A farmer takes his harvest of sugarcanes over the Belua river for sale at a market in his locality of Boithaka village in Pirojpur's Nazirpur upazila at around Tk 40 to Tk 50 apiece. Primarily cultivated for its juice from which sugar is processed, the perennial grass is planted in the October-December period and takes around a year to reach maturity. Around 3,087,428 tonnes were produced on 178,561 acres of land around the country in fiscal year 2021-22, according to data of the Bangladesh Bureau of Statistics. The photo was taken recently.

PHOTO: KM HABIBUR RAHMAN

Prepare now for challenges of post-LDC era

Suggests South Korean Ambassador Park Young-sik

STAR BUSINESS REPORT

The government of Bangladesh needs to increase the productivity of its manufacturing sector to make use of potential opportunities after graduating from a least developed country (LDC), according to Park Young-sik, the ambassador of South Korea to Bangladesh.

"Bangladesh is marching towards LDC graduation in 2026 and this journey offers great opportunities. However, overcoming challenges that may come with the transition requires a lot of hard work from the country's public and private sectors," he said.

For example, increased exposure to global competition without thorough preparations could bring down the existing domestic industries, Park added.

He made these comments at a seminar, styled "Korean Investors CSRs Activities and Investment Outlooks", at the InterContinental Dhaka yesterday.

The South Korean embassy in the capital's Gulshan organised the event in celebration of the 50th anniversary of establishing diplomatic relations between the two countries.

Park said Bangladesh needs to consolidate and diversify its export base. This is because at present, more than 85 percent of the country's exports are cotton-based garments while shipments of synthetic apparel items are less than 15 percent.

"But the global market is exactly opposite. Increasing exports of synthetic garments requires huge capital and advanced technology. Here, there is room for garment companies of both countries to cooperate," he added.

Park also said Bangladesh has immense potential for infrastructure development and he hopes that ongoing projects in the country will make significant contributions to this end.

"We aspire to become a vital partner in Bangladesh's infrastructure journey, as we have done in the garment sector," he added.

Park pointed out that while South Korean brands like Samsung and Hyundai have started assembling their products in Bangladesh, they are struggling in face of high customs duties on raw materials and intermediate goods.

Overcoming challenges that may come with the transition requires a lot of hard work from the country's public and private sectors, the envoy said

Besides, the rampant smuggling of mobile phones and deluge of second-hand cars in the market are also impeding the commercial activities of these companies.

Lokman Hossain Miah, executive chairman of the Bangladesh Investment Development Authority (BIDA), said South Korea is the 4th largest foreign investor in Bangladesh with a portfolio of $1.45 billion.

"Our bilateral trade crossed $3 billion in 2022, up 39 percent from previous year," he added.

South Korea is also increasing its development fund to Bangladesh, which now stands at $3 billion.

"This is very positive for local infrastructure development," Lokman said while informing that more than 200 South Korean companies are operating in the country.

"Korean investment, technology and knowledge has supported many of our sectors, including garments, infrastructure, electronics and electrical engineering," he added.

Jashim Uddin Khan, director of BIDA, Sam Sik Kim, country director of the Korea Trade Investment Promotion Agency, and Shahamin Zaman, chief executive officer of the CSR Centre in Bangladesh, also spoke.

Germany to suffer deeper recession: IMF

AFP, *Frankfurt, Germany*

Germany will suffer a deeper recession than previously thought, the International Monetary Fund said Tuesday, predicting that Europe's traditional growth engine will be the worst performing major economy in 2023.

The German economy, buffeted by high inflation and a manufacturing slump, is now expected to shrink by 0.5 percent this year, the IMF said.

It had forecast a 0.3-percent contraction back in July.

Europe's largest economy will be the only one of the Group of Seven rich nations not to grow this year, the updated forecasts confirm.

Germany faces multiple headwinds including "weakness in interest-rate-sensitive sectors and slower trading-partner demand", the IMF said in its latest report.

