Workers' woes deepen as inflation outpaces wage growth for 22nd straight month

Fishermen repair their nets before embarking on their collaborative venture in the Kalabadar river at Tungibaria village of Barishal sadar upazila. The overall wage growth rate for workers in agricultural sub-sectors such as fishing has declined in November to 8.14 percent whereas it was 8.17 percent in October this year, as per the Bangladesh Bureau of Statistics. The photo was taken recently. PHOTO: TITU DAS

MD ASADUZ ZAMAN

Average wage growth remained well below the inflation rate in Bangladesh for the 22nd month straight, as per the Bangladesh Bureau of Statistics (BBS), indicating a worsening situation and compelling many to cut consumption amid falling real income.

In November, wages of low and unskilled workers grew 7.72 percent year-on-year, which was 1.77 percentage points below the inflation rate of 9.49 percent that month, showed the Wage Rate Index (WRI) of the BBS.

It was a similar case in October, when the wages of workers across 44 occupations in agriculture, industry and services grew at 7.69 percent, which was 2.24 percentage points below the inflation rate at the time.

Analysts say the widening gap between the inflation rate and wage growth is forcing low-income and unskilled workers to cut consumption amid falling real incomes and rising cost of living.

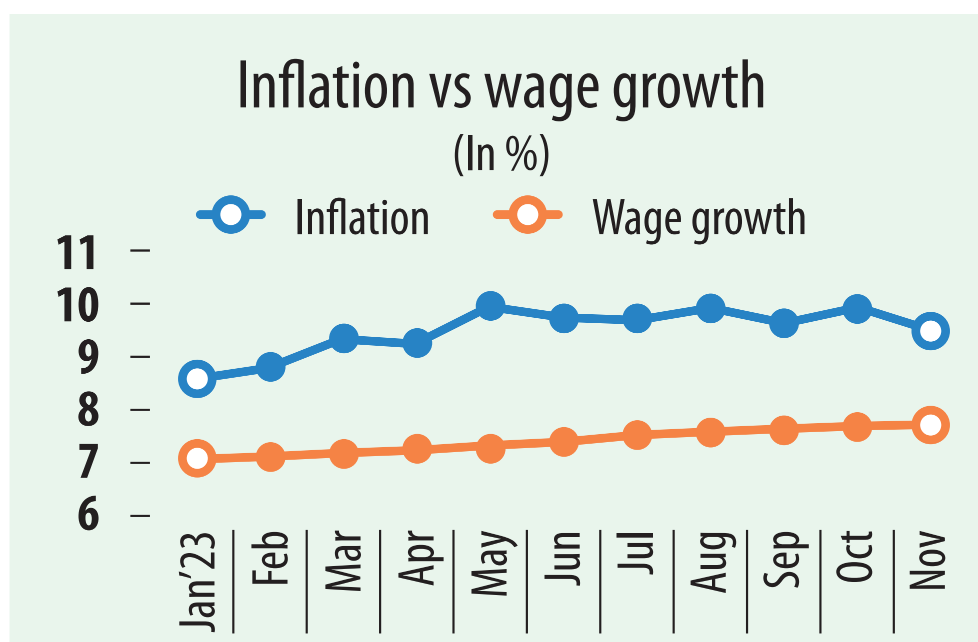
The overall wage rate for workers in the agriculture sector increased but in sub-sectors such as fishing, the wage growth slowed to 8.14 percent from 8.17 percent.

Division-wise, wage growth in Dhaka, Chattogram, Sylhet, Mymensingh and Khulna rose. On the other hand, it decreased in Rajshahi, Rangpur and Barishal.

"This is a reflection of the ongoing economic crisis," said Prof Selim Raihan, executive director of the South Asian Network on Economic Modeling, a think-tank.

The trend indicates that the real income of the people is consistently being eroded as wage growth has remained below inflation, he said.

This means that people can buy less, and many are forced to exhaust their savings and other options against the backdrop of high inflation.



