RAIL LOGISTICS

Summit teams up with Indian firm

STAR BUSINESS REPORT

Summit Alliance Port Limited (SAPL) has signed a memorandum of understanding with Pristine Logistics & Infraprojects Limited, one of the largest integrated rail terminal operators in India, to form a joint venture to improve rail logistics in Bangladesh.

It will mainly work to develop rail-linked inland container depots, container freight stations and multimodal logistics parks at strategically important locations in Bangladesh.

"By entering this MoU with Pristine, we have identified a well-accomplished technical partner to work with us to reach the next milestone in the country's integrated rail logistics journey," said Jowher Rizvi, managing director of SAPL, in a press release.

The ongoing expansion of the country's rail network in combination with the private sector's development of strategically located rail-based cargo hubs will provide new, cost-efficient logistics options, he said.

"So, it will greatly

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Chinese company to invest $19.5m in Mongla EPZ

STAR BUSINESS REPORT

Chinese company QSLS Garments Co Ltd will invest $19.5 million to set up an RMG factory at the Mongla Export Processing Zone in Bagerhat.

The fully foreign-owned company will produce 6 million pieces of woven and knit garment products such as shirts, T-shirts, jackets, pants, and shorts at the factory annually, according to a press release.

The investment will generate employment opportunities for 2,598 Bangladeshi nationals, it said.

The company signed an agreement with the Bangladesh Export Processing Zones Authority (Bepza) at the Bepza Complex in Dhaka yesterday.

Bepza Member Nafisa Banu and QSLS Garments Managing Director Wanle Xuan inked the deal.

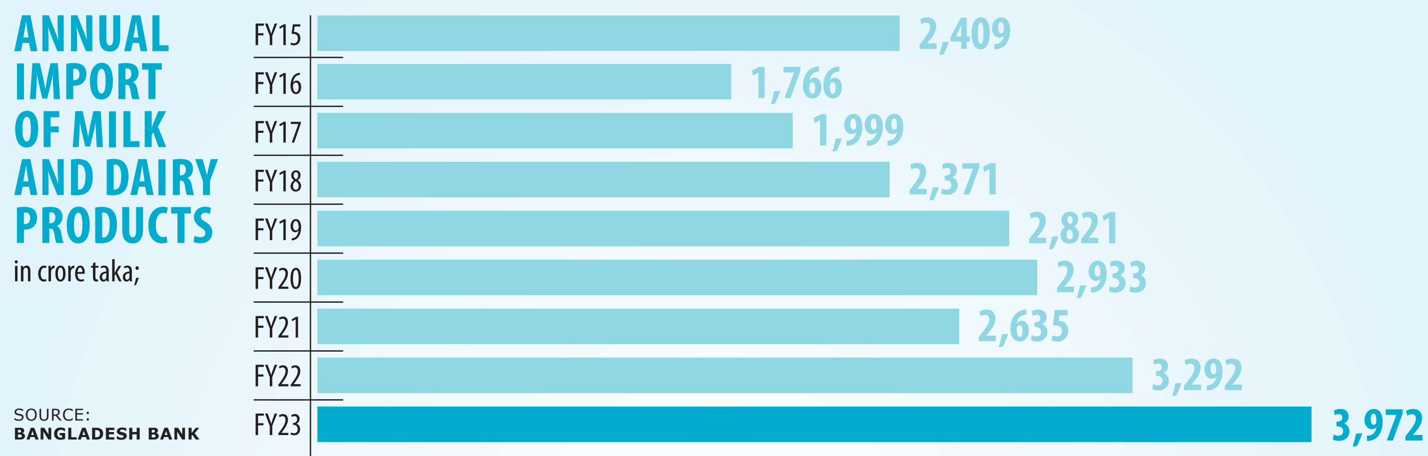

PHOTO: HABIBUR RAHMAN

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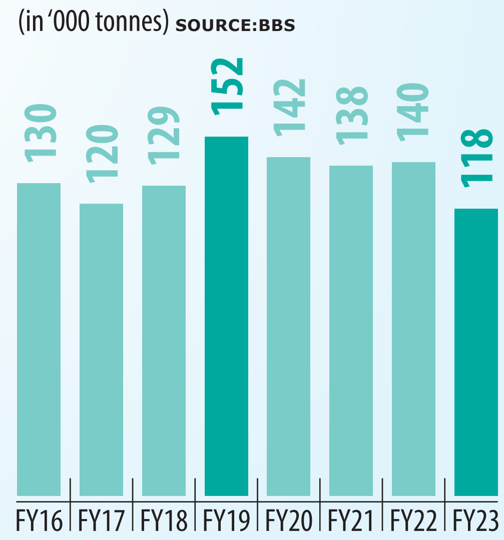
>
> SA Mallick, managing director of New Zealand Dairy Products Bangladesh Ltd