The country -- which tipped into a recession at the start of 2023 and stagnated in the second quarter -- is headed for another "slight economic contraction" in the second half of the year, according to the IMF.

The Washington-based institute sees Germany rebounding in 2024, but downgraded its expectations to 0.9 percent growth from July's 1.3 percent.

Germany's troubles are set to act as a drag on eurozone growth, with the IMF slightly lowering its 2023 forecast for the 20-nation currency club to 0.7 percent growth.

Germany faces multiple headwinds including "weakness in interest-rate-sensitive sectors and slower trading-partner demand", the IMF said

There was better news for eurozone heavyweight France where a "catch-up in industrial production and external demand" led the IMF to predict 1.0 percent expansion for 2023, up from 0.8 percent previously.

But fellow G7 member Italy, grappling with inflation stubbornly above the eurozone average, saw its growth prediction slashed by 0.4 percentage points to 0.7 percent.

Elevated energy prices linked to Russia's war in Ukraine, higher borrowing costs as a result of the European Central Bank's interest rate hikes to cool inflation, and weaker demand from China are all taking a toll on export powerhouse Germany.

The end of cheap Russian gas imports has rattled Germany's energy-intensive sectors in particular, provoking much hand-wringing about a potential de-industrialisation as companies mull whether to move production abroad.

At the same time, the European Union's most populous nation is confronting structural problems such as an ageing society and a shortage of skilled workers.

The anxiety has prompted some media outlets to speculate about Germany's re-emergence as "the sick man of Europe", a label from the late 1990s when the country grappled with the costly fallout of reunification.

The German government will unveil its own autumn forecasts on Wednesday.

China funds look to Mideast cash as US investments wane

REUTERS, *Hong Kong*

Chinese funds are seeking new capital sources in the Middle East and other markets, managers say, in a shift that could reshape investment flows as diplomatic tensions and other risks drive many US investors out of the country.

Seven China equity funds, including hedge funds and mutual funds, running more than $500 billion in combined assets, told Reuters they visited the Middle East this year to raise money, three of them for the first time.

Mideast investors are also keen to allocate more resources to China as they can benefit from lower valuations and the effects of government stimulus to support the recovery. The retreat by US investors and businesses out of China due to a host of risks has in turn prompted Chinese funds to look elsewhere to lessen their reliance on US investment.

The search for new capital could affect Asia's hedge fund scene, where China firms account for more than half the market. Brokers and ancillary firms could change their focus to provide for Middle East-related services.

"In the past perhaps the holy grail of capital raising was the US," said Effie Vasilopoulos, co-Leader of law firm Sidley Austin's Asia-Pacific investment funds group.

"But if the US investor leaves, there is a real focus on replacing that with other capital that is de-risked to this US-Sino tension. So that dynamic is leading many of our clients to the Middle East."

Managers of four of the seven funds visiting the Middle East spoke on condition of anonymity, as they have not yet drawn new investment.

But the warm reception has managers sensing a deeper shift.

"Sentiment (towards China) is most positive among Middle East investors relative to other investor groups," said Steven Luk, CEO of FountainCap Research & Investment, one of the seven funds who visited the Middle East this year.

The Chinese national flag is seen in front of a financial district in Hong Kong, China.

PHOTO: REUTERS/FILE

Long-term USD loan facility

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The central bank unveiled the new fund as the financial sector support project (FSSP), a joint initiative of the World Bank and Bangladesh Bank, expired recently.

Under the FSSP project, the country's banks financed $273.76 million to 56 companies in the industrial sector and $115 million of the disbursed funds have already been recovered, said a senior official of the central bank.

He said that the BB started the refinance fund with the recovered $115 million.

A borrower can apply for BB-LTFF for any amount not exceeding a maximum threshold limit of $5 million through a single PFI and for any amount not exceeding a maximum threshold limit of $10 million under syndicated financing through two or more PFIs.

The maturity of the loans will be three to 10 years, including the grace period. The grace period will not be more than one year.

An indicative pricing range of 180-day average SOFR plus 0.25 to 1.25 percent would be applicable to the PFIs.

