

Factory activity of Japan shrinks

REUTERS, Tokyo

Japan's factory activity shrank for a third straight month in August, a survey showed on Friday, as manufacturers were squeezed by cost pressures from raw material inflation and rising wages.

The yen has come under pressure in recent months, weighed by the Bank of Japan's ultra-loose monetary policy, which has in turn inflated the costs of imported goods.

The final au Jibun Bank Japan manufacturing purchasing managers' index (PMI) was at 49.6, unchanged from the previous month and slightly down from the flash reading of 49.7. It was the third month the index has come in below the 50.0 threshold that separates growth from contraction.

Output and new orders, which contribute the most to the headline figure, remained in contraction, although the reduction in orders was slower than in July, data by S&P Global Market Intelligence showed.

Input cost inflation re-accelerated for the first time since September, while output price inflation slowed, squeezing companies' profits.

Rising wages also fuelled cost pressures, according to the survey, with the subindex for employment showing the weakest growth in 29 months.

"Firms noted that the filling of existing vacancies due to staff shortages were offset by a number of voluntary resignations as staff looked for higher paying jobs," said S&P's Usamah Bhatti.

The soft PMI reading comes a day after government data showed Japanese factory output falling more than expected in July, dented by weak demand for capital goods and electronic devices in China. China's official PMI on Thursday showed contraction for a fifth month in August.



Bangladesh should now go for developing improved varieties of flowers with the use of advanced technologies as the country has the potential of grabbing a big share of the global flower trade, said Agriculture Minister Muhammad Abdur Razzaque.

PHOTO: STAR/FILE

Technology, ethics to help ensure sustainable development

Analysts say at Bangladesh Strategy Summit 2023

STAR BUSINESS REPORT

Analysts and economists yesterday recommended ensuring environmental, social and corporate governance (ESG), technological advancement and ethics in every stage of development activities to attain its sustainability.

Their comments came at a two-day Bangladesh Strategy Summit 2023 organised by Valor of Bangladesh at Radisson Blu Dhaka Water Garden with the theme of "Advancing Economic Sustainability".

The organiser describes itself as a platform to facilitate constructive dialogue focusing policy analysis and sustainability of different sectors of the country.

Sustainability refers to the ability to maintain or support a process continuously over time, said Anis A Khan, chairman of the Valor of Bangladesh.

It has five principles – protecting the ecosystem or the environment, conservation

of biodiversity of the planet, sustainable development of society, conservation of human resources and population control and management, he said.

This decade will be the one where governments and businesses act together to tackle the climate emergency alongside other environmental and societal challenges, he added.

So, collaboration, control, communication and commitment are necessary, he said.

Bangladesh's per capita income and GDP grew at handsome rates but income distribution was not up to the mark, said Khondaker Golam Moazzem, research director of the Centre for Policy Dialogue.

So, Bangladesh needs reforms in many sectors in order to improve public services, which have been deteriorating and whose quality is not of the standard expected from a developing nation, he said.

He also suggested to adopting reforms in domestic revenue mobilisation, public

expenditure, capital market, energy and power sector, skill development and education, urban development and law and order situation.

Non-performing loans are rising alongside risky assets of the banking sector, so people are having more concerns about banks, said Syed Mahbubur Rahman, managing director and CEO of Mutual Trust Bank.

As a result, some 16 percent of the money in circulation is with people whereas earlier it was 12 percent, he said, adding that banks were suffering from trust issues mainly due to a lack of governance.

When people do not pay back loans and banks cannot catch them and take punitive measures, it leads to even more people adopting the malpractice. "Now, it has become a disease," he added.

Masud Khan, chairman of Unilever Consumer Care, chaired the first panel discussion on "Strengthening Economic Resilience".

Dollar gains after mixed jobs report

REUTERS, New York

The dollar gained against the euro and Japanese yen on Friday after the August jobs report showed a still strong labour market, despite some signs of deterioration.

Employers added 187,000 jobs in August, above expectations for a 170,000 gain. But data for July was revised lower to show 157,000 jobs added instead of the previously reported 187,000.

The unemployment rate rose to 3.8 percent, above the expected 3.5 percent. Average hourly earnings rose by 4.3 percent for the year, below expectations for a 4.4 percent gain.

