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Industrial production grew at a slower pace of 8.99 percent in the last fiscal year as consumer demand dropped.

Story on B4

Current account turns positive

MD MEHEDI HASAN

Bangladesh's current account balance returned to positive territory in the first quarter of the current fiscal year due to a sharp slowdown in imports.

A country's current account represents its imports and exports of goods and services, payments made to foreign investors, and transfers such as foreign aid, according to investopedia.com.

In the July-September period of fiscal year 2023-24, the current account balance stood at $892 million whereas it was $3.67 billion in the negative in the previous fiscal year, as per the latest data of Bangladesh Bank.

Current account balance has turn around, which is good news but it was in the positive because of a sharp fall in imports, said Zahid Hussain, former lead economist at the World Bank's Dhaka office.

Exports were up 9.85 percent year-on-year to reach $12.93 billion during the quarter while imports dropped 23.77 percent to $14.74 billion.

Import payments have fallen mainly due to austerity measures put in place by the government and the central bank to stop the depletion of the forex reserve, which has fallen by about 25 percent in the last one year.

A shortage of US dollars and a lingering gas crisis have also prompted many

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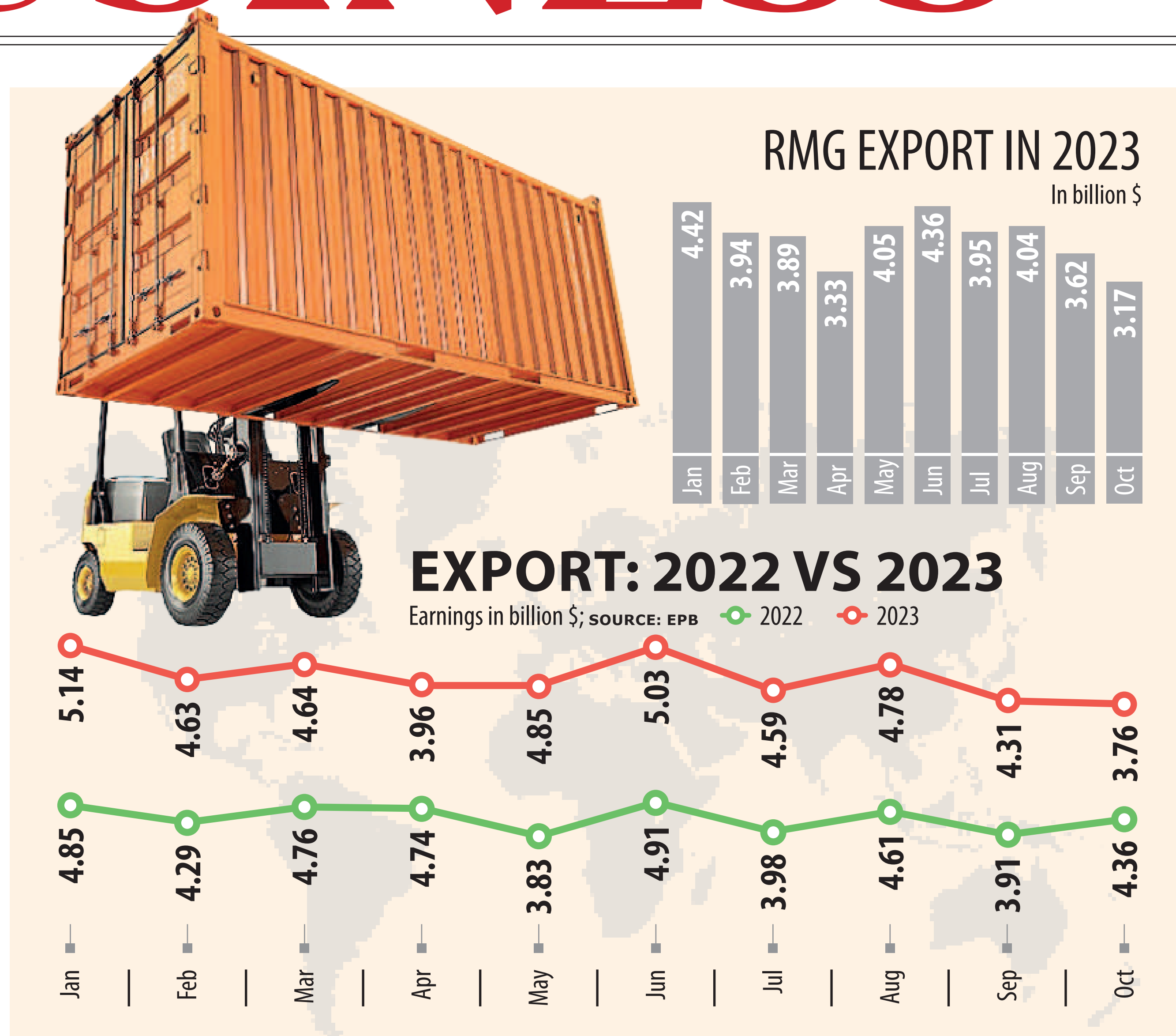

