Star BUSINESS

Sales of heavy-duty trucks fell 34 percent year-on-year in January-September this year due to shrinking economic activities and higher prices

Story on B4

Square Pharma going for Tk 400cr expansion

STAR BUSINESS REPORT

Square Pharmaceuticals PLC, the country's biggest drug maker, has announced its plan to invest Tk 400 crore for expansion.

The funds would be used for BMRE (Balancing, Modernisation, Rehabilitation and Expansion), and the purchase of capital machinery and land for the future expansion of its business, according to a filing on the Dhaka Stock Exchange (DSE).

The board of Square Pharmaceuticals approved the investment decision at a meeting yesterday, where it also recommended a 105 percent cash dividend for the shareholders for the year that ended on June 30.

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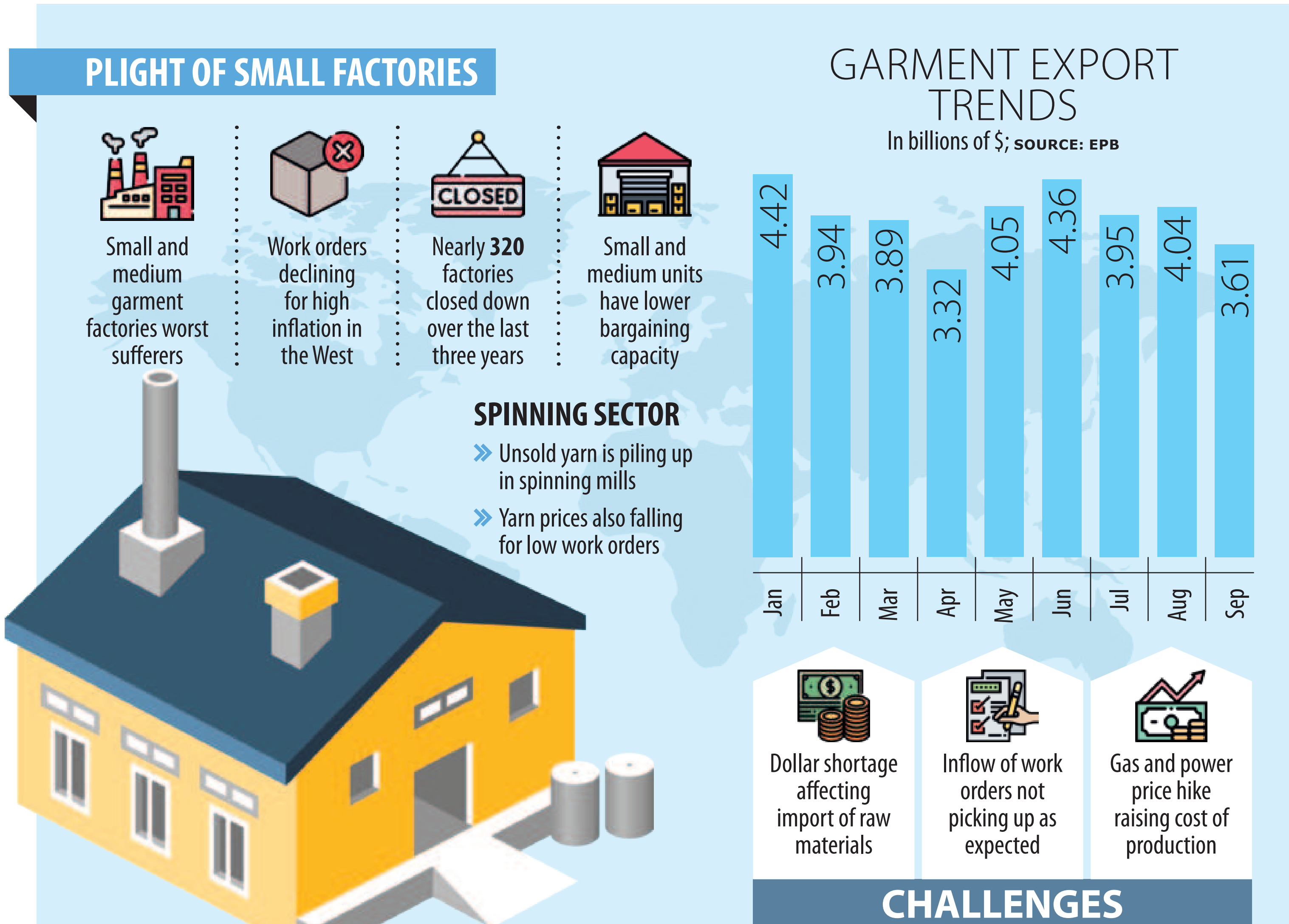

