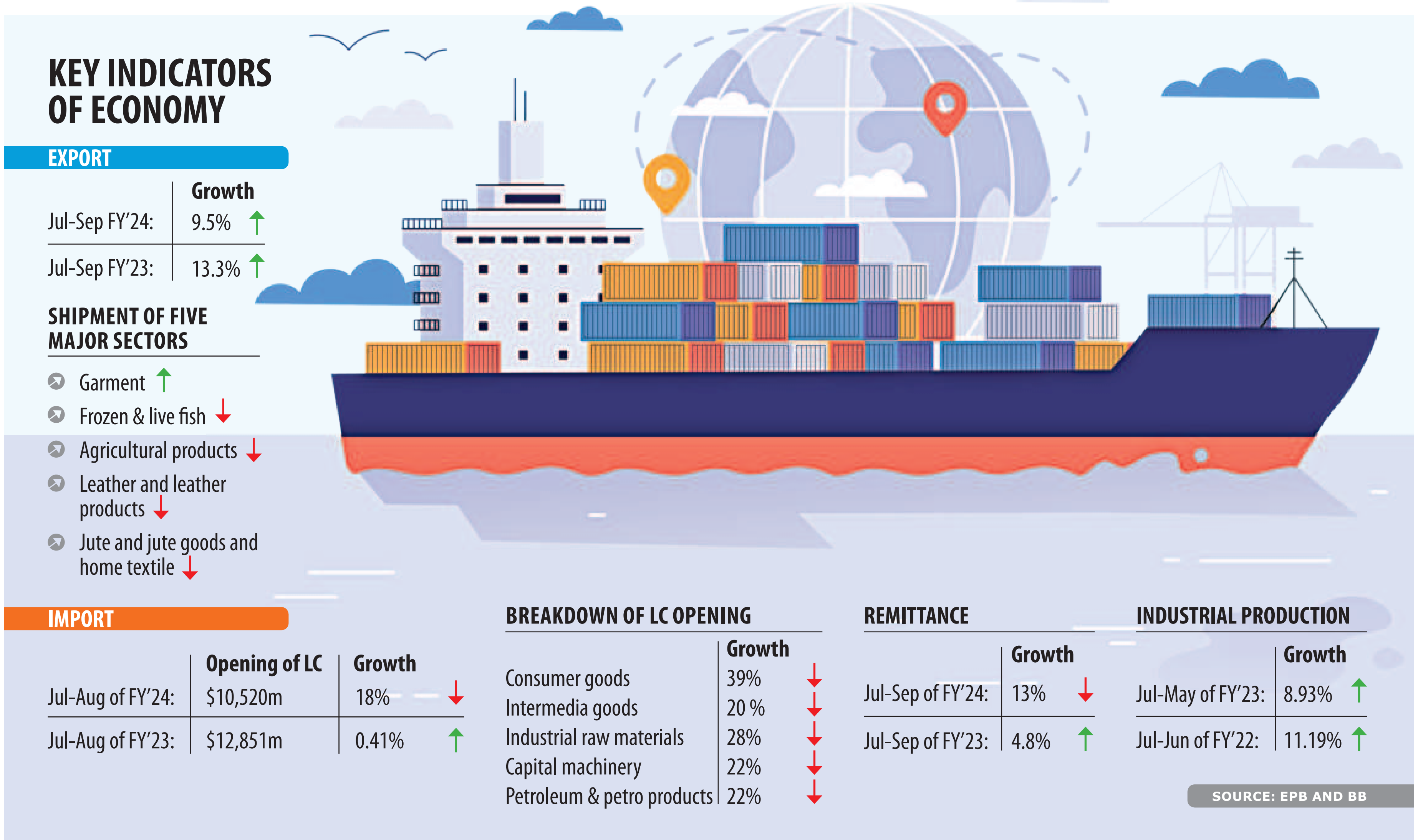
Star BUSINESS

Leather footwear industry saw export earnings fall to a five-year low of $141.83 million in the first quarter of FY24

Story on B4



External debt nears $100b

SOHEL PARVEZ

Bangladesh's overall external debt stock nearly hit the $100-billion mark in June driven by increasing appetite for funds from both public and private sectors, central bank figures showed.

The debt buildup, still within the threshold recommended by the International Monetary Fund (IMF), is becoming a headache for the country in view of the unfavourable developments on various economic fronts.

The overall external debt rose 3.35 percent to $98.93 billion in June. It was $95.7 billion in March, central bank data showed.

A year ago, in September, the amount of foreign debt was $92.9 billion, meaning borrowing from foreign sources by the government and the private sector has increased 6.48 percent since then.

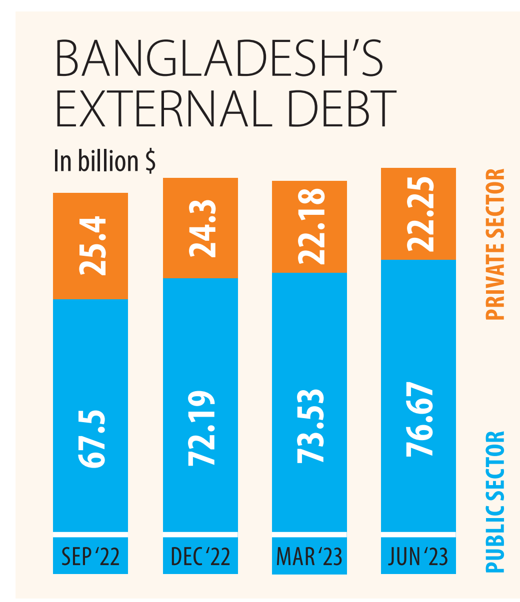
The external debt, which increased as high as 73.5 percent from $57 billion in 2018, shows that public sector borrowing from multilateral and bilateral sources grew by 4.27 percent.

The private sector's foreign loans increased slightly mainly because of a spike in their long-term debt. On the other hand, their short-term external loans declined owing to a fall in buyers' credit.

Zahid Hussain, a former lead economist at the World Bank Bangladesh, says a reduction in short-term debts is good news during normal times when the economy is in good shape and there is prosperity.

"But in Bangladesh, it is not good news now as debt has not been reduced driven by prosperity.

READ MORE ON B3



Weak batch of data paints economy's deepening woes

ANALYSIS

SOHEL PARVEZ

Bangladesh wrapped up the last fiscal year of 2022-23 with slower economic growth. A similar trend has persisted in the ongoing fiscal year as portrayed by at least three key indicators: exports, remittances and imports.