BLOCKADE, WORKERS' UNREST

Transport cost goes up

Impacting prices of essential goods

JAGARAN CHAKMA, SUKANTA HALDER *and* MOHAMMAD SUMAN

A three-day blockade enforced by major opposition parties and protests of garment workers disrupted the supply chain of daily essentials and sent the cost of transport higher, according to industry people and traders.

The higher transport costs are said to have raised the prices of essential commodities, adding to the woes of the consumers who have been struggling because of higher inflation for the past 18 months.

Truck, covered van and lorry owners have increased the fare by 20-40 percent due to the blockade since most vehicles have stayed off the roads fearing violence. As a result, traders say, they have had to pay extra to move goods.

"City Group is now able to supply 70 percent of the products to the market compared to normal times," said Biswajit Saha, director for corporate and regulatory affairs at the commodity importer and processor.

He says the group usually delivers goods to different parts of the country in its own transport as well as rented vehicles. Under the current circumstances, rented vehicles are not available.

Shafiul Ather Taslim, director for finance and operations at TK Group, one of the largest cooking oil processors, said before the blockade, the company's vehicles carrying goods would leave its warehouses in Dhaka at 6am for different places in the country. Now they set out at 3pm or 4pm.

"They reach destinations at mid-night, a time when workers are not available. As a result, the vehicles can't return to Dhaka the next morning and thus can't complete more than a single trip

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FY2020-21

Six sectors enjoyed tax breaks of Tk 34,126cr

STAR BUSINESS REPORT

Six sectors enjoyed around 40 percent or Tk 34,126 crore of the direct corporate tax expenditures, meaning tax subsidies in the form of rebates, discounts, exemptions and income tax cuts, in fiscal year 2020-21.

That year, the direct corporate tax expenditure amounted to Tk 85,315 crore.

Of the amount, Tk 15,315 crore went to microfinance, Tk 8,380 crore to power and energy and Tk 4,612 crore to hi-tech industries and economic zones.

Another Tk 3,438 crore went to garments, Tk 1,477 crore to IT or software business, and Tk 143 crore to poultry and fisheries.

The data was available in Direct Tax Report 2020-21, made public by the National Board of Revenue (NBR) yesterday.

In fiscal year 2020-21, the government overall provided Tk 1,25,813 crore in subsidies, which accounted for 3.56 percent of the gross domestic product.

According to the government, direct tax expenditure creates employment, stimulates the economy, enables social balance and provides industrial support.

Of the direct tax expenditure, Tk 40,499 crore was provided at the individual level.

The tax expenditure report said it provides policymakers insights into the fiscal and economic impact of tax incentives and deductions.

The aim is to support the government in informed decision-making and striking a balance between economic growth, social goals and fiscal responsibility within the framework of the tax system, it added.

Export plunges to 27-month low

SOHEL PARVEZ *and* REFAYET ULLAH MIRDHA

Exports earnings fell to $3.76 billion in October, the lowest in 27 months, as shipment of apparel items became the last major victim to the falling global demand amid belt-tightening by consumers.

The receipts were 13.64 percent lower year-on-year, the first decline since April, data released by the Export Promotion Bureau (EPB) figures yesterday.

Readymade garments, which make up more than 80 percent of total takings, slumped around 14 percent to $3.17 billion last month, according to the data compiled by the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

With the fall, garments joined the group of major decliners, which included frozen and live fish, agricultural commodities, leather and leather goods, jute and jute goods, and home textiles.