Small garment units in a tight spot

They face rising production cost, falling work orders

REFAYET ULLAH MIRDHA

Small and medium-sized garment factories in Bangladesh are finding it increasingly difficult to keep their heads above water amid the rising cost of production and a fall in work orders from international clothing retailers and brands.

A key cog of the apparel supply chain, SMEs are particularly vulnerable under the current volatile situation since their financial position is not that strong like their larger peers and the persistently low level of orders may force them out of business.

The crisis for them is not new but what is worrisome is that it is worsening day by day since the external and internal factors responsible for their lingering peril are not going away.

Following the outbreak of the Russia-Ukraine war, the inflow of work orders to Bangladesh started declining as the global economy, which was still facing the impacts of the coronavirus pandemic, has been witnessing one of the toughest times in recent memories because of record inflation in the western world and higher global commodity prices.

The twin crises have hit the consumers in the US and the European Union, the two main export destinations for the second-largest apparel supplier in the globe.

SME suppliers have also been the worst victim of the low prices being offered by global buyers since they will not survive if they accept the reduced rates.

Larger units can afford to agree to cater the demand on the back of their strong financial health even when the rates are lower than the production cost.

Md Ehterab Hossain, managing director of Base Fashion, says his factory usually remains flooded with orders between October and December.

SMEs are particularly vulnerable under the current volatile situation since their financial position is not strong like their larger peers.

"The order equals to about 70 percent of capacity this year."

The factory exports T-shirts, polo shirts and running clothes mainly to Germany and Spain and employs 1,200 workers.

Currently, the factory is booked up to December whereas it sat on piles of orders up to March and April in the past.

Hossain's plight did not end there: his buyers are also delaying placing fresh orders because of the volatile economic situation globally and the drop in retail sales.

In Bangladesh, the cost of production has increased nearly 20 percent over the last one year mainly because of a 100 percent hike in gas and petroleum prices in the domestic markets since the prices of yarn and transport costs have gone up, manufacturers say.

However, international buyers have not increased the prices of the garment items they source from the country, which shipped nearly $47 billion worth of products in the financial year that ended on June 30.

Ahmed F Rahman, chairman of Kappa Fashion Wears Ltd, says the capacity of the factory can't be utilised fully owing to the decline in export orders.

He added although the cost of doing business has increased for him by nearly 15 percent over the last one year, the prices of the garment items did not increase.

"It is very difficult time for us. The business had picked up after the impacts of Covid-19 eased, but the situation has turned worse again."

M Shahadat Hossain Sohel, managing director of Towel Tex Limited, which has employed 500 workers, says after the deduction of the cost of production, much is not left in terms of profits.

"It is better to leave the business. However, we can't do so now since a lot of money has been invested."

AK Azad, chairman and chief executive officer of Ha-Meem Group, one of the largest garment units in Bangladesh, says all SMEs are in big trouble as the inflow of work orders declined due to the volatile economic situation.

The order is relying on the prospective sales linked to Christmas, Thanksgiving Day and

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Sri Lanka inflation eases to 0.8% in Sep

REUTERS, *Colombo*

Sri Lanka's consumer price inflation rate eased to 0.8 percent year-on-year in September from 2.1 percent in August, the statistics department said on Monday.

The National Consumer Price Index captures broader retail price inflation and is released with a lag of 21 days every month.

Food prices fell 5.2 percent in September after declining 5.4 percent in August, from a year earlier, the Department of Census and Statistics said in a statement.