"Today's jobs report provides investors the best of both worlds. It's the labour market softening just enough to keep the Fed at bay while it's strong enough to prevent an economic recession," said Michael Arone, chief investment strategist at State Street Global Advisors in Boston.

The dollar index was last up

0.58 percent at 104.23. It is up 0.08 percent on the week, overcoming price drops earlier in the week caused by softening economic data.

The euro fell 0.59 percent to \$1.0779, down 0.13 percent on the week against the US currency.

The greenback rose 0.42 percent to 146.145 Japanese yen, after earlier falling to 144.44, the lowest since August 11. It is down 0.12 percent on the week after dropping from a 10-month high of 147.375 on Tuesday.

Fed funds futures traders are now pricing in a 93 percent likelihood that the Federal Reserve will leave rates unchanged at its September meeting and see only a 36 percent chance of a hike in November, according to the CME Group's FedWatch Tool.

Fed Bank of Cleveland President Loretta Mester said on Friday that the US labour market remains strong despite signs of it coming into better balance, while noting future interest rate decisions will be made based on incoming data.

Construction materials industry

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"Participation with this type of international firm and mega project is not a matter of making business, rather it is an achievement of quality products," he added.

Paul explained that if local companies do not provide the required construction materials, then they would have to be imported at the cost of huge sums of foreign currency.

"So, local companies benefit and also help save foreign currency through such cooperation," he said.

Till date, a total of 66,000 tonnes of steel has been used in the elevated expressway project, with BSRM contributing a majority 52,000 tonnes.

Tapan Sengupta, deputy managing director of BSRM, said foreign firms consider a supplier's product quality and production capacity before making them an official source.

"They first give product specifications and test the product quality randomly before selecting the supplier," he added.

Sengupta also said they have the capacity to supply the required quantity and quality of products.

"The implementing agency accepted our products and we contributed by providing around 80 percent of the steel requirement," he added.

Sengupta acknowledged that involvement in this type of large project helps local construction material companies grow their capacity and achieve global standards.

He also said timely delivery is another important factor for participation with international construction firms as delays in the supply of materials slows project implementation and increases costs.

Bangladesh's steel industry is getting stronger though thanks to a construction boom and implementation of mega infrastructure projects, industry people say.

Government projects account for 40 percent of the total steel consumed in Bangladesh, up from 15 percent 13 years ago. Total

consumption stood at about 8 million tonnes in 2022.

Sheikh Masadul Alam Masud, founder chairman of the Bangladesh Steel Manufacturers Association, said the local steelmaking capacity has nearly doubled to about 90 lakh tonnes over the past decade.

He said development works, including large infrastructure projects taken by the government, encouraged millers to expand their production capacities.

"We started to increase the capacity after the government declared its Vision 2021," he said, adding that when the government constructs mega projects, the private sector shows interest to invest.

He also said the large infrastructure development projects are encouraging local steel mills to improve the quality of their products.

"This is because we have to compete with foreign firms to win international tenders," he added.

Masud said production capacity of steel mills would exceed 1 crore tonnes had the economy retained its

buoyancy amid the recent economic turmoil brought on by Covid-19 and the Russia-Ukraine war.

"The problem of electricity, gas and US dollar shortages coupled with a slowdown in public construction works has affected the sector," he added.

Rupali Chowdhury, managing director of Berger Paints Bangladesh Limited, said local construction material companies are benefiting from government development projects as it propels their capacity building and efficiency.

She sees huge potential for the sector in Bangladesh as the country will continue to see infrastructure development in the days ahead.

However, local companies cannot contribute to projects being implemented under a government-to-government basis even if they provide international standard products.

With this backdrop, she demanded the government include a provision in contracts for mandatory use of local products even in government-to-government projects.

Flower exports can fetch \$500m a year

Agri minister says as a wholesale market opens in Gabtoli

STAR BUSINESS REPORT

Bangladesh can earn \$500 million a year by exporting flowers thanks to its increasing demand both at home and abroad, Agriculture Minister Muhammad Abdur Razzaque said.

"Around \$36 billion worth of flowers are sold worldwide every year and Bangladesh has the potential to capture \$500 million sales of the global flower market."

The minister made the comments while inaugurating a wholesale flower market and processing centre in Gabtoli of Dhaka built by the Department of Agricultural Marketing yesterday.

Flowers can play a big role in further growth of Bangladesh economy, the minister said.