25 banks keep

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Community Bank was registered as a scheduled bank in 2018 while Bengal Commercial and Citizens Bank were awarded their licences in 2020.

Meanwhile, it is mainly foreign banks operating in the country that maintained low NPL rates through good governance, the official added.

On the other hand, the NPL rate of Global Islami Bank, previously known as NRB Global Bank, is 2.31 percent as the shariah-compliant lender is facing a tight liquidity situation.

Among state-run banks, only Sonali Bank was able to reduce its bad loans by recently adopting a go-slow strategy for disbursing large loans.

The NPL rate for Sonali Bank stood at 14.93 percent as of June, down from 17.69 percent a year ago.

NPLs in the banking sector hit a record of Tk 156,039 crore as of June this year, central bank data shows.

Loans amounting to Tk 24,419 crore turned sour in just the April-June period of the current year.

During those three months, BRAC Bank, Pubali Bank, Prime Bank, City Bank and Sonali Bank were among the few lenders able to reduce their bad loans while it increased for the majority.

The NPL rate of BRAC Bank stood at 3.52 percent in June, down from 3.83 percent a year ago.

"Our recovery team is very strong. That is why we are able to maintain our NPL rate below 5 percent," said Selim RF Hussain, managing director of BRAC Bank.

He said BRAC is an SME-focused bank and the repayment behaviour of small-and-medium borrowers is better than that of large ones.

"Good governance is the main factor in the banking sector," said Faruq Mainuddin, former managing director of Trust Bank.

But while some are seeing low NPL rates thanks to good governance, others are enjoying the same by sweeping their actual figures under the carpet.

"A majority of lenders, including state-run banks, are facing several challenges due to a lack of good governance," he added.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, said that a good board of directors and management team are needed to become a sound bank.

"A good board of directors is vital as they can bring on a good and skilled management team," said Mansur, also the former chairman of BRAC Bank.

He said that in most cases, NPL rates are high at banks where the board of directors interfere with management activities.

"It is possible to bring down the NPL rate if the functions of the board of directors and management team are set properly," Mansur added, citing BRAC, Pubali and EBL as examples in this regard.

Against this backdrop, he suggested the central bank be more thorough when investigating the background of those looking to set up a bank in the country.

It should be mentioned that the NPL rate of 36 banks was below 5 percent as of June last year, indicating a growing number of default loans in the banking sector.

Tk 7,000cr scheme for farm sector

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The agriculture ministry looks to promote the accreditation of seed certification and food safety testing processes while also modernising institutions and policies under the programme, the summary said.

Apart from the World Bank, which is providing $500 million credit for the programme, the International Fund for Agricultural Development will give $43 million. The rest will come from the government coffers.

The scheme will be implemented in over 4,500 unions of around 495 upazilas in Bangladesh, it added.

Now IDB pulls out

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to The Daily Star's phone calls for comment till filing of this report last night.

The newspaper could not get confirmation whether the IDB sold off its entire shares with Islami Bank.

State-run non-bank financial institution Investment Corporation of Bangladesh had sold its entire shareholdings in the bank in June this year.

In July, three firms -- Armada Spinning Mills Limited, Kingsway Endeavors Limited and Uniglobe Business Resources Limited -- sold off their entire stake of over 14 crore shares.

A few days later, Saudi investor Arabsas Travel & Tourist Agency withdrew its directorship from the board.

S Alam Group had taken over the lender, the country's oldest Shariah-based bank, in 2017.

In July this year the bank informed that Ahsanul Alam, nominated by JMC Builders, was appointed as shareholder director and chairman of the bank. Alam is son of S Alam Group's Chairman Mohammed Saiful Alam.

Islami Bank is now facing a liquidity crisis after loan irregularities of the bank came to light following media reports last year.

The bank had approved Tk 7,246 crore in loans to nine companies that exist only on paper, as per the reports.

In December last year, Bangladesh Bank re-appointed an observer at Islami Bank.