senior Commerce Secretary Tapan Kanti Ghosh today as part of the investigation.

India has started investigation to levy CVD as it thinks that its domestic industry is being hurt by the subsidies provided by Bangladesh.

The ministry has sought two more months to hold the meeting, Ghosh told The Daily Star yesterday.

CVDs are tariffs on imported goods that are imposed to offset subsidies given by the exporting country's government, while an ADD is a protectionist tariff that a domestic government imposes on foreign imports that it believes are priced below fair market value.

The Indian Jute Mills Association (IJMA) has complained to the Directorate General of Trade Remedies (DGTR) that Bangladesh's subsidies on jute and jute goods are affecting Indian jute industries.

The DGTR is a quasi-judicial body that independently undertakes investigations before making its recommendations to the Indian central government.

Currently, Bangladesh gives a 12 percent cash incentive on the export of jute goods such as hessian and sacks and a 7 percent incentive on jute fibres like yarn and twine.

A 20 percent subsidy is extended against the export of carbon and jute particle board produced from the natural fibre.

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STOCKS

DSEX ▲	CASPI ▲
0.16%	0.13%
6,265.23	18,502.96

COMMODITIES AS OF FRIDAY

Gold ▼	Oil ▲
$1,889.52 (per ounce)	$81.45 (per barrel)

ASIAN MARKETS FRIDAY CLOSINGS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.31%	▼ 0.55%	▼ 0.71%	▼ 1.00%
64,948.66	31,450.76	3,173.93	3,131.95

Forex shock to remain as major challenge

Economists say

STAR BUSINESS REPORT

With a huge deficit in its financial account balance and foreign exchange reserves depleting, Bangladesh's main challenge in the coming months will be tackling foreign exchange shocks, said economists yesterday.

A financial account is a component of a country's balance of payments that covers claims or liabilities to non-residents concerning financial assets.

This includes foreign direct investment, medium and long-term loans, trade credit, net aid flows, portfolio investment and reserve assets.

There was a deficit of $2.1 billion in the country's financial account at the end of fiscal year 2022-23, in contrast to a surplus of $15.5 billion a year earlier.

Bangladesh's foreign exchange reserve stood at $23.14 billion as of August 16, 2023 whereas it was $39.54 billion a year earlier, showed the latest data of Bangladesh Bank.

The economists were addressing a discussion titled "State of the Global, Regional, and Bangladesh Economic Outlook" organised by Mastercard Economics Institute at Sheraton Dhaka.

Post-pandemic challenges of high inflation, foreign exchange volatility and higher debt burden has impacted emerging markets severely, said David Mann, chief economist for Asia Pacific and Middle East Africa at the institute.

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People engaged in collecting stones from the Mahananda river in Panchagarh's Tetulia upazila. The activity runs from dawn till noon and each basket of 15 cubic feet to 20 cubic feet of stone fetches Tk 50 to Tk 60. The stone is used in the construction of roads, buildings, pilings and embankments. The photo was taken recently. PHOTO: KONGKON KARMAKER

10-year loan rescheduling facility for ship-builders

STAR BUSINESS REPORT

Loans, leases and investments extended by non-bank financial institutions (NBFIs) to ship manufacturers could be rescheduled for up to 10 years as the central bank took the initiative to help beleaguered borrowers resume making installments.

Revenue flows to ship-builders, catering to both local and international markets, have been affected for various reasons that are not within their control. As a result, they are failing to pay installments regularly, the central bank said in a notice yesterday.

Under the circumstances, simplifying the repayment process for the affected borrowers is required in a bid to recover long-pending unrepaid loans and reduce the level of classified loans.

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