



Bangladesh has nearly 100 oceangoing ships thanks to tax and VAT benefits that encouraged entrepreneurs to expand their capacity in recent years.

PHOTO: COLLECTED

Shipowners see little benefits from taka depreciation

SOHEL PARVEZ

The devaluation of taka has increased competitiveness of Bangladesh's oceangoing ships but operators cannot take full advantage as they have to spend most of their revenue for fuel and other expenses to operate the vessels in international waters, sector people said.

The Bangladeshi currency lost over 28 percent of its value against the US dollar since January last year, which has created scope for the sea freighters to accept even lower rates than in the past. All these are happening because of the exchange rate.

The present exchange rate is Tk 110.5 for a dollar whereas it was roughly Tk 86 for every greenback in January 2022.

The higher rate of dollar is good for

the ship operators, Mohd Mehrul Karim, CEO of SR Shipping, a concern of KSRM Group, told The Daily Star.

"But when it comes to investment, we also have to spend higher to get dollar and we become badly affected," he said.

The Chattogram-based group, which has a fleet of 25 bulk carriers, recently bought two bulk ships of 66,600 deadweight tonnage capacity and it is in the process of buying another three vessels.

"So, in terms of expenditure we are on the negative side," he said, but added that there would be some benefit for the depreciation of the taka against the dollar.

The official made the comments at a time when shipping freight rates have fallen globally amidst a slowdown in the world economy.

"The market is not really encouraging

at present," Karim said.

Local value addition of oceangoing ships is very low, as they have to pay in dollars—except for Bangladeshi crews—to buy fuel and maintain other operational costs, said Md Jahangir Alam, chairman of MI Cement Factory Ltd.

MI Cement Factory operates three oceangoing ships, according to the data of the Bangladesh Ocean Going Ship Owners' Association (BOGSOA).

"Oil prices have gone up and we have to buy fuel at higher prices now than the past. So, a good portion of our freight earnings is spent abroad to bear the expenses," he said.

Alam said the oceangoing ship owners would benefit if the freight rates increase and oil prices falls. "We need both."

Earlier this week, Azam J Chowdhury,

chairman of BOGSOA, which represents private sector ship owners, said there is very low possibility of seeing a further drop in the sea freight rates.

Rather overall freight rate may increase as the Suez Canal authorities may hike fee for ships passing the canal, he said.

The supply disruption caused by the Israel-Hamas conflict might fuel oil prices to rise further, he added.

He said the oceangoing ship owners are now one of the largest contributors of remittances for Bangladesh.

The devaluation of the taka helped the operators as their earnings in taka have increased at present compared to the past.

Bangladesh has nearly 100 oceangoing ships thanks to tax and VAT benefits that encouraged entrepreneurs to expand their capacity in recent years.

ICC-B suggests climate-smart farm practices

STAR BUSINESS DESK

The International Chamber of Commerce-Bangladesh (ICC-B) has suggested the government adopt climate-smart agricultural practices to improve the resilience and sustainability of the agriculture sector.

The chamber made the recommendation in the July-September issue of its quarterly news bulletin, where it discussed the threat of climate change to global food security and agricultural productivity.

The bulletin cites various reports and studies that show how climate change is reducing crop yields, nutritional quality and livestock performance, highlighting the need for more investment in adaptation measures.

These measures are particularly important in the agriculture sector, which is very vulnerable to climate change, it said.

"Agriculture is highly sensitive to temperature changes and extreme weather events, so even a limited temperature rise (1.5°C) will have a big impact," it said, adding that the agriculture sector is one of the key economic pillars of Bangladesh

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ICC-B said Bangladesh is responsible for only 0.4 percent of global greenhouse gas emissions, which is insignificant compared to other mega-industrial economies.

"But Bangladesh is high on the list of countries most vulnerable to climate change. High population density, poverty and reliance on climate-sensitive sectors for water and food security, particularly water resources, agriculture, fisheries and livestock, increase its vulnerability to climate change," it said.

The World Bank 2020 report states that nearly 690 million people are hungry, up by nearly 60 million in five years, while the ADB states that climate change is already impacting agriculture and food production in developing countries in Asia and the Pacific.

The editorial also refers to a recent study by Standard Chartered Bank, which shows that by investing \$12 billion in adaptation by 2030, Bangladesh could prevent projected damages and loss of GDP growth amounting to \$11.6 billion.

Qatar Airways CEO to retire

REUTERS, Doha

Akbar Al Baker, one of the airline industry's most outspoken leaders, is retiring as chief executive of Qatar Airways after almost three decades at the helm of the state-owned carrier, according to a memo seen by Reuters on Monday and a source.