SOURCE: BANGLADESH BUREAU OF STATISTICS

"People are not getting the right solution to escape this situation," he added.

Raihan, also a professor of economics at the University of Dhaka, said the country's economy had lost its dynamism as major indicators, such as private investment growth, LC openings, and credit growth, had slowed.

Raihan said costs of living would balloon further if the situation could not be reversed.

"The poor are always losing out in terms of prices as their real incomes have been lagging behind the prices of goods and services for a long time," said Prof MM Akash, chairman of Dhaka University's Bureau of Economic Research.

This implies that consumers are suffering from a loss of real consumption. They are working much harder but consume less.

He also stressed the difficulties faced by workers in the nation's vast informal sector.

According to the Labour Force Survey (LFS) 2022, of the 7 crore employed individuals in the country, around 85 percent, or around 6 crore, work in the informal sector. Of total informal workers, around 88 percent are based in rural areas.

"Those who are working in the informal sectors as casual labour are the real sufferers as they do not have employment opportunities to compensate for their consumption loss,"

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Gold prices fall by Tk 1,749 per bhori

STAR BUSINESS REPORT

Gold prices dropped by Tk 1,749 per bhori after hitting a record high on November 29 as the cost of pure gold declined in local markets.

Effective today, each bhori (11.664 grams) of 22-carat gold will cost Tk 108,125, down from Tk 109,874 earlier.

The Bangladesh Jewellers Association (Bajus) took the decision in a meeting, citing the decrease in pure gold prices, according to a statement from the association yesterday.

Gold prices hit a new milestone on November 29, when Bajus set the price per bhori of gold at more than Tk 1.09 lakh, with prices having crossed the Tk 1 lakh-mark in July for the first time.

Even though Bangladesh does not import a significant quantity of gold, the prices are almost always linked with international fluctuations, along with domestic market volatility.

With an annual demand of 20 to 40 tonnes, 80 percent of the country's demand for gold is met through smuggling.

In August last year, the central bank made it mandatory to keep a 100 percent margin on letters of credit for gold with a view to discouraging imports and saving foreign currency.

The country's foreign currency reserve has declined by about 25 percent in the past 18 months.

Japan manufacturers' mood jumps

REUTERS, *Tokyo*

Sentiment at big Japanese manufacturers surged, improving for a second straight month as the auto sector continued to recover from last year's semiconductor shortage and supply chain woes, a monthly Reuters Tankan survey found.

The sentiment index for manufacturers stood at plus 12 in December compared with plus 6 the previous month, according to the survey which was conducted November 21-December 1.

"As chip shortages eased, car production grew. But on the other hand, the worsening state of China's economy and sluggish sales of Japanese vehicles in the Chinese market remain sources of concern," a manager at a textile manufacturer wrote in the comment section of the survey.

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Incoming remittance limit thru MFS doubles

STAR BUSINESS REPORT

Remittance transactions through mobile financial service (MFS) providers are set to get a boost as the Bangladesh Bank has doubled the transfer limit.

As of Tuesday, a beneficiary could receive up to Tk 1.25 lakh in remittance in their MFS account. The amount included the 2.5 percent incentive the government provided on the funds transferred via official channels.

Yesterday, the central bank raised the limit to Tk 2.5 lakh, excluding the incentives.

According to the current rules, an MFS account can hold a balance of Tk 3 lakh at a time.

But if the balance exceeds Tk 3 lakh thanks to remittance transfer, no further cash-in can be made until the balance comes down to Tk 3 lakh, said the BB in a notice.

There are 21.50 crore MFS users in Bangladesh, data from the central bank showed.

Shamsuddin Haider Dalim, head of corporate communications at bKash, said the increase in the remittance transaction limit through MFS will attract large-ticket senders along with small ones, giving a much-needed boost to the inflow.

He said bKash is continuously working to ensure safe and hassle-free ways for expatriates to send their hard-earned money to their loved ones.