The growth of export receipts, the biggest foreign currency earner for Bangladesh, decelerated to 9.5 percent in the first quarter of 2023-24 from 13.3 percent in the identical three months of FY23.

Remittances, the cheapest source of foreign exchanges, dipped 13 percent although a record 11.37 lakh of migrant workers went abroad in the previous fiscal year.

Imports, through which the country brings in industrial raw materials, intermediate goods and capital machinery, continue to face downturns as well.

The opening of letters of credit declined 18 percent year-on-year in July-August while settlement dipped 22 percent. It dropped 15 percent in FY23 amid a dollar shortage and discouragement from the central bank as it desperately tried to save the reserve.

This has slowed the momentum in industrial production and fresh investment by entrepreneurs, an unwelcome development.

The general index of industrial production (medium and large-scale manufacturing) showed that manufacturing output grew at a slower pace of 8.93 percent until May of FY23 compared to a year prior, data from the Bangladesh Bureau of Statistics showed. Factory output rose 11.19 percent in FY22.

Overall, the prospect of a recovery from the current economic woes in the short term seems unlikely because the factors behind the crisis such as higher inflation, the volatility in the foreign exchange market, and the Russia-Ukraine war shows no sign of disappearing soon. Besides, the growing political tension centring the general election, due in January, has deepened uncertainty.

"The degree of political uncertainty is high," said Mustafa K Mujeri, executive director of the Institute for Inclusive Finance and Development, a state-run think-tank.

"Amid persisting uncertainty, the economy may slow further and the downward trend may deepen. The implication is reduced scope for employment and a decline in income. So, people's suffering will be more acute."

People in Bangladesh have been in a tight spot for more than a year as inflation exceeded historic trends.

There has been a tendency at the policy level to blame external factors for the current situation, but the former chief economist of the central bank says there is nothing to gain by laying the blame on the global crisis caused by the war.

Countries including South Asian neighbours India and Sri Lanka have brought down the inflation rate and managed their economies better amid the tempest.

"The problem lies in our internal policies. We have not been able to manage inflation. Our internal policy failure is responsible for much of the problem."

Remittance was supposed to increase after a large number of people went abroad for jobs. However, a large gap between the dollar rates offered by banks and other formal money transfer channels and the kerb market is holding Bangladesh from benefiting from a higher transfer of funds from expatriates.

The gap, which can be as much as Tk 8 per dollar, has diverted the mainly poor migrant workers to hundi operators or unofficial channels when it comes to sending the money to their families and relatives.

READ MORE ON B3

8 banks' provision shortfall over Tk 26,000cr

STAR BUSINESS REPORT

Eight banks, including five private commercial ones, had faced a provision shortfall of Tk 26,134.75 crore in total at the end of June this year, an indication of their fragile financial health.

The eight are Agrani Bank, BASIC Bank, Rupali Bank, National Bank, Dhaka Bank, Bangladesh Commerce Bank, Standard Bank and NCC Bank, according to Bangladesh Bank.

National Bank, a private commercial lender, faced the highest shortfall, Tk 11,682.52 crore.

Banks have to keep 0.5 to 5 per cent of their operating profit in provisioning against general category loans, 20 per cent against classified loans of substandard category, and 50 per cent against classified loans of doubtful category.

The lenders also have to set aside 100 per cent provisioning against classified loans of bad or loss category, as per the central bank rules.

READ MORE ON B3

STOCKS

DSEX ▲	CASPI ▲
0.12%	0.03%
6,272.93	18,566.28

COMMODITIES

Gold ▼	Oil ▲
$1,833.91 (per ounce)	$91.53 (per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.49%	▼ 0.31%	▼ 0.27%	▲ 0.10%
65,828.41	31,759.88	3,208.86	3,110.48

AGRI PRODUCTIVITY

Bangladesh's growth still lowest in South Asia: expert

STAR BUSINESS REPORT

Although agricultural productivity is growing in Bangladesh, its rate of progress in this regard remains the lowest among nearby countries in South Asia and beyond, according to an analyst.

As per the World Development Indicators (WDI), an index comprising international statistics on global development compiled by the World Bank, Bangladesh's agricultural productivity growth stood at 1 percent in 2021.

Meanwhile, Nepal registered growth of 1.7 percent, Sri Lanka 1.8 percent, Vietnam 1.9 percent, India 2.4 percent and China 3.7 percent.

"The amount of arable land in the country is decreasing by about 1 percent annually in face of urbanisation," said Mohammad Jahangir Alam, a professor of the agribusiness and marketing department at Bangladesh Agricultural University.

"So, there is no way to enhance agricultural productivity without conducting research for developing high-yielding crops," he added.

Alam made these remarks at a seminar on "Transformation of agriculture in Bangladesh: Contribution of Kazi M Badruddoza" at the CIRDAP auditorium in Dhaka.

READ MORE ON B2

Knitwear's export performance stronger than woven

REFAYET ULLAH MIRDHA

Shorter lead times, easy availability of raw materials in the domestic market and changes in global fashion have made knitwear items the top export from Bangladesh.

In July-September of the current fiscal year, knitwear item shipments rose 19.70 percent year-on-year to $6.76 billion compared to the corresponding period in the previous fiscal year, according to data from the Export Promotion Bureau (EPB).

On the other hand, exports of woven garments grew by 4.97 percent year-on-year to $4.85 billion in July-September compared to the same period of the last fiscal year. In July-September, total RMG exports stood at $11.61 billion.

In the fiscal year 2022-23, Bangladesh exported garment items worth $46.99 billion, a year-on-year growth of 10.27 percent.

Knitwear shipments grew by 10.87 percent to reach $25.73 billion and exports of woven garments grew by 9.56 percent year-on-year to reach $21.25 billion.

For the current fiscal year, the export target for knitwear shipments was fixed at $28.43 billion, higher than the $23.84 billion target set for woven items.

PHOTO: STAR/FILE

Knitwear items emerged as Bangladesh's top export in the July-September period of the current fiscal year, bringing in $6.76 billion. Changing global fashion trends and the availability of raw materials domestically have made knitwear more lucrative than ever.

Primarily, local spinners have been able to supply raw materials for the knitwear sector in a shorter time after international clothing retailers and brands squeezed the lead time to 45-60 days instead of the previous 90-120 days due to growing competition among retailers and brands.

Given such competition, international retailers and brands want to sell goods across 12 seasons a year instead of eight.

Owing to high investment, local spinners can supply more than 90 percent of raw materials to the knitwear sector.

