

# Star BUSINESS

Matarbari deep-sea port in Moheshkhali will transform the region into a logistics, energy and manufacturing hub, said a senior official of Jica.



Story on B4



WEEKLY INTERVIEW



Md Saiful Islam

## 'Political peace vital for business'

REFAYET ULLAH MIRDHA

Peace and harmony are very much needed in Bangladesh for it to overcome the severe fallout of Covid-19, the ongoing Russia-Ukraine war and crisis in the Middle East, according to the Metropolitan Chamber of Commerce and Industry (MCCI).

This is because Bangladesh has the opportunity to benefit from changes in the global supply chain, with many countries reducing their dependence on China for sourcing industrial raw materials.

"They think depending on a single source is risky for business," MCCI President Md Saiful Islam told The Daily Star over phone.

Most countries have been facing challenges in business due to economic friction resulting from disruptions to the global supply chain.

But even in such tough times, Bangladesh has a silver lining as the country already proved to be a major manufacturing hub for other countries, especially when it comes to the apparel industry.

So, despite the volatile global economic downturn, 66 percent of Japanese companies in Bangladesh expressed interest in expanding their local operations.

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## Listed apparel makers struggle despite taka's fall

Increased cost of raw materials and electricity eat away at profits

AHSAN HABIB

Listed apparel companies in Bangladesh struggled to capitalise on the massive devaluation of the local currency against the US dollar in fiscal year (FY) 2022-23 due to a hike in gas and electricity prices, and fuel and raw material costs.

The taka was devalued by 18 percent to Tk 108 per US dollar in FY23, data from Bangladesh Bank shows.

Listed spinning mills were among the worst performers as they had to absorb the double shock of higher fuel costs and higher import costs for raw materials.

Since most spinning mills do not export their products, they had no way to offset rising costs stemming from the devaluation of taka.

On the other hand, the export-based readymade garments (RMG) sector was able to offset higher costs of fuel and electricity as they raked in more money from exports due to the devaluation of the local currency.

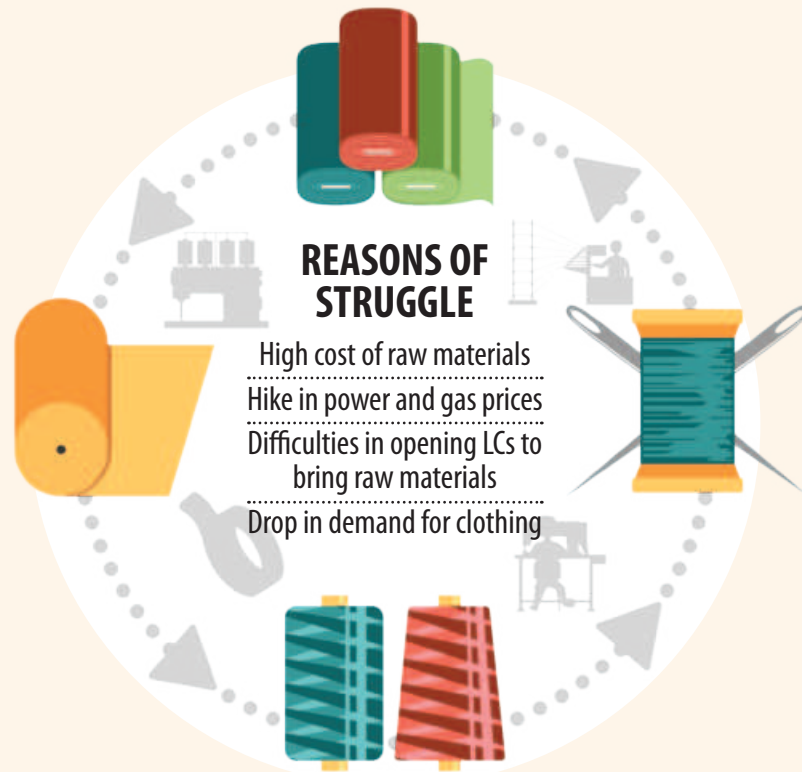
This situation became more aggravated in the past quarter of FY24.

Mohammad Abdur Razzaque, research director at the Policy Research Institute, said the export-based RMG sector was only able to make profits because of the devaluation of the local currency.