Al Baker will be succeeded by Badr Mohammed Al Meer, currently chief operating officer of Hamad International Airport, the source familiar with the matter said.

Al Baker's resignation was announced to staff in an official circular, seen by Reuters, from Chairman Saad Sherida Al-Kaabi who paid tribute to his "27 years of remarkable service". Qatar Airways could not immediately be reached for comment.

Al Baker was appointed CEO in 1997, three years after the airline's launch, and has been instrumental in transforming Qatar Airways into a major international carrier that competes against the likes of Dubai's Emirates and Turkish Airlines.

He also became synonymous with a shift in the global aviation map towards the Gulf, as carriers swept up passengers transiting between East and West, and regularly clashed with US and European airline chiefs on trade and labour issues.

Al Baker frequently made headlines by goading Western plane giants Airbus and Boeing over their strategies, or factory workmanship, and led the airline during a bitter recent dispute with Airbus over damage to the surface of A350 aircraft.

Airbus and Qatar Airways settled at the end of January, averting a rare and potentially damaging UK court trial in the jet sector. Speaking earlier this year in Berlin, Al Baker called the settlement a "win-win".

UK budget deficit smaller than expected

REUTERS, London

Britain recorded a smaller-than-expected budget deficit in September, a minor boost for finance minister Jeremy Hunt as he grapples with tough economic constraints ahead of a budget update next month.

Public sector net borrowing, excluding state-owned banks, was 14.347 billion pounds in September, the Office for National Statistics (ONS) said on Friday.

A Reuters poll of economists had pointed to public sector net borrowing, excluding state-owned banks, of 18.3 billion pounds.

Government borrowing between April and September, the first half of the 2023/24 financial year, totalled 81.7 billion pounds, 15.3 billion pounds more than in the first half of the previous financial year.

But with half of the fiscal year gone, borrowing is still running about 20 billion pounds less than the Office for Budget Responsibility had forecast at this point in March.

The Resolution Foundation think tank said high inflation had pushed up the nominal value of the government's tax receipts, which on the face of it was a short-term fiscal boost for Hunt ahead of his budget update on November 22.

"However, this short-term gain is likely to be more than offset by longer-term pain as the impact of higher interest rates continues

to push up borrowing costs over the coming years," said Cara Pacitti, senior economist at the Resolution Foundation.

"Together, this is likely to reduce the Chancellor's already limited room for manoeuvre as he uses his Autumn Statement to prepare the economic pitch for next year's General Election."

Hunt said last week higher interest rates were likely to cost Britain an extra 20 billion to 30 billion pounds a year, and has all but ruled out near-term tax cuts, saying the government needed to prioritise bringing down inflation.

Friday's figures showed a sharp reduction in debt interest costs in September alone, thanks to a fall in the retail prices index - the benchmark for inflation-linked government bonds - last month.

Still, in his response to the data, Hunt highlighted the fact that debt interest costs had doubled last year.

"This is clearly not sustainable, we need to get debt falling," he said.

The health of the economy remains a source of anxiety for policymakers. Separate ONS data on Friday showed retail sales volumes dropped sharply in September, while the GfK measure of consumer confidence also dived.

Many members of Hunt's Conservative Party want him to announce plans to lower taxes before national elections which are likely to be held some time in 2024.

Square Pharma

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Operational since 1958, Square Pharma is the flagship company of one of the leading conglomerates in Bangladesh, Square Group. It produces a vast range of drugs for both local and international markets.

In FY23, it clocked a revenue of Tk 1,898 crore, registering a year-on-year growth of 4.5 percent from Tk 1,819 crore in the previous year.

Profits stood at Tk 1,897.89 crore in the last financial year, up 4.54 percent year-on-year from Tk 1,815.45 crore in FY22. Thus, earnings per share increased to Tk 21.41 from Tk 20.48, the filing said.

Shares of Square Pharma rose 0.19 percent to Tk 210.30 on the DSE yesterday.

Square Group's another company Square Textiles PLC reported a 41 percent decline in its profit

in FY23 owing to an increased cost of production and the sharp depreciation of the taka against the US dollar.

As such, the company recorded a Tk 114.6 crore profit in the financial year, down from Tk 195.8 crore a year ago. Therefore, the EPS plunged to Tk 5.81 from Tk 9.93.

Shares of Square Textiles closed at Tk 67.50, unchanged from a day earlier.

Its board recommended a 30 percent cash dividend for FY23 and approved a Tk 45 crore for BMRE purposes.

Square Textiles is one of the largest yarn producers in Bangladesh and makes 100 percent export-oriented viscose, tencel, modal and cotton, boasting a capacity of producing around 110 tonnes of textile raw materials a day.