After recording a fall in the last fiscal year of 2022-23, earnings from export by all these sectors, except garment, have fallen consistently in the current fiscal year.

"We have been forecasting such a downward trend in exports for quite a long time. In fact, the pulse of the global market is showing depressed sales and demand caused by record inflation followed by the Russia-Ukraine war," said BGMEA President Faruque Hassan.

To curb inflation, advanced economies have raised bank interest rates, limiting the purchasing power of consumers and reining in the demand for goods.

"The ongoing Israel-Hamas war has added further fuel to the crisis," Hassan said.

He said in 2023, the garment sector will not be able to sustain the trade level seen in the previous year.

"There will be some decline in 2023 and we will have to face the heat of it to some extent."

The export fall comes at a time when the pressure on Bangladesh's external account remains high and the foreign currency reserves are on the decline as export and remittance earnings collectively continue to fall behind the requirement for international payments, including import bills.

In October, remittance inflow stood at $1.98 billion, a four-month high, as banks stepped up efforts to woo more remittance buoyed by a relaxed central bank rule on incentives, giving some relief.

The decline in exports has eroded that gain.

"We are stuck in a kind of situation. We don't see any dynamism," said MA Razzaque, research director of the Policy Research Institute of Bangladesh.

"We need sustained improvement for many months."

The shipment was off to a flying start at the beginning of the current financial year and registered a 15 percent growth in July. But the pace lost steam in the following months to hit 9.5 percent in the first quarter.

Overall proceeds from export, however, grew 3.52 percent year-on-year to $17.44 billion in the four months to October, EPB data showed.

In July-October of 2023-24, export earnings from frozen and live fish, agricultural commodities, leather and leather goods, jute and jute goods, and home textiles were lower than the same period in FY23.

Md Saiful Islam, president of the Metropolitan Chamber of Commerce and Industry, said consumers in Europe and the US, Bangladesh's main markets, were cutting back on expenditures in the face of the higher cost of living.

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STOCKS

DSEX ▼	CASPI ▼
0.09%	0.12%
6,267.90	18,573.03

COMMODITIES

Gold ▲	Oil ▲
$1,988.82	$81.67
(per ounce)	(per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.64%	▲ 1.10%	▲ 0.19%	▼ 0.45%
64,000.22	31,949.89	3,082.53	3,009.41

Bangladesh imports potato for first time

STAR BUSINESS REPORT

Bangladesh, which usually exports potato, has imported the tuber for the first time for domestic consumption in a frantic effort to curb spiraling prices of the popular vegetable.

Yesterday, nine trucks carried 175 tonnes of potato from India into the country through Hili land port and more consignments are waiting to be imported, port officials said.

Until now, the agriculture ministry has given permits to import 1.07 lakh tonnes of potatoes, said Rezaul Karim, director of the planned quarantine wing of the Department of Agricultural Extension.

On October 30, the commerce ministry decided to allow potato imports for the first time in an effort to increase supply of the tuber and curb prices, which have reached a historic high of Tk 60 per kilogramme (kg) in Dhaka.

Mohammad Masum, chairman of Supreme Seed Company Ltd, a leading seed company, said potato was never imported into the country for consumption in the past as far as his knowledge.

"Now, we will see whether prices fall," he said.

Earlier, 14 importers obtained permission to bring in 12,000 tonnes of potato, according to the Hili Land Port Importers and Exporters Group in Hakimpur upazila of Dinajpur.

As such, the shipment that arrived yesterday is the first of more to come, they added.

The potatoes were produced at Gangarampur upazila of Dakshin Dinajpur in India's West Bengal, said Mahbub Alam, clearing and forwarding agent of the importers.

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Default by top three borrowers to hit banks

BB report says

STAR BUSINESS REPORT

Resilience in the banking sector will be affected significantly if the top three borrowers default on their loans, as per the financial stability assessment report of the Bangladesh Bank.

The report, formed on stress tests based on the January-March quarter this year, said that a 3 percent increase in non-performing loans (NPLs) or a default of the three largest borrowers is likely to affect the banking sector's resilience significantly.

The capital to risk weighted asset ratio (CRAR) of the banking sector will fall below the minimum regulatory requirement if the top three borrowers default, it said.

The report said that among broader risk factors, credit risk remained the

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