On the other hand, local weavers can supply only around 40 percent of raw materials for the woven sector because of low investment.

The remaining 60 percent is met through imports, mainly from China, which is time-consuming and expensive.

Additionally, production of knitwear at a low investment is possible. But in the case of woven apparel, a larger investment is required. Another major factor has been changing trends in global fashion brought on by climate change, which has led to shorter winters and longer summers in Europe.

Most people, including office-goers, now prefer to wear casual outfits instead of formal clothes, mainly due to comfort. This, combined with other lifestyle changes, has seen a rise in demand for leggings, jeggings and athleisure wear.

"Moreover, sweaters fall under the knitwear category although they are mainly produced by woven garment factories," said Faruque Hassan, president of Bangladesh Garment Manufacturers and Exporters Association.

READ MORE ON B3

City Bank wins ITFC award

STAR BUSINESS DESK

City Bank has been awarded the "ITFC Trade Finance Deal of the Year" award by the International Islamic Trade Finance Corporation (ITFC), a member of the Islamic Development Bank (IsDB) Group.

The award was given in recognition of the bank's effort to find a unique solution offered to its customers under Islamic financing structure for import of wheat at the time when the country was facing challenges in foreign currency liquidity due to the impact of the Russia-Ukraine war.

City Bank is the first bank in Bangladesh who won this award among the ITFC partner banks for honouring the most outstanding Shariah compliant trade finance deal under ITFC trade finance line, said a press release.

Mashrur Arefin, managing director and CEO of the bank, received the award from Nazeem Noordali, chief operating officer of the ITFC, at the bank's head office in Dhaka recently, said a press release.

Abdul Aleem, division manager for Asia and Middle East of the ITFC, Iftekhar Alam, regional manager for South and Southeast Asia, Sheikh Muhammad Maroof and Md Mahbubur Rahman, additional managing directors of the bank, and Hasan Sharif Ahmed, executive vice-president and head of financial institutions, were present.

Mashrur Arefin, managing director and CEO of City Bank, receives the "ITFC Trade Finance Deal of the Year" award from Nazeem Noordali, chief operating officer of the International Islamic Trade Finance Corporation, at the bank's head office in Dhaka recently. PHOTO: CITY BANK

China's power sector investments may top $13.7tr by 2060

REUTERS, *Beijing*

China's investments in its power sector may exceed 100 trillion yuan ($13.7 trillion) from 2020 to 2060, the official Xinhua news agency reported on Monday, citing utility behemoth State Grid Corp. of China.

The timeframe of the investment is in line with President Xi Jinping's pledge for China to attain net-zero emissions of greenhouse gases including carbon dioxide (CO2) by 2060.

Researchers say the goal, if achieved, could curb likely global warming by 0.2-0.3 Celsius this century.

Xi also pledged, in 2020, to bring China's carbon emissions to a peak by 2030. The world's second-largest economy accounts for about 30 percent of the world's CO2 emissions.

"Energy activities are the main source of carbon dioxide emissions in China," Xinhua cited State Grid as saying in a recently published book.

To achieve the dual-carbon goal, the transformation of China's mix of power generation to clean and low-carbon sources needs to pick up speed, State Grid said.

In 2022, major power firms in China invested a total of 1.25 trillion yuan, the official China News Services reported in August, citing the China Electric Power Construction Enterprise Association. Investment in solar power generation in 2022 surged 232.7 percent to 286.6 billion yuan.

China aims to source about 33 percent of power from renewable sources by 2025, up from 28.8 percent in 2020, its state planning agency said last year.

In an annual ranking of the top 40 renewable energy markets worldwide by consultancy EY this year, China came in at No. 3, after the United States and Germany.

The 40 economies were ranked by the attractiveness of their renewable energy investment and deployment opportunities.

In July, China's ruling Communist Party said the country would double down on power system reforms as the focus shifts to reducing carbon emissions.

PHOTO: NCC BANK

Md Ehtasham Reza, deputy commissioner of Kushtia, and Md Mahbub Alam, deputy managing director of NCC Bank, distributed agricultural materials to farmers at a programme organised by the bank in Kushtia recently.

NCC Bank distributes agri-materials among farmers

STAR BUSINESS DESK

NCC Bank has distributed agricultural materials, including seeds, fertiliser and pesticides, among 500 marginal farmers in Kushtia as part of its corporate social responsibility.

Md Ehtasham Reza, deputy commissioner of Kushtia, attended the ceremony as chief guest, said a press release.

Md Mahbub Alam, deputy managing director of the bank, presided over the ceremony, where Partha Pratim Shill, upazila nirbahi officer of Kushtia, Hayet Mahmud, deputy director of the Department of Agricultural Extension, and Mohosin Ali, founder and executive director of Wave Foundation, were present.

Among others, Md Monirul Alam, senior executive vice-president and company secretary, and Muhammad Shahidul Islam, senior vice-president of CRM division, were also present.

Bengal Cement holds 'Partners' Meet 2023'

STAR BUSINESS DESK

Bengal Cement Ltd, a concern of the Bengal Group of Industries (BGI), organised the "Partners' Meet 2023" for top dealers of the cement company at the Radisson Blu Dhaka Water Garden in the capital on Sunday.

Morshed Alam, chairman of BGI, inaugurated the programme, said a press release.

Alam urged everyone to work together towards realising the plans the company chalked out for its development. He assured that the company will continue its commitment to sustainability in the future.

The cement company awarded top 30 dealers for their outstanding contributions to the company.

Among others, Bilkish Nahar, director of BGI, Firoz Alam, managing director of the cement company and director of BGI, Humayun Kabir Bablu, Shamsul Alam and Saiful Alam, directors, and Saroj Kumar Barua, head of sales at the cement company, were also present.

Morshed Alam, chairman of the Bengal Group of Industries, attends the "Partners' Meet 2023" organised by Bengal Cement at the Radisson Blu Dhaka Water Garden in the capital on Sunday. PHOTO: BENGAL CEMENT

PRICES OF KEY ESSENTIALS IN DHAKA CITY	PRICE (OCT 2, 2023)	% CHANGES FROM A MONTH AGO	% CHANGE FROM A YEAR AGO
Fine rice (kg)	Tk 60-Tk 72	0	-5.71 ↓
Coarse rice (kg)	Tk 48-Tk 50	0	-3.92 ↓
Loose flour (kg)	Tk 42-Tk 45	-8.42 ↓	-18.69 ↓
Lentil (kg)	Tk 105-Tk 110	10.26 ↑	4.88 ↑
Soybean (litre)	Tk 155-Tk 160	0	-5.97 ↓
Potato (kg)	Tk 42-Tk 45	0	58.18 ↑
Onion (kg)	Tk 80-Tk 90	0	112.5 ↑
Egg (4 pcs)	Tk 48-Tk 50	-4.85 ↓	1.03 ↑

SOURCE: TCB

Global Islami Bank inks int'l money transfer deal

STAR BUSINESS DESK

Global Islami Bank recently signed a remittance service agreement with the UK-based KMB International Money Exchange Ltd.

