Clothing stores usually see little to no customers amidst political demonstrations such as blockades and hartals. The photo was taken at Afmi Plaza in Chattogram on Wednesday afternoon when a blockade called by BNP and its allies was ongoing.

PHOTO: RAJIB RAIHAN

GDP growth stood at 5.78% in Q4 of FY23

MD ASADUZ ZAMAN

Bangladesh's economy slowed in fiscal 2022-23 but growth bounced back to 5.78 percent by the end of the year's fourth quarter, government data shows.

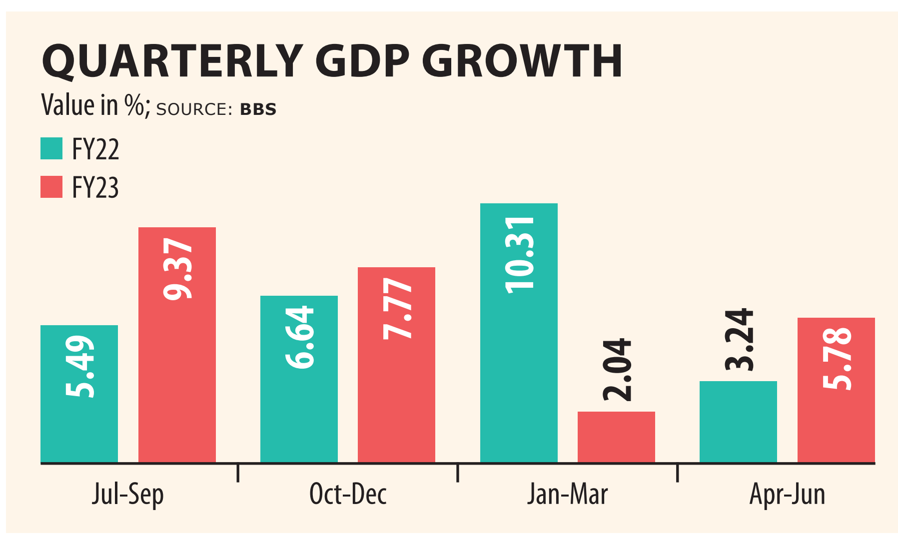
Despite the ongoing inflationary pressures brought on by the Russia-Ukraine war, the country registered strong economic growth of more than 9 percent in the first quarter of the year.

However, gross domestic product (GDP) growth slowed to about 7.77 percent in the second quarter before plunging to 2.04 percent in the third, shows data of the Bangladesh Bureau of Statistics (BBS).

As such, its average growth throughout the previous fiscal year was about 6.03 percent, as per a provisional estimate by the national statistical agency.

"The country's quarterly GDP growth mostly varies for domestic and global factors," said Khondaker Golam Moazzem, research director of the Centre for Policy Dialogue (CPD), an independent think-tank.

"Besides, the economy's indicators are too inconsistent," he added, citing how seasonal changes affect productivity in the agriculture sector.



But on a yearly basis, the country witnessed almost double growth in the April-June period of FY23 thanks to higher industrial output despite contractions in the agriculture and service sectors.

Growth in the industrial sector, which accounts for around 33 percent of the GDP, jumped to about 11.89 percent in the last quarter of FY23 while it was 1.74 percent during the same period a year prior.

But growth in the services sector, which makes up 53 percent of the GDP, contracted to 3.07 percent in April-June quarter of FY23 from 4.76 a year earlier.

Similarly, growth in the agriculture sector slowed to 0.36 percent from 2.53 percent in the same period.

However, growth in the construction sector leaped to 10.09 percent in April-June after registering negative growth during the same period of fiscal 2021-22.

Likewise, the manufacturing sector saw 13.57 percent growth, which was the highest among all sub-sectors.

Moazzem said the country's economic growth has been fluctuating from quarter to quarter due to higher inflation and raw material costs resulting from crises at home and abroad.

He welcomed the BBS's initiative to publish quarterly GDP data to meet conditions laid out by the International Monetary Fund for securing a $4.7 billion concessional loan.

In the past, there were doubts about the reliability of the BBS's data on GDP. But now, the BBS's initiative will help reduce variations among the estimates by development partners, Moazzem added.

Allow correction of unintentional mistakes

BGMEA urges Ctg customs

STAFF CORRESPONDENT, *Ctg*

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) has urged Custom House, Chattogram to allow exporters to correct unintentional mistakes in documents during the assessment of consignments and thereby expedite shipments.

BGMEA First Vice President Syed Nazrul Islam made the request in a letter sent to Custom House, Chattogram Commissioner AKM Mahbubur Rahman yesterday.

During the assessments at private inland container depots (ICDs), custom officials are imposing fines of exorbitant rates by filing cases of irregularities, he said.

This is ultimately delaying shipments, forcing use of air shipments and discounts for the retainment of competitiveness, he said.