Prices for non-food items, however, climbed 5.9 percent in September after rising 9 percent year-on-year in August.

Sri Lanka experienced record high inflation after its economy was pummelled by the worst financial crisis in decades.

But since June, its inflation has come down sharply, partly due to the statistical base effect, but also helped by a stronger rupee currency, and improved harvests.

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Take fiscal measures to address inflation

Sanem suggests

STAR BUSINESS REPORT

Although Bangladesh Bank is taking several initiatives to reduce inflation, only implementing monetary policies is not enough as fiscal policies also play a big role in this regard, according to the South Asian Network on Economic Modeling (Sanem).

In a bid to step up its fight against ongoing inflationary pressure, the central bank hiked the policy rate by 75 basis points to 7.25 percent earlier this month.

But to expedite the process, Sanem suggested to officials of the finance ministry that taxes on imported goods should be lowered as it would directly impact prices in the domestic market.

Central bank officials yesterday met with Selim Raihan, executive director of Sanem, and Sayema Haque Bidisha, research director, as a part of their move to take opinions from local economists on how to address current economic challenges.

Taxes on imported goods should be lowered as it would directly impact prices in the domestic market, Sanem said.

Abdur Rouf Talukder, governor of Bangladesh Bank, and Khairuzzaman Mozumder, finance secretary, were present at the meeting, where Md Habibur Rahman, chief economist, presented a paper on the country's economic condition.

"We suggested the finance secretary to reduce the tax on importing goods where there is scope to do so," Raihan told The Daily Star after the meeting.

Inflation fell by 0.29 percentage points in September from the previous month, but it is still as high as 9.63 percent.

Inflation stood at 9.92 percent in August, according to data of the Bangladesh Bureau of Statistics.

Raihan said the ongoing inflation is a concern and it is hampering the food security of many people.

Echoing the same, Bidisha said that inflation will have to be controlled through both monetary and fiscal policies.

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STOCKS

DSEX ▲	CASPI ▲
0.02%	0.01%
6,277.89	18,591.75

COMMODITIES

Gold ▲	Oil ▼
$1,976.49 (per ounce)	$87.65 (per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 1.26%	▼ 0.83%	▼ 0.76%	▼ 1.47%
64,571.88	30,999.55	3,053.36	2,939.29

ADP EXECUTION AHEAD OF POLLS

Local govt outspends all other ministries, divisions

REJAUL KARIM BYRON *and* MD ASADUZ ZAMAN

Ahead of the upcoming national elections, the local government division (LGD) has spent more money from the annual development programme (ADP) than other major ministries and divisions.

In the July-September period of the current fiscal year of 2023-24, the LGD managed to spend Tk 4,376 crore, a 24 percent increase compared to the same period of the previous fiscal year, according to data from the Implementation Monitoring and Evaluation Division (IMED).

A majority of the top 15 allocated ministries and divisions could not spend more than the previous year in the same period.

Since the start of the current fiscal year, the LGD has started to spend more. Development spending in July, the first month of the fiscal year, was the highest in four years on the back of enthusiastic fund utilisation by the LGD.

"It's not unfair to assume that it may have been driven by the election," noted economist Zahid Hussain told The Daily Star yesterday about increased spending by the LGD.

Selim Raihan, a professor of economics at the University of Dhaka, said that the LGD usually takes on small projects but spends more than other ministries. Ahead of the election, this spending increases.

"Since the country's inflation is now elevated, if the LGD spends a higher amount, it may instigate further inflation," said Raihan.

Abul Kashem Md Mohiuddin, secretary to IMED, said LGD's higher spending was not related to the upcoming election.

In July-September of FY24, the LGD managed to spend Tk 4,376 crore, a 24 percent rise year-on-year

"It's not a common trend since there are a number of projects being implemented by them," said Mohiuddin.

The government is working in rural areas according to plan, aiming to give them urban status by constructing bridges and culverts, he added.

Due to delays of government projects in the power sector, the government has to purchase power at a higher rate from the private sector. As a result, a huge amount is spent on capacity charges.

Despite this being the case, the power division's spending decreased in the first

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