"If the devaluation was not allowed, their situation would be even worse," Razzaque said.

At the same time, an energy crisis has engulfed factories, with hikes in the price of fuel meaning they struggle to make higher profits, while inflationary pressures in the local and global arena have induced lower demand and hit sales.

Another important factor was that currency



HIGHEST LOSS IN 2022-23			HIGHEST PROFIT IN 2022-23		
Company	Taka (In crore)		Company	Taka (In crore)	
Maksons Spinning Mills	93		Paramount Textile	122	
Ringshine Textiles	74		Square Textiles	114	
Tallu Spinning Mills	25		Matin Spinning Mills	42	
Profit/Loss	Profit rose	Profit dropped	Remained in loss	Incurred loss recently	No data
Number of companies	14	18	9	11	7



devaluation did not only occur in Bangladesh, but had been observed in many competitor countries.

"As a result, we were not the only ones who became more

competitive," Razzaque added.

Fazlul Hoque, former president of the Bangladesh Knitwear Manufacturers and Exporters Association, added that the RMG sector did not

enjoy good business because raw material costs had risen by as much as 20 percent alongside other costs.

Moreover, inadequate supply of gas meant factories had to opt to buy diesel and other fuels.

"I think the massive price hike of gas had a big impact," Hoque said.

The government hiked gas prices for power, industries, and commercial (hotel and restaurant) sectors by 179 percent in January 2022.

In the same year, electricity prices were raised twice, totalling to about a 10 percent increase, according to data from the Bangladesh Energy Regulatory Commission.

Moreover, high inflation rates in western countries led to a drop in demand for clothing, added Hoque, who is also managing director of Plummy Fashions Ltd.

"As a result, sales and profits of most apparel companies went down last year," he added.

Export earnings, one of the major sources of foreign currency, amounted to \$4.3 billion, up by about 10.4 percent year-on-year, according to data from the Export Promotion Bureau.

Of the 59 listed apparel makers, 10 saw their profit rise in FY23, four returned to profit, 18 saw lower earnings, nine remained in loss and seven did not publish their data.

Interestingly, 11 textile and RMG companies that had made profits the previous year recorded losses.

Mohammad Ali Khokon, president of the Bangladesh Textile Mills Association, told The Daily Star that most companies did not operate in full swing last fiscal year due to the gas crisis, shortage of

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## Interest rate in inter-bank trade highest in decade

SOHEL PARVEZ

The interest rate on overnight borrowing and lending in inter-bank trade hit 8.07 percent by the end of last week, the highest in more than a decade, reflecting a tight liquidity crunch in the banking sector.

"There is a crisis of taka and dollar in the market and the call money rate is a reflection of that," said the treasury chief of a private bank seeking to remain unnamed.

Bankers said increased government borrowing through treasury bills and bonds from the banking system alongside the purchase of dollars by banks from the Bangladesh Bank (BB) have been driving up the overall interest rate in the money market since July, when the central bank removed the cap on the lending rate.

It introduced the Six Months Moving Average Rate of Treasury Bill (SMART) as a benchmark in order to allow the interest rate to become more market based, a decision that came following long standing calls from analysts to lift the cap in order to fight stubbornly high inflation, which averaged 9.37 percent in October.

The data from the central bank showed that the highest monthly weighted average call money rate was recorded at 12.82 percent in 2012.

Since then, the interest rate for overnight lending and borrowing began to fall and hit as low as 1.67 percent in February 2021 as the economy slowed amid the Covid-19 pandemic.

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## LABOUR RIGHTS Govt officials to discuss Blinken's statement

REFAYET ULLAH MIRDHA

Bangladesh is already in the process of improving the labour rights situation and top bureaucrats will discuss a recent US statement on the issue, said a top commerce ministry official yesterday.

Information will be collected from the foreign ministry of Bangladesh regarding specific aspects that should be discussed, said Senior Commerce Secretary Tapan Kanti Ghosh.

US Secretary of State Antony J Blinken talked about the labour rights situation in different countries at the rollout of a Presidential Memorandum on "Advancing Worker Empowerment, Rights, and High Labour Standards Globally" on Thursday.

The US will work to hold accountable those who threaten, intimidate, and attack union leaders, labour rights defenders and labour organisations, he said.