Syed Habib Hasnat, managing director of the bank, and Kamru Miah, chief executive officer of the money transfer company, inked the deal at a hotel in London, said a press release.

Under the agreement, Bangladeshi expatriates in the United Kingdom can now send their remittance safely and easily to their loved ones in the country through the branches, sub-branches and agent banking outlets of the bank.

Bangladeshi expatriates living in other countries of Europe will also be able to avail this service soon.

Syed Habib Hasnat, managing director of Global Islami Bank, and Kamru Miah, chief executive officer of KMB International Money Exchange Ltd, exchange signed documents of an agreement on remittance services at a hotel in London recently. PHOTO: GLOBAL ISLAMI BANK

How China-West tensions

FROM PAGE B4

importing nations in Europe by forcing them to pay more for commodities priced in dollars.

Many central banks target 2 percent inflation; market gauges of traders' long-term US and European inflation expectations are running higher.

Washington is pushing "friendshoring" - the idea of replacing China's role in supply chains with friendly nations.

Research led by Harvard Business School's Laura Alfaro identifies Vietnam and Mexico as the major beneficiaries of the US supply chain shift so far.

Mongolia is seeking US investment in mining rare earths, materials used in high-tech products such as smartphones. The Philippines is courting US infrastructure investment.

Anna Rosenberg, head of geopolitics at the Amundi Investment Institute, said Sino-US tensions, provide a "new lens" through which to analyse emerging markets' growth prospects.

India is viewed as the most able to compete with China in low-cost, large-scale manufacturing. Its large, young population and a burgeoning middle class also creates opportunities for multinationals seeing less business in China.

Indian stocks have rallied 8 percent this year and the prospect of investor flows into the bond market just got a boost from JPMorgan's plan to include India in a key government bond index next year.

"India is a very large opportunity," said Christopher Rossbach, chief investment officer at asset manager J Stern. "The global companies we are invested in are working on it."

India's central bank forecasts that the economy will expand 6.5 percent this fiscal year, while China is expected to grow around 5 percent this year.

Barclays reckons that if India raises its annual economic growth closer to 8 percent over the next five years, it would be in a position to become the biggest contributor to global growth.

A China-West clash creates winners and losers on both sides.

The EU is investigating whether to impose punitive tariffs against Chinese electric vehicle imports it says benefit from excessive state subsidies.

US subsidies for domestic semiconductor manufacturing have boosted Intel's shares. But the performance of big US tech stocks and global share indices are vulnerable to signs of Chinese retaliation.

Apple stock slid by more than 6 percent over two days in early September on reports that Beijing would ban government workers from using iPhones.

With China the world's dominant buyer of luxury goods, Western fashion houses are also ensnared in politics. China's top anti-corruption watchdog has vowed to eliminate what it calls the hedonism of Western elites. Chinese banks have told staff not to wear European luxury items at work.

"Higher levels of government scrutiny have started to weigh on the spending of more affluent (Chinese) consumers," Barclays analysts Carole Madjo and Wendy Liu said in a note.

Luxury sector shares surged as China loosened Covid-19 restrictions in early 2023. Since then, with China's economy in the doldrums and tensions with the West ratcheting up, they have slumped. European luxury stocks slid 16 percent in Q3.

Bangladesh's growth still lowest

FROM PAGE B1

The event was organised by the Bangladesh Agricultural Journalists Forum (BAJF).

Alam said that globally, Bangladesh is 94th in terms of area under cultivation but 14th in agricultural production, showing that the country has many limitations.

"Bangladesh is one of the most climate vulnerable countries in the world and it has huge implications for the agriculture sector," he added.

Citing another World Bank report, Alam said Bangladesh stands to lose 4.9 percent of its overall cropland by 2040 but the acreage could increase by 18 percent in coastal areas at the same time.

"We should bring all the arable land under cultivation so that we can produce our own food. Then no global crisis will harm us," he added, pointing to how having the lowest growth will definitely drive the country to increase imports.

Alam informed that 60 percent of the country's imports are currently comprised of cooking oils, cereals and sugars.

So, Bangladesh needs to spend more on research and development in the agriculture sector, he said.

Speakers at the event lauded the contributions made by an eminent agronomist, Kazi M Badruddoza.

"Kazi Badruddoza started the transformation of the agriculture sector in Bangladesh and we are now enjoying the benefits," said Agriculture Minister Muhammad Abdur Razzaque.

However, the second part of this transformation is now a major challenge. From planting paddy to refining it, mechanisation is needed.

Besides, all sectors of agriculture should be modernised and commercialised to increase productivity. With this, agricultural processing should be increased to enhance value addition, he added.

Kazi Badruddoza was not only a pioneer of agriculture in Bangladesh as he also contributed to the National Agricultural Master Plan of Vietnam.

Additionally, Razzaque informed that there is no need to import rice this year as agricultural mechanisation has helped Bangladesh produce enough of the cereal grain.

Md Shahjahan Kabir, director general (DG) of the Bangladesh Rice Research Institute, Debasish Sarker, DG of the Bangladesh Agricultural Research Institute, FH Ansarey, president of ACI Agribusinesses, and Md Hamidur Rahman, former DG of the Department of Agricultural Extension, also spoke at the event.

BAJF President Iftekhar Mahmud chaired the event, which was moderated by BAJF General Sectary Shahanuare Shaid Shahin.

Opec oil output rises

FROM PAGE B4

more, with output hitting the highest level since 2018.

Nigeria managed a sizeable boost in exports in September without any major disruption to shipments, according to shipping data and sources in the survey, increasing output by 110,000 bpd. The country is targeting a further recovery by next year.

The second-largest increase came from Iran, the survey found, which pushed output to 3.15 million bpd. This is the highest since 2018, the year Washington re-imposed sanctions on Iran, according to Reuters surveys and separate figures from Opec.

