Plantains dominate the scene at the Jalchhatra Bazar in Tangail's Madhupur upazila. Traders are happy with the prices of the fruit this year, with each cluster of plantains currently being sold for Tk 300 to Tk 320. The picture was taken recently.

PHOTO: SAHIDUL ISLAM NIRAB

Eurozone business activity going from 'bad to worse'

AFP, *Brussels, Belgium*

Eurozone business activity slumped at a faster pace in October, resulting in job losses, a closely watched Purchasing Managers' Index (PMI) survey put out by S&P Global showed Tuesday.

The PMI score for October slumped to 46.5, lower than the revised 47.2 given for September.

A figure under 50 indicates a contraction of business activity, while one over 50 suggests growth.

"In the eurozone, things are moving from bad to worse," said Cyrus de la Rubia, chief economist at the Hamburg Commercial Bank which partners with S&P for the PMI.

"We wouldn't be caught off guard to see a mild recession in the eurozone in the second half of this year," he said.

The lacklustre reading will add to pressure on the European Central Bank to pause its succession of interest rate hikes when its governing council next meets in December.

Although eurozone inflation is still far above the ECB's two-percent target -- driven up since last year by Russia's invasion of Ukraine -- it is slowing, and economic headwinds are growing.

The PMI score has now dropped for five successive months, and was declining at the fastest pace since November 2020.

The lacklustre reading will add to pressure on the European Central Bank to pause its succession of interest rate hikes

The data showed private-sector activity in the eurozone was shrinking at the fastest rate in a decade if figures from pandemic-affected months were stripped out. New orders were plummeting.

"Companies cut employment as a result, representing the first drop in headcounts since the lockdowns of early 2021," S&P Global said in a statement giving the PMI survey result.

Jobs in the manufacturing sector were being shed at the fastest rate since August 2020, and hiring in the services sector was close to a standstill.

The year-ahead outlook of purchasing managers questioned "remained among the weakest seen over the past year," even if it there was a "marginal" uptick for October.

Even though the eurozone's number-two economy France saw a slower services sector decline, partly offsetting a sharper manufacturing slide, PMI sentiment was slumping faster than in number-one economy Germany.

"France and Germany have now respectively seen five and four months of falling output, while the rest of the eurozone as a whole has seen three straight monthly declines," S&P Global said.

The ECB has been tightening the monetary screws a turn at every one of its last 10 meetings, and the bank's key deposit rate now sits at an unprecedented four percent.

The conflict in the Middle East has added to uncertainty for economic forecasts, however, with markets watching for signs it might send oil prices even higher.

Dutch-Bangla Bank posts higher profit

STAR BUSINESS REPORT

Profits of Dutch-Bangla Bank Ltd (DBBL) rose 3 percent year-on-year over the past nine months of 2023 despite registering a marginal decline in the third quarter, according to a company disclosure published yesterday.

The private commercial bank reported Tk 173.38 crore in net profit for the July-September period, down 3.5 percent from Tk 179.84 crore the same time the previous year.

Yet, the overall profit of DBBL, one of the country's largest private banks, rose to Tk 413.73 crore in the January-September period from Tk 399.79 crore during the same period a year ago.

As such, its EPS increased marginally to Tk 5.53 in the three quarters ending in September from Tk 5.35 a year ago.

DBBL said its net operating cash flow per share fell by a massive 81 percent year-on-year to Tk 3.85 per share in the January-September period from Tk 20.86 the year before.

The private bank said its cash flow has decreased mainly for paying off loans from other banks, financial institutions and agents.

UCB reports decline in overall profit

STAR BUSINESS REPORT

United Commercial Bank (UCB) PLC said its earnings fell 9 percent year-on-year in the first nine months of the current financial year 2023.

The private bank said its earnings per share (EPS) declined to Tk 1.20 during the January-September period, down from Tk 1.31 per share during the same period a year ago, according to a disclosure.

However, UCB's net profit grew during the July-September quarter, when the bank's EPS soared 10 percent year-on-year to Tk 0.53 crore.

UCB registered a massive recovery in net operating cash flow in the first nine months to September of this financial year.

UCB's shares closed unchanged at Tk 12.40 at the Dhaka Stock Exchange on Monday, the last trading day before the public holiday.

KDS Accessories' revenue drops

STAR BUSINESS REPORT

Apparel trims and packaging products maker KDS Accessories said its revenue dropped in the financial year 2022-23 owing to decline in demand from garment exporters, the main consumers of its products.

KDS Accessories' sales fell 12.6 percent year-on-year to Tk 279 crore in the financial year 2022-23 from Tk 319.9 crore the previous year.