Tools like sanctions, trade penalties and visa restrictions will be used against them, he said.

"We want to be there for people like Kalpona Atker, a Bangladeshi garment worker and activist,

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## Cepa talks with India may not begin this year

REFAYET ULLAH MIRDHA

There is little possibility this year of the initiation of official negotiations between Bangladesh and India for the signing of a Comprehensive Economic Partnership Agreement (Cepa).

Bangladesh is prepared but India wants more time to go over preliminary findings of a feasibility study jointly conducted by the two countries, said Senior Commerce Secretary Tapan Kanti Ghosh.

Though there is one and a half months to go for this year, the possibility of the negotiations to begin is low, he told The Daily Star over the phone.

Prime Minister Sheikh Hasina of Bangladesh and her Indian counterpart Narendra Modi in a joint statement on September 7, 2022 had agreed to start the negotiations on welcoming the study, which stated that a Cepa would be beneficial for both countries.

They directed trade officials to start the negotiations within 2022 and complete it at the earliest, so that Bangladesh can better face the challenges of making the United Nations country status graduation to a developing nation in 2026.

Bangladesh afterwards provided some bilateral trade data on India's request for further scrutiny, said Ghosh, adding that the commerce ministry has already formed two panels to conduct the negotiations.

A Foreign Office Consultation meeting is also scheduled to be held in Dhaka on November 28 where issues of bilateral trade,

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## Biman plans flights to Vancouver, Los Angeles Will codeshare with Air Canada

RASHIDUL HASAN

Biman Bangladesh Airlines Ltd is planning to carry its passengers to Vancouver in Canada and Los Angeles in the US through codesharing with Air Canada via Narita of Japan by January next year.



Codeshare is a partnership between two airlines that allows one to place its two-letter identification code on the flight schedules of the other.

This allows the first to market and sell tickets and the second to operate the flight, specifically to destinations the first does not fly to.

These agreements allow airlines to offer numerous flights without additional equipment, resources and costs.

Passengers get a wide choice of flights, avail convenience in booking, checking in, luggage handling and travelling and save time.

In Biman's case, the flight would be enlisted with Biman's identification code (BG) but actually be run by Air Canada.

Canada or US bound passengers will then fly to Narita on Biman's aircraft and, after a stopover, reach Vancouver or Los Angeles on Air Canada's aircraft.

This will all be possible with a single ticket, boarding passes and baggage tags issued by Biman.

Currently, passengers from Dhaka use Singapore Airlines or Malaysian Airlines to take a layover in Singapore or Kuala Lumpur and reach Vancouver or Los Angeles. The total flight time is over 20 hours.

Biman's plan will save passengers nearly five hours, with the flight to Narita taking six hours and that to Vancouver or Los Angeles over the Pacific Sea around nine hours.

"Using codeshare with Air Canada, Biman passengers will be able to travel to Vancouver and Los Angeles seamlessly using the boarding card of the national flag carrier of Bangladesh," said Biman

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In July, gold price crossed the Tk 1 lakh-mark per bhoori for the first time in Bangladesh. The photo was taken from Khulna city last night.

PHOTO: HABIBUR RAHMAN

## Gold price hits new record

STAR BUSINESS REPORT

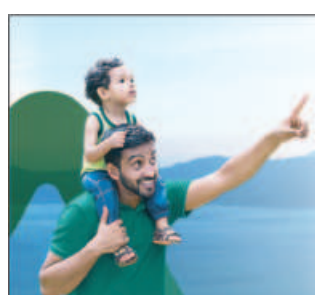
The country's jewellery makers yesterday hiked 22 carat gold prices by Tk 1,750 and from today the new price will be Tk 106,376 per bhoori (11.664 grammes), a historic high.

The new price is 1.67 percent higher than the previous all-time high of Tk 104,626 per bhoori recorded on November 5 this year.

The standing committee on pricing and price monitoring of the Bangladesh Jewellers Association (Bajus) took the decision to hike prices in a meeting today, according to a statement.

Gold prices have been rising for more than a year, influenced by hikes in the international market and volatility in supply in the domestic market.

Although Bangladesh does not import significant quantities of gold, prices are linked to international trends.



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