Analysts have said the higher Iranian exports appear to be the result of Iran's success in evading US sanctions and Washington's discretion in enforcing them as the two countries seek better relations.

Output from the 10 Opec members that are subject to Opec+ supply cut agreements rose by 80,000 bpd, the survey found. Saudi Arabia and other Gulf members maintained strong compliance with agreed cutbacks and extra voluntary reductions.

Top exporter Saudi Arabia kept August output close to 9 million bpd, the survey found, as the country extended a voluntary 1 million bpd output cut to provide extra support for the market.

Iraq and the United Arab Emirates increased output slightly, while Angolan supply showed the largest decline in the group of 50,0000 bpd due to a drop in exports.

Opec's output is still undershooting the targeted amount by about 700,000 bpd, mainly because Nigeria and Angola lack the capacity to pump as much as their agreed level.

The Reuters survey aims to track supply to the market. It is based on shipping data provided by external sources, Refinitiv Eikon flows data, information from companies that track flows such as Petro-Logistics and Kpler, and information provided by sources at oil companies, Opec and consultants.

Eurozone's factory activity stuck in downturn

REUTERS, *London*

Euro zone manufacturing activity remained mired in a deep and broad-based downturn last month, according to a survey which showed on Monday that demand kept shrinking at a pace rarely surpassed since the data was first collected in 1997.

HCOB's final euro zone manufacturing Purchasing Managers' Index (PMI), compiled by S&P Global, dipped to 43.4 in September from August's 43.5, matching a preliminary estimate. A reading below 50 marks a contraction in activity.

An index measuring output, which feeds into a composite PMI due on Wednesday and seen as a good gauge of economic health, fell to 43.1 from 43.4.

Workers tie sacks of potatoes to a handcart to take them from a cold storage to a wholesaler in Haatkhola area of Barishal city recently. A day's work earns them anywhere from Tk 800 to Tk 1,000.

PHOTO: TITU DAS

China's outbound tourism sees robust recovery

ANN/ CHINA DAILY

Prominent travel platforms reporting full bookings, bustling queues in international departure halls at airports, and Chinese tourists flocking to popular global destinations... China's outbound tourism market is certainly brimming with exhilaration.

Wang Shihua from Taiyuan, capital of North China's Shanxi province, has joined the wave of tourists during the Mid-Autumn Festival and National Day holidays, lasting from September 29 to October 6.

After spending the Mid-Autumn Festival, a traditional Chinese festival usually marked by reunions which fell on Friday this year, at home, he flew to Thailand together with his family. During their six-day trip, Wang plans to visit popular attractions including the Grand Palace, as well as savor Thai massage and local cuisine.

"I visited Thailand several years ago, and the experience left me with great memories. Now that my city has opened direct flights to Thailand, I have got to visit it again," Wang said.

China's outbound tourism during the National Day "golden week" holiday has shown a "blowout" growth. According to data from China's leading travel platforms, including Trip.com Group and Fliggy, orders for overseas trips during the eight-day holiday surged nearly 20 times compared with the same period last year.

According to data from China's leading travel platforms, orders for overseas trips during China's National Day "golden week" holiday surged nearly 20 times compared with the same period last year

As one of the most popular destinations for Chinese tourists, Thailand announced a five-month visa-free policy for Chinese tourists in September. Since then, the number of travel inquiries and bookings for the Southeast Asian nation has continued to grow, ranking among the top destinations for outbound travel during the ongoing holiday.

Li Gaochao, assistant general manager of a major international travel agency in Shanxi, said that the visa-free policy saves around 500 yuan ($69.64) in travel costs. After Chinese travel agencies and online tourism service providers resumed offering group tours to an expanded range of countries and regions in August, travel routes to Central and East Africa, as well as Europe, have gained popularity. Additionally, tour packages for Middle Eastern destinations like Dubai were fully booked early September.

Representatives from numerous countries have flocked to China to attract customers, capitalizing on the swift resurgence of the country's outbound tourism market. Recently, the national tourist boards of countries such as Denmark, Finland and Sweden, and the European Travel Commission joined hands with China's online travel agency Mafengwo to attract tourists to Northern Europe.

In mid-September, the Korea Tourism Organization signed a memorandum of understanding on cooperation with Trip.com Group. It is expected that during the Mid-Autumn Festival and National Day holidays, the number of outbound tourists to the Republic of Korea will usher in the annual peak.

Ensure sustainability to reduce environmental impact

BGMEA urges garment makers

STAR BUSINESS REPORT

Garment makers should follow sustainable production practices as the country could lose nearly $27 billion in apparel exports by 2030 if environmental degradation continues at the current pace, according to the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

A recent study shows that protecting the environment is very important for the garments industry as deteriorating climate conditions are adversely impacting overall production, said BGMEA president Faruque Hassan.

For example, excessive rainfall and flooding hampers the movement of workers and goods. Similarly, extreme heat leads to unbearable temperatures even inside production units, making it practically impossible to operate efficiently.

"So, I always encourage our members to protect the environment and facilitate better working conditions so that they [labourers] do not get fatigued," Hassan told The Daily Star yesterday.

The study jointly compiled by Schroders PLC and Cornell University shows that including Bangladesh, the combined apparel export earnings of four Asian countries could reduce by $65 billion by 2030.

Besides, the local garments industry stands to lose about 250,000 jobs as a result of lower exports.

"This is a concern for us as Bangladesh is one of the most climate vulnerable countries. So, we cannot remain indifferent about it," Hassan said in a letter to BGMEA members issued earlier the same day.

The BGMEA chief also said the importance of sustainability in the garments industry is increasing among all relevant stakeholders, particularly foreign buyers.

As such, global apparel retailers and brands are aiming to become carbon neutral within a committed timeframe by using renewable energy, green technologies and sustainable production practices.

These practices include rainwater harvesting, using low-liquor ratio dyeing machines, installing water efficient equipment, ensuring proper waste management, and reusing or recycling products as needed.

"The world is becoming more focused on circular fashion and using sustainable materials and non-hazardous chemicals in the manufacturing process," Hassan said, citing how various countries are adopting new rules for protecting the environment.

Environmental protection protocols adopted by foreign governments include the Due Diligence Supply Chain Act of Germany, Corporate Sustainability Due Diligence Directive of the EU, and Responsible and Sustainable International Business Conduct Act of the Netherlands.

The core purpose of these initiatives is to establish supply chains that are free of social and environmental exploitation.

Also, Bangladesh will need to improve its compliance with Environmental, Social and Governance (ESG) issues to ensure avoid losing exports after graduating from a least developed country in 2026.