Local govt outspends

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quarter of the current fiscal year compared to the previous year.

In the July-September period of this fiscal year, the power division spent Tk 2,740 crore, down 28 percent from Tk 3,790 crore compared to the same period last year.

The Ministry of Science and Technology witnessed a 74 percent downturn, spending Tk 490 crore compared to Tk 1,905 crore in the same period the previous year.

The bridges division spent Tk 925 crore, down 18 percent, while the health services division spent Tk 534 crore, down 7 percent.

"Firstly, the lower spending of these ministries may be due to the government's austerity measures," said Hussain, also former lead economist of the World Bank's Dhaka office.

"Secondly, the dollar crunch may

contribute to lower spending on government-funded projects."

Raihan added that government officials moving more slowly ahead of the general elections could be another reason behind slow project implementation.

However, the first quarter of the current fiscal saw the lowest implementation rate of the overall ADP in the last eight years, standing at 7.5 percent.

All government ministries and divisions spent Tk 20,609 crore from the ADP in the July-September period of this fiscal year.

It was Tk 21,895 crore, or 8.55 percent higher, in the same period last year.

However, the IMED secretary vowed to strengthen their monitoring to implement projects in a timely manner.

Sri Lanka inflation eases

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Sri Lanka raised power prices for households by 18 percent last week but the increase is unlikely to significantly push up inflation, analysts said.

"We expect inflation to end the year at about 5 percent. A small increase is expected as the base effect is coming to an end from September but the impact from price adjustments is not expected to be severe," said Dimantha Mathew, head of research at First Capital Research.

Sri Lanka secured a staff level agreement on the first review of

its \$2.9-billion bailout from the International Monetary Fund (IMF) last Friday but it still needs approval from the global lender's Executive Board.

The island needs to finalise debt restructuring talks with main bilateral lenders including Japan and India as well as bondholders to get past the first review and secure a second tranche of about \$330 million.

The battered economy is still expected to contract by 2 percent in 2023 after shrinking 7.8 percent last year.

Take fiscal measures

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The meeting discussed various issues, including the high inflation, falling trend of forex reserve, exchange rate, governance in the banking sector, non-performing loans and so on.

Raihan informed that central bank officials highlighted some external and internal factors behind the ongoing inflationary pressure.

"But we said the failure to make the right decisions at the right time is another reason for the ongoing pressure," he said, adding that they suggested the regulator adjust the exchange rate as needed.

The two officials of Sanem also said the inflow of remittance has fallen due to the growing hundi system and increased money laundering activities.

They said that strict monitoring for over-invoicing and underinvesting is needed as well.

Besides, the new incentive on remittance will not help in the long run as there is a gap in exchange rates between the formal and informal

markets, they added.

The Association of Bankers, Bangladesh and Bangladesh Foreign Exchange Dealers Association had on October 21 decided to provide as high as 2.50 percent as an incentive from banks apart from the government's existing cash support.

"We suggested implementing the market-based exchange rate and the central bank officials said they will introduce a new exchange rate system as per the suggestion of the International Monetary Fund," Raihan said.

"The new exchange rate system will allow fluctuation within a band of rates," he added.

Bangladesh Bank officials informed they will not be taking any further reforms ahead of the election, but massive reforms in the financial sector will be implemented afterwards.

"Still, we asked them what assurance there is that they will be able to ensure reforms after the election," said Raihan, also an economics professor at the University of Dhaka.

Small garment units

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New Year in the US and the EU, he said. The three festivals account for a major portion of the sales of garment items manufactured in Bangladesh.

The former president of the Federation of Bangladesh Chambers of Commerce and Industry also said the spike in gas and power prices is affecting the cost of production at a time when orders have fallen.

"Nearly 320 small and medium garment-sized factories have closed owing to poor inflow of orders since the beginning of Covid-19," said Md Shahidullah Azim, vice-president of the Bangladesh Garment Manufacturers and Exporters Association, a platform of apparel makers.

He particularly mentioned the case of Dird Group's lay-off recently.

"Dird Group is a good factory and it had been running very well for the last many years. But recently it

laid off workers because of the lower orders."

Like Dird Group, many other factories are suffering from the reduced work orders, an ominous sign for an industry that has created jobs for millions of workers, mainly poor.

Azim also blamed the bankruptcy of many retailers and brands in the US and the EU for the trouble at home.

For instance, UK's Debenhams had been a good sourcing company for Bangladesh. It went bankrupt in 2020 and many local suppliers are yet to receive the payments, he said.

The utility price hike is another major cause of concern for garment exporters and many of them are not even capable of opening letters of credit owing to a lack of US dollars at banks.

"As a result, apparel shipments to the US and the EU have declined in recent months," Azim said.