Meanwhile, garment production costs have gone up by around 30 percent to 35 per cent due to a 56.25 per cent hike in workers' minimum wages, pointed out Islam.

The current political turmoil is disrupting delivery of imported raw materials for which it will be a huge challenge for the sector to achieve the export target of $52.27 in fiscal year 2023-24, he added.

Russia lifts temporary ban on diesel exports

AFP, *Moscow*

Russia lifted a temporary ban on diesel exports on Wednesday, saying the two-month restrictions had been successful in bringing down rising fuel prices on the domestic market.

Moscow suspended the export of diesel and gasoline products in September in a move that roiled global markets.

Moscow suspended the export of diesel and gasoline products in September in a move that roiled global markets

The energy ministry said it had taken the measures to boost supplies inside Russia and bring down rising prices that were hitting drivers and businesses across the country.

On Wednesday, it said it was removing the restrictions after prices had dropped and domestic reserves had grown 14 percent to 3.2 million tonnes during the two months when exports were curtailed.

It follows the lifting last month of restrictions on Russia's seaborne diesel exports, which make up the majority, and last week's removal of a suspension on gasoline exports.

Russia's top oil companies had in recent days called on the government to lift the restrictions.

Russian pump prices had surged over the summer, contributing to a rise in domestic inflation that has worried the Kremlin.

China's oil demand to slow

REUTERS, *Beijing*

China's oil demand growth is likely to ease in the first half of 2024 to around 4 percent, according to consultancies, with resurgent consumption from the aviation and petrochemical sectors offset by weaker diesel usage due to an ongoing property sector crunch.

Slowing demand growth for the world's biggest oil importer comes amid what remains an uncertain outlook for the Chinese economy and as travel patterns normalise following the post-COVID rebound earlier in the year.

The Organization of Petroleum Exporting Countries foresees Chinese demand averaging 16.41 million barrels per day (bpd) in the first half of 2024, up 3.2 percent on 2023 levels, while the International Energy Agency (IEA) forecasts demand averaging 17.1 million bpd for the full year, to show 3.9 percent growth.

Even though China's economy has made a faltering recovery this year, oil consumption was still on course to set record highs, having been subdued between 2020-2022 by strict COVID curbs.

OPEC and the IEA expect China's oil demand to show growth in 2023 of 7.6 percent and 12.1 percent, respectively.

OPEC has dismissed fears of that demand growth for oil in China is fading, describing negative sentiment as "overblown" in a recent report. OPEC's forecasts show China accounting for 24.6 percent of global oil demand growth in the first half of 2024, according to Reuters calculations.

Will coming months offer any relief

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The exception is sugar, production of which is forecast to decline in 2023-24 and fall short of global consumption. As Bangladesh meets 98 percent of its sugar requirements through imports, it is already paying high prices.

And the increased cost of US dollars has been adding to the price of imported commodities, ranging from sugar and wheat to onions, pulses and petroleum.

The taka has lost around 19 percent value against the US dollar since the fiscal year 2021-22 and the devaluation is yet to stop as a shortage of the foreign currency continues in the country.

"Exchange rate is a factor for imported items," said Md Habibur Rahman, chief economist at the Bangladesh Bank (BB). "If prices remain steady, there will not be that much of an effect even if the exchange rate rises slightly," he said.

Officially, bankers are supposed to buy the greenback at Tk 110 and sell for Tk 110.5 each.

This rate, bankers and businesses said, mostly does not exist in practice as the dollar is traded at a far higher rate.

There are expectations of further gains in the American currency, although two local forums of bankers on Wednesday appreciated the taka slightly to signal to the market that there were improvements in Bangladesh's external accounts.

Monzur Hossain, research director at the Bangladesh Institute of Development Studies (BIDS), said there was little probability of the exchange rate stabilising.

"There are allegations of increased capital flight and money laundering ahead of the parliamentary elections," he said.

Owing to supply disruptions stemming from political unrest, the possibility of a further spiral in overall prices is heightened in the run-up to the election on January 7, he added.

"Overall prices may ease after things become stable following the election," he said.

Inflation stood at 9.93 percent in October, the highest in five months, showed data from the Bangladesh Bureau of Statistics.

Md Deen Islam, associate professor of economics at Dhaka University, said two primary factors -- the depreciation of the taka and the expectation of further depreciation, and the political uncertainty surrounding the upcoming national elections -- had been driving the current inflationary pressures in Bangladesh.

"The ongoing depreciation of the taka is escalating the cost of imported goods and raw materials, which in turn translates to higher prices for domestically produced goods," he said.

Additionally, the impending election and the apprehension of unrest before and after the election are leading to reduced prioritisation of market monitoring and active policy interventions aimed at curbing market failures and mismanagement, he said.

If the uncertainty surrounding the election subsides in the next three to six months, Deen said he anticipated that inflation would be moderated.

