Mokhles carries his crab traps over mudflats during low tide on the Shibsa river, which goes on to flow through the Sundarbans. Made of bamboo strips, the traps are set with bait during high tide. Mokhles can catch around three to four kilogrammes of crabs every day, which sell for Tk 400 to Tk 500 per kilogramme in the local markets. The photo was taken in Kalabogi area of Khulna's Dakop upazila a couple of days ago.

PHOTO: HABIBUR RAHMAN

Eurozone likely in recession

PMI surveys show

REUTERS, *London*

The downturn in eurozone business activity surprisingly deepened in December, according to closely watched surveys which indicated the bloc's economy is almost certainly in recession.

It was a broad-based decline with activity deteriorating in both Germany and France and across services and manufacturing, the surveys showed.

Last quarter, the eurozone economy contracted 0.1 percent, official data has shown, and December's Purchasing Managers' Index (PMI) - seen as a good gauge of economic health - suggested activity has now declined in every month of this quarter. That would mark two consecutive quarters of economic contraction, meeting the technical definition of recession.

The European Central Bank trimmed its growth forecasts for 2023 and 2024 on Thursday.

HCOB's preliminary Composite PMI, compiled by S&P Global, fell to 47.0 this month from November's 47.6, confounding expectations in a Reuters poll for an uptick to 48.0 and marking its seventh month below the 50 level separating growth from contraction.

"The drop-back in the eurozone Composite PMI in December provides more evidence that the economy is in recession," said Andrew Kenningham at Capital Economics.

In Germany the downturn worsened, pointing to a recession in Europe's biggest economy at the end of the year. Meanwhile activity declined faster than expected in France as demand for goods and services in the eurozone's second-biggest economy deteriorated further.

Germany's economy is set to shrink slightly this year and barely grow next as demand from abroad is weak, government subsidies for the green transition are curbed and high interest rates dampen activity, the Bundesbank said earlier on Friday.

Companies in Britain's huge services sector however saw another pick-up in growth this month, suggesting the economy has just enough momentum to avoid a recession for now at least.

Indicating firms in the eurozone do not see a big improvement anytime soon they reduced staffing for a second month. The composite employment index was at a three-year low of 49.6, just shy of November's 49.7.

Sri Lanka records first growth after debt default

AFP, *Colombo*

Sri Lanka's economy grew in the September quarter, the central bank said Saturday, its first expansion since a foreign exchange shortage forced a debt default last year.

The Central Bank of Sri Lanka said the economy had grown by a modest 1.6 percent in the quarter ending September, up from a contraction of 11.5 percent a year earlier.

The latest growth was due to improvements in the transport, services and agriculture sectors, the bank said in a statement.

Despite the positive data, overall figures from the first nine months of the year showed a contraction of 4.9 percent.

The International Monetary Fund has forecast Sri Lanka's full-year GDP growth in 2023 at negative 3.6 percent.

The IMF, which on Tuesday released a second tranche of $337 million as part of a four-year, $2.9 billion bailout for the island nation, said Sri Lanka had shown signs of economic stabilisation but was not yet out of the woods.

Its economy had shrunk for nine consecutive quarters since the third quarter of 2021.

Over $1b in IMF, ADB loans added to forex reserves

STAR BUSINESS REPORT

Bangladesh's depleted foreign currency reserves have received a boost as $1.09 billion have been added to the central bank's account, said an official.

Of the sum, $689 million came from the International Monetary Fund (IMF) and $400 million from the Asian Development Bank (ADB).

The funds were credited to the central bank's reserves on Thursday, said BB Executive Director and Spokesperson Md Mezbaul Haque.

The boost came two days after the executive board of the IMF completed the first review of the $4.7 billion loan programme and the Article IV consultations and unlocked disbursements of $689 million in the second tranche.

The central bank received $447.8 million on February 2 in the first instalment after the country turned to the lender amid an unprecedented reversal in the financial account that has led to a sharp drop in the reserve level in two years.

The financial account, a part of the balance of payments, covers claims or liabilities to non-residents concerning financial assets and its components include foreign direct investment, medium and long-term loans, trade credit, net aid flows, portfolio investment and reserve assets.