Powder milk imports dip to 8-year low as consumers tighten belts

SOHEL PARVEZ

Bangladesh's imports of milk and cream plummeted to 118,000 tonnes in the last fiscal year of 2022-23, the lowest in eight years, after a section of consumers cut consumption of milk-based foods and beverages in a bid to manage costs amid heightened levels of inflation.

FY23's imports of milk and cream were nearly 16 percent lower than the volume imported the previous year, data from the Bangladesh Bureau of Statistics (BBS) showed.

Industry people attributed the drop to increased domestic production of milk and a reduction in consumption by budget-conscious consumers.

"Overall consumption has declined due to high inflation and the effects of the war in Ukraine and the Covid-19 pandemic," said SA Mallick, managing director of New Zealand Dairy Products Bangladesh Ltd.

"We have seen a significant decline in volume in the economy segment as many cannot afford to spend on milk for tea or milk-based sweets."

However, demand in the upper-middle-income segment remains unaffected, added Mallick.

The top official of New Zealand Dairy, which markets Diploma-branded powder milk, said difficulties in opening letters of credit (LCs) and increasing import costs due to the devaluation of the taka against the US dollar created more problems.

"Many traders who import skimmed milk powder have reduced their imports."

Since July 5 last year, the taka has fallen 17 percent in value against the greenback as Bangladesh grapples with a foreign exchange shortage resulting from a higher pressure for payments of imports and other bills compared to remittances and export earnings.

> Although the import volume fell, Bangladesh spent nearly Tk 4,000 crore to buy milk and dairy products from the external markets in the last fiscal year, up 21 percent year-on-year, Bangladesh Bank data showed.

Consequently, overall import costs soared.

However, although the import volume fell, Bangladesh spent nearly Tk 4,000 crore to buy milk and dairy products from the external markets in the last fiscal year, up 21 percent year-on-year, Bangladesh Bank data showed.

Accordingly, the prices of powder milk have risen over the past year, showed the market prices data by the Trading Corporation of Bangladesh.

"We are facing increasing challenges to import products," said Saleh Uz Zaman, head of communications at Arla Foods Bangladesh Ltd, the marketer of Dano-branded powder milk.

It can be attributed to both unavailability of the US dollar, the difficulty in opening LCs, and unpredictable exchange rates, he said.

"However, we are always diligent in ensuring nutrition and dairy goodness for our customers at the best possible price."

Mallick echoed the sentiments, saying: "People will feel relieved if the exchange rate becomes stable."

Industry insiders said many consumers who used to drink milk tea have stopped doing so due to health concerns while increased costs of sugar and rice have also negatively affected the making of sweetened foods at home as many families are rationing expenses.

Bangladesh's consumers have been seeing their purchasing capacity worsen since the prices of goods and services began to rise more than a year ago.

Average inflation rose to 9.02 percent in the FY23 from 6.15 percent the previous year, according to the BBS.

"It seems that consumption has declined due to high inflation," said Kamruzzaman Kamal, director marketing at Pran-RFL Group, which markets both powder and processed liquid milk.

He said local milk production had risen but the spike would not be able to offset the decline in the rate of powder milk imports.

In Bangladesh, milk production has been steadily increasing over the years thanks to farmers' enthusiasm towards dairy farming.

Total domestic production of milk edged up 8 percent year-on-year to nearly 141,000 tonnes in the FY23, data from the Department of Livestock Services showed.

Can we learn anything from Sri Lanka?

MAMUN RASHID

Sri Lanka's worst economic crisis since its independence began in 2019. Experts attribute a plethora of reasons behind the crisis. First, after the end of the civil war in 2009, the country emphasised providing goods for the local market instead of trade, a decision that led to a continued trade deficit of more than $3 billion each year. Along with trade policies, tax cuts in 2019 led to a loss of government revenue of over $1.4 billion a year.

To tackle the reduction in foreign currency reserves, the country decided to ban imports of chemical fertilisers, which backfired because crop failures caused Sri Lanka to supplement food stocks by importing them.