"However, as long as the depreciation of the taka and the anticipation of further depreciation continues to dominate the foreign exchange market, effectively controlling inflation will remain a challenge."

Fahmida Khatun, executive director at the Centre for Policy Dialogue, said money circulation ahead of elections rose because of candidates' spending. At the same time, the cost of the greenback is high.

"I don't see any radical change in the next two-three months for inflation to moderate," she said.

However, BB Chief Economist Habib was hopeful.

"Prices of various items such as eggs and vegetables have begun to decline," he said. "In the coming months, the money market will remain tight as interest rates on deposits and loans will trend upwards. I think there will be some sort of easing in prices in the next May-June period."

Former BB Governor Salehuddin Ahmed said the central bank's monetary policy alone could not contain prices.

"Supply chain of commodities and market has to function properly," he said. "For this, market monitoring should be there so supply of goods can be increased by ensuring nobody hoards goods to fuel prices artificially," he added.

Strengthening taka leaves no impact

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Businesses running small and medium-scale operations are unable to open letters of credit to import goods for the shortage, said industry insiders.

Bangladesh Bank organised a press briefing yesterday where its spokesperson, Md Mezbaul Haque, told journalists that the Bafeda-ABB decision was correct and time-befitting.

The rate is determined based on supply and demand, he said.

"We used the American greenback for purchasing services, goods and meeting foreign liabilities but now imports are being monitored, which is why the demand has declined," he said.

However, bankers refuted this statement, saying that the demand for the US dollar was still high in the market.

Haque said there was a surplus of $1 billion in the current account and the negative financial account was continuously shrinking.

Some banks have a shortage of US dollars while some have an excess and this mismatch is creating volatility in the market, as per the BB spokesperson.

The Bafeda-ABB model of fixing the dollar rate has failed to cool down the forex market, said Zahid Hussain, a former lead economist of the World Bank's Dhaka office.

"A floating exchange rate is very essential for our forex market right now. If it is not possible then the central bank should introduce a managed floating exchange rate," he said.

A managed floating exchange rate is open to market fluctuations but has maximum and minimum limits.

Deals signed for $1.1b

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"These projects will help prepare our children for a brighter future while improving resilience to climate change."

According to the agreements, the WB will finance $210 million for the "Bangladesh Enhancing Investments and Benefits for Early Years Project", aimed to help improve early childhood development by providing cash transfers and counseling services to about 1.7 million pregnant women and mothers of children under 4 years of age in vulnerable households.

The Washington-based global lender will provide $300 million for the "Learning Acceleration in Secondary Education Operation Project", designed to help strengthen secondary education by improving learning outcomes and teaching quality. To help recover from learning losses incurred during the Covid-19 pandemic and to improve preparedness for future shocks, the project will introduce complementary online learning blended with in-class education.

The programme will also provide stipends to 8 million vulnerable students to reduce dropout rates and ensure 5,000 schools have active sexual harassment prevention committees.

A further $102 million will be used for the "Jamuna River Sustainable Management Project 1", aimed to help improve riverbank protection and navigability in the Jamuna River, protecting about 2,500 hectares of land from riverbank erosion and flooding, saving thousands of people from displacement and safeguarding their livelihoods and assets.

It will improve navigation channels with adequate depth that can accommodate large cargo vessels year-round and revive inland water transport and trade.

The global lender will finance $200 million for the "Urban Health, Nutrition and Population Project", intended to improve primary healthcare services for treatment, prevention and referral for common illnesses including mosquito-borne diseases like dengue in Dhaka North and South City Corporations, Chattogram City Corporation, and Savar and Tarabo municipalities.

It will also support mosquito control, medical waste management, and behavior change communication. It will help improve antenatal services for women, with a target of over 250,000 women receiving at least four checkups during pregnancy. It will also support hypertension screening and follow-up of about 1.3 million adults.

Besides, the WB will provide $300 million for the "Gas Sector Efficiency Improvement and Carbon Abatement Project", which is aimed to help improve the efficiency of gas distribution and end-use through pre-paid metering systems and reduce methane emissions along the natural gas value chain.

It will install more than 1.2 million prepaid gas meters in Dhaka and Rajshahi division. Prepaid gas meters and advanced monitoring systems will help optimise natural gas end-use, mitigate greenhouse gas emissions and lead to lower gas bills for households and industrial users.

The credit will be provided from the World Bank's International Development Association (IDA). Bangladesh currently has the largest ongoing IDA programme, totaling $16.46 billion in 57 projects, read a press release.

No deal yet

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On the other hand, a senior official of the Bangladesh Securities and Exchange Commission said listed companies only need to provide disclosures after taking decisions that may impact their share price.

"So, as the company was yet to make any official deal with the seller, it did not need to give any disclosure," he added.

Data of the Dhaka Stock Exchange shows that share prices of Crown Cement remained unchanged at Tk 74.5 from July to mid-November before rising to Tk 79.40 over the past 10 days.