Bangladesh should now go for developing improved varieties of flowers with the use of advanced technologies, he said. "Strict care should be taken to ensure that there is no mismanagement of any kind."

Tk 1,500 crore worth of flowers are sold every year in the country and 15 lakh people are employed in the domestic flower sector, traders said.

The traders will be able to process and export flowers from the wholesale market built by the Department of Agricultural Marketing, officials said.



A wholesale flower market and processing centre, built by the Department of Agricultural Marketing, opened in Gabtoli of Dhaka yesterday.

PHOTO: PALASH KHAN

India cuts windfall tax on crude

REUTERS

The Indian government will cut the windfall tax on petroleum crude to 6,700 rupees (\$81.03) per metric ton from 7,100 rupees starting on Saturday, according to a government notification issued on Friday.

The government will also raise the windfall tax on diesel to 6 rupees per litre from 5.50 rupees, the notification said. The windfall tax on aviation turbine fuel will increase to 4 rupees per litre from 2 rupees, while the levy on petrol will remain at zero, according to the notification.

In August, the government raised the windfall tax on petroleum crude to 7,100 rupees per ton from 4,250 rupees per ton.

India imposed the windfall tax on crude oil producers in July last year and extended the levy on exports of gasoline, diesel and aviation fuel after private refiners wanted to make gains from robust refining margins in overseas markets, instead of selling at home.

Elevated expressway to save

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around airport area, said Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association.

Thus, it will contribute to easing of air shipment for garments, which accounts for roughly 85 percent of Bangladesh's \$55 billion export earnings, he said.

"A lot of our exports is time bound, and on many occasions, we have to air-ship apparels on a lead time of a couple of hours," he said, adding that the expressway would reduce cost and time for air shipment.

Garment exporters now use a lot of locally available raw materials. Transportation time of both inputs and outputs will decline, he added.

"We have to burn lakhs of litres

of fuel just because of traffic jam. This will reduce," he said, adding that pressure of vehicles on the road would ease once the Dhaka metro rail fully opened.

"We have to burn lakhs of litres of fuel just because of traffic jam. This will reduce."

Also, opening of the third terminal of Hazrat Shahjalal International Airport will ease pressure of air cargo shipment, he said.

"So, overall image of the country will be brightened alongside saving time and cost when the whole

expressway is done," he said.

It now takes more than two hours for a covered van that entered the capital at Jatrabari to go on and cross the airport, said Khairul Alam Suzan, vice president of Bangladesh Freight Forwarders Association.

But covered vans with goods cannot enter Dhaka city during the daytime.

They have to sit idle for up to 12 hours outside the capital to enter the city at night, he said.

So, transporters moving goods to and from factories charge businesses the fare for 24 hours, he said.

But once fully completed, the elevated expressways will eliminate the wait. Covered vans will be able to operate more trips than what they run now, added Suzan.

Major currencies

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"Our import payment is higher than the export earnings, which created the shortage of foreign currencies," he said, adding, "We have to find new export markets to increase the foreign currency earnings."

"Almost all the currencies were devalued against the US dollar, that is why our local currency has weakened against the foreign currencies," said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

"It is very concerning that our local currency has weakened sharply due to skyrocketing inflation and interest rate in lending being low," he said.

The taka will not be able to become stronger against the foreign

currencies if inflation does not reduce, said the economist.

Inflation in Bangladesh stood at 9.69 percent in July, as per the Bangladesh Bureau of Statistics (BBS). In May, it was at an 11-year high of 9.94 percent.

Demand for other foreign currencies is continuing to rise but the US dollar is still dominating foreign trade, said a senior central bank official. The number of tradeable foreign currencies have also increased, he added.

Bangladesh Bank in September of last year said local banks would be able to maintain accounts in Chinese yuan or renminbi with their corresponding lenders or branches abroad so as to help local businesses

settle transactions for foreign trade using the currency.

The BB official said the government issued a gazette notification in March 2014 declaring the Chinese yuan or renminbi as a convertible currency, a currency that can easily be exchanged for the currency of another country.

In July of this year, Bangladesh and India rolled out a cross-border trade settlement mechanism involving the rupee.

As per a government notification, local businesses are allowed to settle their foreign trade by using eight foreign currencies – the US dollar, Canadian dollar, Australian dollar, Singapore dollar, euro, British pound sterling, Swiss franc and Chinese yuan or renminbi.