"Being a part of the global supply chain, we need to continuously improve ourselves, especially in the area of responsible manufacturing," Hassan said.

Bangladesh is actually already among the few countries that have made distinct progress in areas of sustainability and workplace safety in such a rigorous and transparent manner.

Still, in the ever-expanding horizon of sustainability, local garment makers have no scope to be complacent.

Instead, they need to enlighten and prepare themselves on new and emerging issues so that they can adapt to upcoming changes.

"With that spirit, we reinvigorated the BGMEA logo, which captures our glorious past of resilience and dynamism and connects us to the future and possibilities," he added.

Hassan also said that while unveiling the new logo, the BGMEA shared its Sustainability Strategic Vision 2030, which identifies key ESG priorities for the local garments industry.

Bangladesh currently has 73 platinum-rated, 115 gold-rated, 10 silver-rated and four green certified garment manufacturing units.

The country is home to 13 of the 15 top-rated LEED certified green factories in the world. Meanwhile, another 500 units are in the pipeline to secure the certification.

External debt nears $100b

FROM PAGE B1

Rather, the debt reduction has been driven by difficulty. As a result, the foreign exchange shortage has deepened."

Of the external debt, the government's portion stands at 77.5 percent while the rest belonged to the private sector, according to BB data.

The private sector's short-term credit from the external sector fell to $13.65 billion in June from $14 billion three months ago.

Hussain blamed multiple factors such as delayed settlement of payments and negative outlook regarding Bangladesh's economy by global rating agencies for the drop in the short-term foreign debt.

"This has spooked the confidence of our creditors abroad," he said, adding that the cost of credit has edged up as creditors' credit risk premium, along with non-interest costs, have gone up.

"Even after that, many are unwilling to lend. This has affected the credit rollover."

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, said the decrease in the short-term external credit for the private sector at this time is not a good sign.

"It is piling up pressure on our foreign exchange reserve."

The reserve stood at $21.15 billion last week, down from $33.4 billion at the end of 2021-22.

Mansur said Bangladesh needs to roll over credits. "But many foreign banks are cutting lending. As a result, the net availability of funds is falling."

He called for initiating steps so that foreign creditors reschedule the repayment period and roll over funds.

The former economist of the IMF says the increase in long-term loans is a sign of stress in the economy.

Syed Mahbubur Rahman, managing director of Mutual Trust Bank, says the imposition of taxes on external loans and the increase in interest rates are among other factors behind the drop in the short-term foreign loans.

"In one sense, the decline is not good. It was an alternative source of foreign exchanges and an increased flow of short-term credits would help better manage the forex."

Mansur says Bangladesh's external debt is rising fast and it is not a healthy sign since export receipts are not growing at the expected pace.

Currently, Bangladesh has to repay foreign loans worth $2 billion to 2.5 billion annually. And the amount is expected to rise in the coming years, prompting economists to urge the government to focus on enhancing revenue collection.

Bangladesh has one of the lowest tax-to-GDP ratios in the world.

Hussain said since a large portion of the public sector's external debt was concessional loans with low-interest rates and longer repayment periods, the overall debt dynamics have been favourable to Bangladesh.

According to the IMF's sustainability threshold, foreign debt should be less than 40 percent of the gross domestic product (GDP). It is less than 20 percent for Bangladesh.

In an unwelcome development, the proportion of concessional loans from multilateral lenders in the overall debt stock is declining while the interest rate is rising.

"So, it would not be wise to take it for granted that the favourable dynamics that we had in the past will remain favourable forever," Hussain said.

8 banks' provision shortfall

FROM PAGE B1

Provision shortfall occurs when a financial obligation exceeds the amount of cash available. It can be temporary, arising out of a unique set of circumstances, or persistent, indicating poor financial management practices.

The provision shortfall is an ominous sign as it reflects the banks' weak financial health and it is largely an outcome of high non-performing loans (NPLs), according to industry insiders.

At the end of June of this year, the NPLs in the banking sector amounted to Tk 1,56,039 crore or 10.11 percent of the total disbursed loans, as per the central bank's latest data.

Till March of this year, it was at Tk 1,31,620 crore.

Meanwhile, the banking sector's overall provision shortfall till June was Tk 21,464.35 crore, lower than that of the eight, as some banks had kept a provision surplus, as per the central bank's data.

The overall provision shortfall was at Tk 16,298.90 crore till March.

Knitwear's export

FROM PAGE B1

Because of wider use of jacquard technology, Bangladesh has turned into a major sweater-exporting destination.

In the last fiscal year, sweaters worth $5.94 billion were shipped from Bangladesh. In the 2021-22 fiscal, the export amount was $5.64 billion, EPB data showed.

During the Covid-19 pandemic, when people were confined to their homes, the demand for knitwear items from the country increased manifold.

This was because while other countries were not exporting goods, most factories in Bangladesh continued operations and shipped goods globally.

In recent years, Bangladesh has also been increasing exports of man-made fibre garments, causing the knitwear sector's exports to grow.

"Following Covid-19, the global landscape changed a lot and consumers now prefer knitted items to woven items," said Fazlee Shamim Ehsan, vice-president of Bangladesh Knitwear Manufacturers and Exporters Association.

Lower prices of knitted items also played an important part, he added.

Historically, woven garment items have dominated exports. But in recent years, the knitwear sector has been dominating.

Weak batch of data paints

FROM PAGE B1

A market-based exchange rate could narrow the difference, but it is yet to be in place despite repeated calls from experts.

Sadiq Ahmed, vice-chairman of the Policy Research Institute of Bangladesh, thinks it is difficult to generalise the broader economic effects from three months' data.

"However, the slowdown in exports and import growth in the first three months is consistent with the pattern observed in FY23. This means that there is a need for stabilisation measures and structural reforms to revitalise the economy."

Ahmed, who served in various positions at the World Bank, including as the chief economist for the lender's South Asia region, says the export slowdown is also indicative of the continued inability to boost non-RMG exports, which suffer from serious disincentive problems caused by an overvalued real exchange rate and heavy trade protection that favours import substitutes.

Md Deen Islam, an associate professor of economics at the University of Dhaka, said many market players think since the exchange rate has been kept artificially low, the central bank would eventually be compelled to adjust it.

"Consequently, the supply of foreign currencies is dwindling as individuals prefer to hold onto foreign exchanges."

Other conventional factors, including capital outflows preceding the election cycle and the prevalence of illegal or informal channels for remittance transfers, have also taken a toll on remittance receipts, he said.