"Demand for garment has fallen in the international market and our revenue depends on this export-oriented sector as we make packaging products for apparel," said Mohammad Ilias, company secretary of KDS Accessories.

The backward linkage factory of the garment industry recorded Tk 15.3 crore in net profit during July-June period of 2022-23. The amount was 7.5 percent lower than the previous year, according to a disclosure.

As such, it recommended 10 percent cash dividend for its shareholders, which is lower than the previous year. KDS Accessories provided 16 percent cash dividend for the financial year 2021-22.

The company said its net operating cash flow dropped significantly.

Mercantile Bank sees 33% fall in profit

STAR BUSINESS REPORT

Profits of Mercantile Bank fell 33 percent year-on-year to around Tk 233 crore in the first nine months of the current calendar year, according to a company disclosure.

As such, the bank's earnings per share in the July-September period plunged 22 percent year-on-year to Tk 2.11.

Similarly, the bank's net operating cash flow per share declined 77 percent at the same time.

Mercantile Bank said its earnings per share decreased due to profit before provision while its cash flow decreased due to increased investment in government securities.

Mend politics to recover from downturn

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the sharp depreciation of the local currency pushed up the cost of imports. Simultaneously, the government has been forced to raise the prices of gas, electricity and petroleum products, stoking inflation further. It is affecting irrigation and agricultural inputs as well as impacting transportation costs, amongst others, which, in turn, have resulted in a spike in retail prices. The small, medium and cottage industries, the largest employer in Bangladesh, have been hit hard.

The government has signed an agreement with the IMF to take a loan of $4.7 billion in order to revive the economy. There are criticisms about IMF conditionalities. Nevertheless, the reforms prescribed are long overdue and should have been taken up much earlier and carried out in the country's best interest.

To make things worse, particularly in a starved-investment situation, three top global agencies downgraded the country's credit ratings over the last six months. Normally, that is not done when a country is under an IMF programme.

DS: Why is inflation rising in Bangladesh whereas it is falling globally?

Prof Titumir: The scourge of prolonged inflation is falling on everyone, with a disproportionate bearing on fixed-income, low-income, and people living below the poverty line. With real wages dropping amidst the record food inflation in recent memories, a section of the population is sliding into poverty rapidly.

The cost of daily necessities from potatoes to onions to eggs and chilies are escalating cyclically while neighbouring countries are witnessing a consistent fall in prices.

The difference between wholesale and retail rates is noticeable, crediting to the allegation that the entire market system is held hostage to rentier syndicates. As a result, large wholesalers or importers are bagging exorbitant profits. The farmers, directly involved in production, remain at bay while intermediaries are cashing in on the crisis.

Central banks are traditionally supposed to reduce the money supply when inflation inches upward. But Bangladesh Bank is playing a major role in fuelling inflation by printing a record amount of money to keep the government afloat.

The central bank has raised the rate of interest, which might not by itself cool off inflation due to the non-stop depreciation of the taka, inadequate foreign currencies at banks, restricted imports, higher energy prices and their cascading effects on associated sectors.

If the current sluggish monetary and fiscal policy regime lingers, inflation will unfortunately remain unabated, adversely hurting most of the population and slipping the stressed economy further into extreme vulnerability.

DS: Tell me about the reasons for a low tax-to-GDP ratio in Bangladesh.

Prof Titumir: Bangladesh's ratio of tax-gross domestic product (GDP) is lower than any other country in South Asia, except the war-torn Afghanistan. The ratio is decreasing gradually.

The recent central bank-driven belt-tightening measures linked to imports have led to a decline in trade-related taxes, which normally account for almost one-third of total receipts.

Income tax collection also weakened because of lesser economic activities by firms. The consumption-based tax, known as VAT, has witnessed a sloth increase due to slackening private consumption and the paltry increase was mostly due to inflation.

In every case, people and institutions are suffering mainly due to a politically driven patronage system. For example, there are collusive contracts through capacity charges, the payments made to power plants throughout the year, whether they are in operation or not.

A Tk 1.05 lakh crore capacity charge in the past 14 years aggravated government borrowing and lowered the scope for financing social development. And there is a huge concentration, and only three companies are amassing one-third of the perks.

DS: The government has taken many infrastructural projects. Can you give us a cost-benefit analysis of them?

Prof Titumir: The so-called narrative of development has become questionable. Roads are being constructed but traffic jams are increasing at the same time.

The cost of construction is the highest in Bangladesh by any standard. While the electricity generation capacity is increasing, the price is increasing too. Load-shedding continues while the capacity charge is increasing.

Poverty is rising in Dhaka city where spending is the highest. Inequality is widening.