Currently, expatriates can send remittances directly to bKash accounts from more than 90 countries via 86 money transfer organisations and the funds are settled in 22 commercial banks.

"Bangladesh Bank's decision to raise the transfer limit for inward remittances deposited in the MFS accounts of beneficiaries is a timely move," said Muhammad Zahidul Islam, head of media and communication at Nagad Ltd.

"This will boost the remittance inflows through formal channels and shore up our foreign currency reserves."

Remitters transferred Tk 520.39 crore through MFS providers in September, up more than 57 percent from Tk 330.11 crore in the same month a year ago.

Migrant workers sent home $1.93 billion in November, an increase of 21 percent year-on-year, as banks offer a higher rate for the US dollar to collect remittance. The receipts, however, were 2.42 percent down from a month ago.

The government provides 2.5 percent incentive on remittance transfers while another 2.5 percent comes from banks.

Some banks are offering at least Tk 5 to Tk 6 per dollar more than the permitted exchange rate fixed by the Bangladesh Foreign Exchange Dealers Association and the Association of Bankers Bangladesh.

According to the Bureau of Manpower, Employment, and Training (BMET), more than 1.49 crore Bangladeshi workers are employed abroad. The Bangladesh Bureau of Statistics, however, put the figure at 50.53 lakh.

BMET's data only includes those who went abroad for work but not those who have returned, an official explained last week.

Saudi expects budget deficits in 2023, 2024

AFP, *Riyadh*

Saudi Arabia on Wednesday announced it was projecting a budget deficit of 2 percent of GDP in 2023 and 1.9 percent of GDP next year, reflecting rising spending and lower oil revenue.

The announcement comes one year after the Gulf kingdom, the world's biggest crude exporter and the Middle East's largest economy, recorded its first budget surplus in nearly a decade in the wake of Russia's invasion of Ukraine which led to a boom in oil prices.

Saudi Arabia is in the middle of a sweeping economic and social reform agenda known as

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China's exports slump seen slowing as pockets of demand emerge

REUTERS, *Beijing*

Declines in China's exports likely slowed in November, a Reuters poll showed on Wednesday, amid mixed signs factories in the world's second-largest economy may be finding their footing after a bruising slump in demand.

Outbound shipments from China are expected to show a 1.1 percent drop in November from a year earlier, following a 6.4 percent fall in October and continuing the trend of narrowing declines for the fourth straight month, according to the median forecast of 28 economists polled.

Mixed manufacturing data for November has kept alive calls for further policy support to shore up growth but also raised questions about whether predominantly negative sentiment-based surveys reflected improvements in conditions.

A run of mostly upbeat data from October suggests support measures trickling out of Beijing since June bolstered a tentative economic recovery, even if a protracted property crisis and soft global demand continue to dog policymakers.

Consequently, the International Monetary Fund in November upgraded its China growth forecasts for 2023 and 2024 by 0.4 percent percentage points each.

But Moody's on Tuesday slapped a downgrade warning on China's credit rating. The contrasting takes on the health of the economy were apparent in the poll.

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An aerial view shows cars for export at a port in Yantai, Shandong province, China on May 3. PHOTO: REUTERS

US private sector job growth slows in Nov: ADP

AFP, *Washington*

Hiring in the US private sector cooled in November, as the post-pandemic boom in restaurant and hotel employment moderated, payroll firm ADP said Wednesday.

The slowdown in jobs creation is likely to be viewed favourably by policymakers at the US Federal Reserve, who are looking to cool the economy and cut inflation while avoiding a damaging recession.

Despite the Fed hiking interest rates to a 22-year high and holding them there, the labor market has remained remarkably resilient, although it has shown some signs of cooling in recent months.

Against this backdrop, there is widespread agreement among analysts and traders that the Fed will vote to hold rates steady at its interest rate decision next week, as it continues its fight against elevated inflation.