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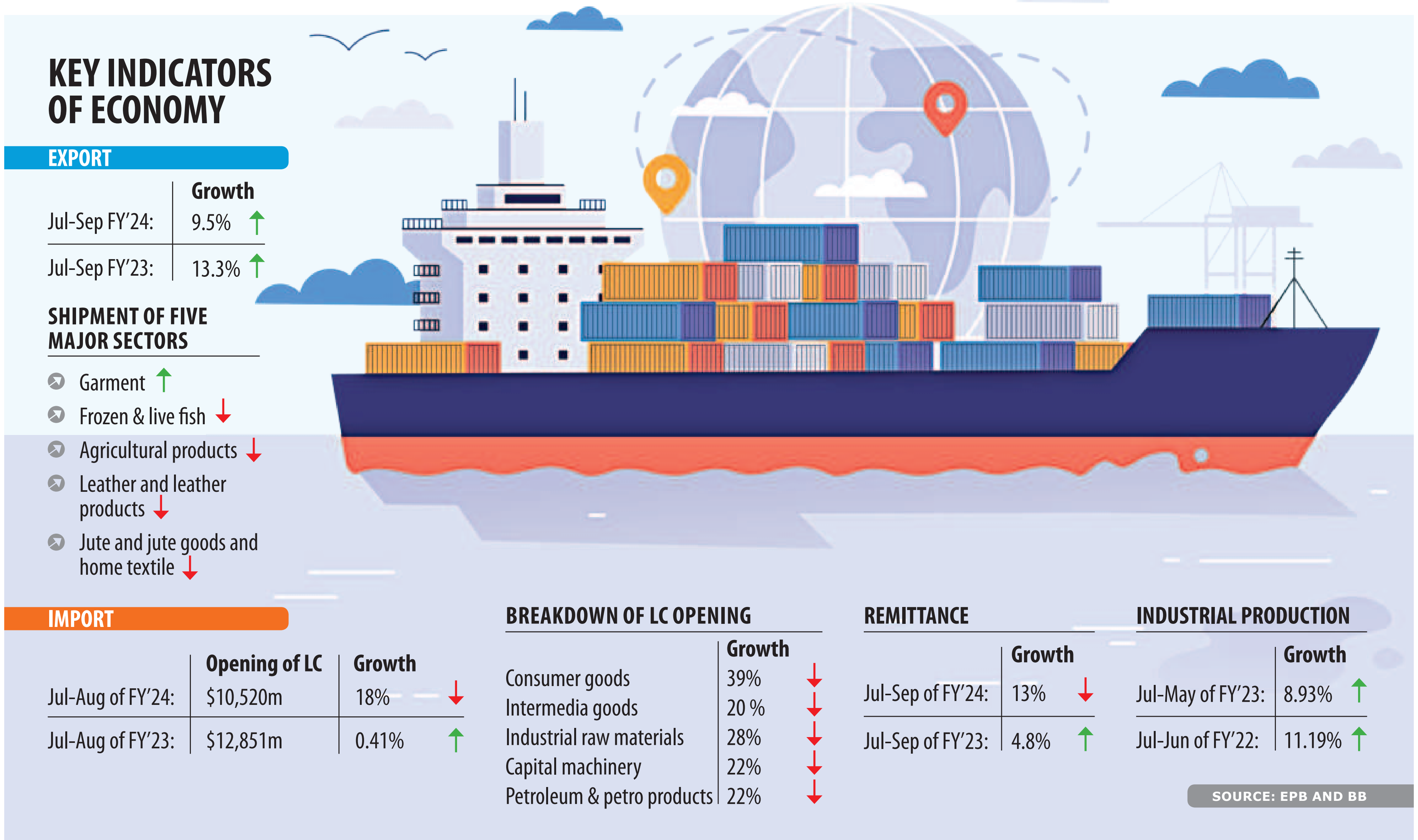
Star BUSINESS

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.

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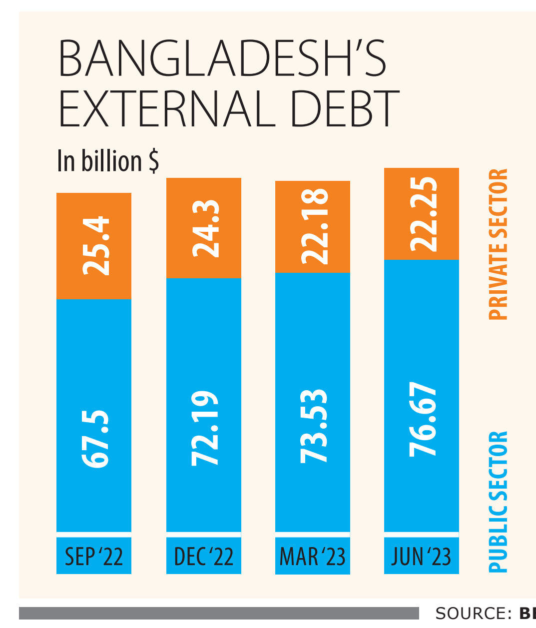

Weak batch of data paints economy's deepening woes

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.

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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.

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STOCKS

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

COMMODITIES

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

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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.

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