Historically, Bangladesh has grappled with a negative trade balance where import payments outweigh export receipts. Under such circumstances, funds sent by migrant workers have acted as a crucial buffer.

"Unfortunately, in recent months, remittances have seen a concerning decline. This presents a worrisome scenario," Islam said, warning that without the cushion of remittances, the exchange rate will rise.

The taka has lost its value by about 28 percent against the US dollar in the past one and a half years.

According to Islam, if the government or the central bank opts to control exchange rates, it will need to impose restrictions on imports.

In either case, inflation will surge, eroding the purchasing power of the populace and dampening economic activities, which, in turn, could lead to slower economic growth.

He said the recent plummet in remittances can also be attributed to the prevailing uncertainty surrounding the election.

"This uncertainty has cast a shadow on people's expectations about the country's future economic prospects."

A noted entrepreneur says businesses are facing difficulty in importing goods even for industrial use.

"The price of gas is high while there is no assurance of uninterrupted supply of electricity. People are more concerned about carrying out their regular activities smoothly, rather than political uncertainty."

He called for business-friendly attitudes of the revenue authorities and the Bangladesh Bank.

WHAT COULD BE DONE?

The return of the export growth to double digits will require export diversification focused on non-RMG shipments, according to Sadiq Ahmed.

He said some correction of the over-valuation of the real effective exchange rate has happened in recent months, especially in FY23.

"But trade protection continues unabated. In addition to the market-based exchange rate, this will require a sharp reduction in import duties and other para-tariffs like supplementary duties and regulatory duties. Improvements in trade logistics will also be necessary."

The economist suggested lifting the exchange rate and import restrictions to allow importers to buy necessary raw materials and goods used in production.

"Demand management should be used to lower imports rather than through import controls."

Ahmed thinks flexible management of the exchange rate and lowering of credit demands through higher interest rates will stabilise the balance of payments and allow growth momentum to accelerate without destabilising the macroeconomy.

However, Deen Islam does not see any solution to the current predicament in the short term.

"Expectations concerning the economy are intertwined with political stability. Nonetheless, the situation could be improved if certain market-oriented policies are adopted."

Firstly, the central bank should embrace a flexible exchange rate regime, allowing market forces to determine the prices of foreign currencies.

"This move would likely stimulate more exports and reduce the likelihood of speculative behaviour and currency manipulation by vested groups in the foreign exchange market," he said.

Secondly, there is a pressing need to bolster customs operations to effectively curtail foreign exchange outflows through under- or over-invoicing, he said.

"Thirdly, while the garment industry remains the dominant foreign exchange earner, it heavily relies on imported materials. In order to address this, efforts should be initiated to diversify exports and incentivise the sectors with lower import contents."

Non-life ins

FROM PAGE B4

30 life insurance companies are paid through bKash, said its head of corporate communications, Shamsuddin Haider Dalim.

This facility will simplify accessing insurance products, increasing insurance penetration, he said.

Nagad is connected to a similar number of insurance companies, according to its head of public communications, Muhammad Zahidul Islam. Customer interest is growing, with premiums collected up until this year being more than double that last year, he said.

There are now 35 life insurance and 46 non-life insurance companies active in the country. Of them, 49 are listed with the stock market.

Non-life ins companies can collect premium through MFS

STAR BUSINESS REPORT

Non-life insurance companies in Bangladesh have been allowed to collect premiums through mobile financial service (MFS) providers, as the Insurance Development and Regulatory Authority (Idra) looks to enhance the industry's use of modern technologies alongside customer convenience.

Life insurance companies have been using MFS for nearly a decade to collect premiums, which is money paid by individuals or businesses in a lump sum or regularly in exchange for insurance coverage.

One life insurance policyholder, requesting anonymity, said he had started paying premiums through MFS when the pandemic arose.

"Previously, I had to go to a branch of the insurance company to deposit the premium. It used to take time and cost money. Now, I can do it instantly on my mobile phone," he said.

"Even though the pandemic is almost over, I still carry out the transaction digitally," added the policyholder who is employed in a private company and a resident of the capital's Mirpur.

However, in a December 2020 circular, Idra had barred non-life insurance companies from using MFS to collect premiums, citing that it was "to ensure discipline regarding matters pertaining to agent commissions".

Life insurance companies have been using MFS for nearly a decade to collect premiums

Earlier it was not possible to keep track of detailed information of premiums being paid though MFS, said Sheikh Kabir Hossain, president of Bangladesh Insurance Association, a forum of private insurers.

So Idra brought about some provisions and introduced the service for non-life insurers, he said.

The introduction was informed through another circular on Sunday. In it, Idra stipulated that a non-life insurer can use a maximum of 10 corporate SIMs registered in its name alongside with the insurance regulator to collect premiums.

Once paid, premiums must be transferred to any of three designated bank accounts of the company within two working days and the company will be held liable for non-compliance.

The company will be able to withdraw the premiums solely through its bank accounts while refunds to customers can be made either through bank drafts or pay orders.

A premium can be accepted only after relevant information, such as of the insurance policy concerned, is sent to Idra's unified messaging platform.

Launched in 2019, the unified messaging platform aims to connect customers and insurers, increase accountability, provide regular premium-related information to customers and create a customer database.

According to Idra, the insurance sector collected around Tk 16,812 crore in premiums in 2022, up nearly 17 percent year-on-year even amidst the pandemic and Russia-Ukraine war.

Life insurance drew Tk 11,399 crore and non-life the rest.

Currently premiums of more than

READ MORE ON B3

LEATHER FOOTWEAR exports fall to five-year low

JAGARAN CHAKMA

Bangladesh's leather footwear industry saw its export earnings fall to a five-year low of $141.83 million in the first quarter of the current fiscal year due to a decline in export orders from the Eurozone in the face of the ongoing economic crisis.

According to data from the Export Promotion Bureau, there was a 32.77 percent decline in year-on-year export earnings.

The leather footwear industry shipped goods worth $210.96 million in the corresponding period of the last fiscal year. Even during the Covid-19-affected period between July and September of FY 2020-21, $148.36 million worth of shipments were made.

"The new fiscal year started with negative growth of leather footwear as export orders are declining," said Dilip Kajuri, chief financial officer of Apex Footwear Limited.

According to Kajuri, Apex's exports fell by 58 percent in September and 37 percent in August compared to the same months last year.

"We do not know how much it will decline in October," he noted.