In early 2022, Sri Lanka started facing shortages of fuel, power cuts, discontinuity of essential transportation services, and a ban in the sale of petrol and diesel for non-essentials. Offices and schools needed to remain shut down as a measure to conserve electricity.

In May 2022, Sri Lanka failed to make an interest payment on its foreign debt, the first in the country's history. All these factors led to protests, nationwide emergency and ultimately. a regime change.

At the onset of the crisis and the nation defaulting, the new Sri Lankan government took several courses of corrective measures. The country opted to restructure its loans with bilateral creditors i.e., India and China. This allowed it more time to repay loans owed to the countries.

Support was also received from the World Bank. With much of the reform commitment, the International Monetary Fund agreed to provide a $3 billion loan on top of a $600 million loan from the World Bank.

Sri Lanka raised taxes for higher earners from 12.5 percent to above 36 percent and on fuel and food and reduced public spending by better targeting social protection and restructuring state-owned enterprises.

The recent economic indicators of Sri Lanka show signs of recovery. From December 2022, tourism and remittances have started to rebound gradually, raising expectations of improvement in external balances.

In the first quarter of the financial year of 2023, there was a primary surplus for the first time since 2018. Interest rates and inflation are stabilising. Policy rates were cut twice -- in June and July 2023 -- by a total of 450 basis points in response to faster-than-expected easing of inflation.

The Lankan rupee is also showing recovery with a sharp appreciation of 12.1 percent in 2023 thanks to a continuous improvement in foreign currency reserves.

Moreover, Sri Lanka is expecting infrastructure-based foreign direct investment of $2 billion in 2023. However, the country's domestic and external debt situation is still under the cloud and it needs to work on these fronts by increasing domestic revenue and foreign currency earnings through tourism and expatriate remittances.

While the economic condition in Bangladesh is nowhere near defaulting, given the depletion of forex reserves, the depreciation of the local currency and the increase in repayment of foreign loans starting in 2025, things are not looking good.

The country has taken steps to stabilise foreign currency reserves with policy measures restricting imports. Steps are also being taken to enhance revenue collection with the improvement in policy implementation. However, FDI inflows, the low rate of repatriation, and avoiding tax in the form of over- and under-invoicing are pertinent issues.

Improvement in government spending is another aspect that may be re-looked. Proper economic and social benefits of public investments must be ensured and state-owned enterprises can be restructured and made more efficient.

There must also be a constant focus on the necessary optimisation of the size of the government, the exchange rate stabilisation, and the quickening of the state-owned asset turnover.

The author is an economic analyst

More easing expected to push growth of China's economy

ANN, *China Daily*

China could carry out further property market easing and introduce more sizable fiscal support for infrastructure investment, in order to help the country's economic growth to pick up from the fourth quarter of this year, experts said on Tuesday.

Faced with the dual challenges of slackening domestic and external demand, China should now fully utilise the policy space to decisively shore up economic growth and prevent insufficient demand and weak expectations from forming a vicious cycle that reinforces each other, they said.

Latest data shows that China's economy continues to recover but the problem of sluggish demand remains prominent. With new export orders contracting and the growth in new orders slowing, China's services sector expanded last month by the slowest pace in eight months, a private survey showed.

The Caixin China General Services Purchasing Managers' Index fell to an eight-month low of 51.8 in August from 54.1 in July, media group Caixin said on Tuesday. A PMI reading of above 50 points to expansion, while one below that mark indicates contraction.

A property market downturn is seen as one of the key drags on domestic demand. The government has ramped up efforts to shore up the sector by lowering down payments and reducing the interest rates of new and existing mortgages, along with other measures to strengthen the broader economy, such as cutting stamp duty and personal income tax.

Workers assemble wind turbine wheels at a factory in Lianyungang Economic and Technological Development Zone in East China's Jiangsu province on Feb 28.

PHOTO: CHINA DAILY

US, Vietnam upgrade ties as Biden visits

REUTERS, *Hanoi/Washington*

US President Joe Biden secured deals with Vietnam on semiconductors and minerals as the strategic Southeast Asian nation elevated Washington to its highest diplomatic status alongside China and Russia.

The US has been pushing for the upgrade for months as it sees the manufacturing dynamo as a key country in its strategy to secure global supply chains from China-related risks.

A half-century after a lengthy and brutal Cold War-era conflict, Biden arrived in Hanoi to a ceremony organised by the ruling Communist Party that included school children waving American flags and honour guards carrying bayoneted rifles.

Biden noted the strides that had been taken toward improved ties.

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