The huge delay and cost overruns of the mega projects are causing a colossal drain, with an economic shock looming as the time for repayment nears.

The government expenditure was estimated to have grown by 14.1 percent in the last fiscal year, driven by a rise in current expenses, primarily owing to a spike in interest payments and salaries. The fiscal discipline is, thus, in shambles.

The revenue shortfall has not allowed the government to provide much-needed assistance to the poor amidst the cost-of-living crisis. The two foundational sectors -- education and health -- are woefully uncared for and underfunded owing to fiscal squeeze.

Since only the wealthy can afford healthcare and education facilities overseas, the citizenry in general has to cope with their lives limited by the state itself. Yet, those dreams of provision of basics by the state are a million miles away for most citizens.

DS: What should be done to be a developed nation by 2041?

Prof Titumir: Bangladesh has the potential to be a developed nation within 2041 and a trillion-dollar economy within 2033, but such aspiration requires a new political settlement.

In the recent past, Bangladesh was touted as a "development wonder". Now the question arises whether this story of "development wonder" is moving towards a "development disaster"?

A reign of oligarchic clientelism has been established, based on the state's unilateral power of using force. There is a collusion of "money maker" and "rule maker". Thus, the market is not allowed to function as an invisible hand due to the visible hand -- power and authority -- which is skewed and concentrating every day.

The perennial concern of our politics is that no political party has been able to hand over the power to another political party. Another major concern is that the political parties in power have never ensured accountability for their economic policies.

Bangladesh can solve the problem if we can launch a home-grown political settlement process. To achieve a homegrown solution, dialogue among the political parties is necessary.

Candy, noodles top export

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Eventually, the largest biscuit maker increased export earnings.

"Our biscuits and dry cakes are popular among non-Bangladeshi consumers, including Arabs, as well," he said.

Bangladesh's export earnings from processed foods grew more than seven times since 2009-10.

Saudi Arabia is home to nearly a fourth of one crore Bangladeshis living and working abroad. Thus, it is the biggest destination for processed foods and is expected to retain its position in the years to come.

"Local firms are making quality biscuits," said Khurshid Ahmad Farhad, general manager for export at Bombay Sweets & Company Ltd.

He said the Malaysian market will expand in the coming years as many migrant workers went to the Southeast Asian country for jobs.

Debasish Singha, head of business (export) at Danish Foods Ltd, owned by Partex Star Group, says the global processed foods market is large and offers a lot of opportunity.

"Local entrepreneurs need to make investments and focus on gaining more market share."

Data from the Export Promotion Bureau showed that sugar confectionery exports declined to $24 million in FY23 from $29 million the previous year.

However, the shipment of items such as noodles and pasta surged 45 percent to $35 million.

Pran's Mridha said Bangladesh's exports will grow if the government inks a free trade deal with the Asean region, which comprises 10 Southeast Asian nations representing more than 68 crore population and about 6.5 percent of global GDP.

He said the market for basic spices is shrinking and the demand for mixed spices is growing.

He urged the government to provide duty-free import opportunities for cinnamon and cumin seeds so that they could make mixed spices for the international market.

Economy to avoid further decline

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Meanwhile, over the past six months, around 63 percent of businesses expressed disappointment with the economy, citing global and local crises as the main reasons.

The crises, mostly stemming from the Russia-Ukraine war, include supply chain disruptions, increases in global fuel and food prices, high import costs, a rise in value of the US dollar against the local currency, inflation, overnight changes to the exchange rate policy and mismanagement in the local market.

Despite these setbacks, businesses acknowledged that Bangladesh has maintained its economic stability over the past decade through the government's timely formulation of effective policies and the persistence of its people.

"The economy is still facing challenges, but Bangladesh has been persevering and seeing improvements. Economic activity has been picking up pace," said the head of marketing and communications of a life insurance company that participated in the survey.

In the domestic market, individuals, companies and the government are being more careful with their spending and focusing on managing revenues more efficiently due to limited cash flow.

"Considering the present circumstances, individuals are exercising prudence regarding their expenses and savings," said the chief marketing officer of an e-commerce platform.

The government is also being cautious with its budget in order to bolster foreign exchange reserves.

"Hence, we can anticipate a sustained state of the economy, rather than a drastic decline," he added.

However, a group of businesses think the forthcoming national elections may also cause a slowdown in business momentum, potentially impacting economic conditions.

The head of international business of a footwear brand said: "In an election year, the momentum of every industry tends to slow down. This means that exports will remain steady and there will be no significant decrease."

However, it is unlikely that any new foreign direct investments will be made during this time, he added.