He added that there was usually a rush of shipments around this time, especially in the pre-pandemic period, but the scenario was quite different now since there were no export orders in hand for the next three months.

Regarding the continuous decline of export orders, Kajuri blamed economic conditions in the Eurozone, which is vulnerable due to the impact of the Russia-Ukraine war.

For the continuous decline of export orders, sector people blamed economic conditions in the Eurozone, which is vulnerable due to the impact of the Russia-Ukraine war

"We are worried about how the factory will run if the situation does not improve," he said, adding that they had already shuttered their non-leather shoe manufacturing unit due to a lack of export orders.

According to Kajuri, around 5,500 workers are employed at their export-oriented factory.

"We do not know what is going to be the fate of the workers," he lamented.

Against this backdrop, the government's imposition of a pre-profit source tax of around 77 percent on export-oriented products is an added burden.

Kajuri said that companies were willing to pay taxes, but the government should think about how to keep such businesses alive.

Abdus Samad, assistant general manager of Akij Footwear Ltd, said their orders were stable despite growth being slightly slow.

"As a medium-scale company, we are managing exports at any cost. But big companies are facing trouble due to export orders declining," he noted.

Mohammed Nazmul Hassan Sohail, senior vice-president of the Leathergoods and Footwear Manufacturers & Exporters Association of Bangladesh, said exports declined as people in the Eurozone were reluctant to purchase luxury items such as leather shoes.

He added that global brands did not accept local leather as the non-functional Central Effluent Treatment Plant (CETP) in the Savar Tannery Industrial Complex does not have a Leather Working Group (LWG) certificate.

He also alleged that unnecessary harassment and anti-export policies of the National Board of Revenue (NBR) created a hurdle to shipping leather footwear, which deterred new investors.

He further noted that high interest rates on bank loans led to an increase in overhead costs, which is also hampering exports.

"If these challenges can be dealt with, the leather footwear sector will be able to export goods worth at least $5 billion by 2026, creating at least one lakh employment opportunities," Sohail stressed.

Md Akter Hossain, vice-president of Tannery Worker Trade Union, Dhaka division, alleged that tannery owners focused solely on profits and did not pay heed to workers' welfare.

He also alleged that the government had failed to address major problems despite frequently committing to resolving them.

Are we over-communicating with our customers?

EKRAM KABIR

In a world that is exceedingly inundated by messages, it is, perhaps, time for businesses to think about whether we are over-communicating with our customers.

When email came to this land as a communication tool, we were hyper-happy to engage ourselves in email marketing because we could reach the maximum number of customers or potential customers with no cost or least cost. The practice still continues.

When text messages entered the market as another tool, we became obsessed with it. Initially, texting was an effective tool, but now text marketing has become synonymous with stress-evoking communication after all these years.

Many these days complain that they often receive four to five promotional texts from companies in a single day. We are now in an SMS-frenzy environment.

Ask any company's IT inventory about how many messages it sends out every month. They will most likely not be able to confirm the number. They simply send them out because they think it is easy to promote their products and achieve their KPI (key performance indicator).

However, when the question of effectiveness arises and how the messages help maximise the sales, there will be doubtful answers. Some companies try to analyse the data, but it does not deter them from sending too many text messages.

Texts matter regarding financial transactions, and customers are happy to receive them. There are signs in the market that they are picking up communication fatigue when they receive too many promotional messages.

In multiple cases, many companies are seen sending the same messages on multiple channels such as WhatsApp, Viber and Imo. It would be unwise to think that we are successful in making the customers see or read the message by doing so.

Over-communication can easily turn into noise, something that may annoy customers. This is the digital age and customers' attention is precious. We often hear that people only have the patience to watch a video for 30 seconds in social media environments.

This author tried to find out whether any market research company or any agency has done any survey on communicating with customers in Bangladesh. There is hardly any. While running brand equity surveys for various companies, the agencies must remember to ask questions about over-communication.

One agency researched social media users' feedback this year, but the survey was related to adverts. It found that nearly three out of four users (74 percent) thought there were too many ads on social media.

Among the adults (over 35 years), the proportion is 78 percent. Sixty-three percent of users said they only see a few things advertised repeatedly. Forty-four percent of users found the ads to be irrelevant to their needs. Among the aged 35 and older, it is 51.

Communication must be relevant and meaningful. Take telephone marketing, for example. The sellers of FDR, sea fish, internet, real estate etc., call indiscriminately, and they need to know when to call. You will find hundreds of people who have saved these numbers as 'do not receive'.

The issue of over-communication needs to be taken seriously because it makes it difficult for the audience to track and remember, and ultimately, the businesses gain little or nothing.

The author is a communications professional

How China-West tensions will shape global markets

REUTERS, *London*

Tensions between the West and China are rising, from tit-for-tat trade tariffs to tech rivalry and spying allegations.

The ramifications for global markets are significant, with Washington and Beijing's determination to loosen dependence on each other fraying long-established supply chains.

That could help keep inflation and interest rates elevated. Still, there are gains for emerging nations and tech giants on the right side of the power battle.

Here's how Western-China tensions are shaping markets.

US President Joe Biden is determined to bring manufacturing in strategic sectors such as electric vehicles and semiconductors back home.

TSMC, the world's largest chipmaker, is moving some production to Germany to satisfy multinationals' need to diversify supply chains from China.

Goldman Sachs research found that bringing production home may have inflationary repercussions, particularly if Western manufacturing does not ramp up quickly enough to offset declining imports.

"We built a globalised world for a reason, it was efficient and cheap," said Wouter Sturkenboom, chief investment strategist for EMEA and APAC at Northern Trust.

"If we unwind some of that, it will add cost."

Prolonged US inflation also means rates staying higher for longer, boosting the dollar.

A stronger dollar can export inflation to resource-

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PHOTO: AFP

Oil pumpjacks operate in Los Angeles, California. The Opec pumped 27.73 million barrels per day in September, up 120,000 bpd from August.

Opec oil output rises for 2nd month

REUTERS, *London*

Opec oil output rose for a second straight month in September, a Reuters survey found on Monday, led by increases in Nigeria and Iran despite ongoing cuts by Saudi Arabia and other members of the wider Opec+ alliance to support the market.

Last month, the Organization of the Petroleum Exporting Countries pumped 27.73 million barrels per day (bpd), the survey found, up 120,000 bpd from August. Production in August had risen for the first time since February.

The rise in September was led by Nigeria, which has been battling with crude theft and insecurity in its oil-producing region. Iran, which has been boosting supply despite US sanctions, also pumped

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