The account turned negative for the first time in the last financial year, standing at $2.08 billion, against a surplus of $16.69 billion a year earlier, Bangladesh Bank data showed. The account is projected to return to positive territory in the ongoing financial year.

Amid higher import bills against moderate remittance and export receipts, the gross international reserves of Bangladesh slipped to $24.3 billion in 2022-23 from $36 billion in 2019-20, which could cover import bills for 3.4 months in FY23 compared to 6.1 months in FY20. It stood at $46.4 billion in 2020-21, the highest on record.

The depleted reserves have prompted the government to turn to global lenders to tackle macroeconomic pressures, stop the further fall of the local currency, and rein in consumer prices.

Before the IMF and the ADB released the funds, the reserves stood at $19.17 billion.

The forex reserves are expected to increase gradually in the near term and are projected to reach about four months of prospective imports in the medium term.

"However, uncertainties around the outlook remain high and risks are tilted to the downside," said the IMF last week.

The World Bank is considering a $500 million budget support in the current fiscal year under two programmes.

STOCKS WEEK-ON WEEK

DSEX ▲	CASPI ▲
0.23%	0.24%
6,266.85	18,583.22

COMMODITIES AS OF FRIDAY

Gold ▼	Oil ▲
$2,019.7	$71.79
(per ounce)	(per barrel)

ASIAN MARKETS FRIDAY CLOSINGS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 1.37%	▲ 0.87%	▼ 0.21%	▼ 0.56%
71,483.75	32,970.55	3,116.51	2,942.56

Fed official sees two rate cuts, soft landing next year

REUTERS, *Washington*

The US central bank can begin reducing interest rates "sometime in the third quarter" of 2024 if inflation falls as expected, Atlanta Federal Reserve President Raphael Bostic said on Friday, pushing back against expectations of an imminent move but outlining a deliberative process that will gather steam in coming weeks.

Bostic said he expects inflation, as measured by the personal consumption expenditures (PCE) price index, to end 2024 at around 2.4 percent, enough progress towards the Fed's 2 percent target to warrant two quarter-percentage-point rate cuts over the second half of next year.

"I'm not really feeling that this is an imminent thing," Bostic said in an interview with Reuters, with policymakers still needing "several months" to accumulate enough data and confidence that inflation will continue to fall before moving away from the policy rate's current 5.25 percent-5.50 percent range.

But Bostic also said he has asked his staff to begin discussing principles and thresholds to help frame the debate.

"We've got to figure out definitionally what the 'neighborhood' looks like" where the inflation outlook is such that rate cuts are warranted, Bostic said. "Over the next several weeks ... I think we are going to start talking about that."

Bostic's remarks put detail around a policy shift that the Fed began at its policy meeting this week, when officials agreed that, absent another inflation shock, the current policy rate is high enough to curb the price pressures they have been battling for two years.

50 tasks in 3 years

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The government said it is committed to containing subsidies to safeguard priority spending.

It plans to eliminate all structural subsidies for petroleum products and move to a periodic formula-based price adjustment mechanism.

It will submit the selected mechanism for approval to the prime minister by this month and implement it by March 2024.

"Furthermore, we will aim at adjusting electricity prices and remain committed to not including capacity charges, in the case of renewing the contract, to power producers to further reduce subsidies."

The government will further strengthen project selection by rolling out the Sector Strategy Papers and Multi-Year Public Investment Programme tools in five sectors by 2024 and another five sectors by 2025.

A maximum of five capital projects will be identified that will be pursued in each sector.

As part of its plan to minimise borrowing costs, the government will cut reliance on national savings certificates (NSCs) and shift more towards concessional sources of external financing in the medium term while Bangladesh remains eligible for them.

"Developing local bond markets will allow us to gradually tap into long-term market financing," the MEFP said.

The government has already developed a formal plan on how to sustainably keep the net NSC issuance below one-fourth of net domestic financing by FY26.

The government is working to improve transparency over state-owned enterprises (SOEs).

It has collected recent financial data on more than 120 SOEs through an online portal and is conducting a thorough analysis of the financial health of a subset of the SOEs to come up with a fiscal risk statement, an annual SOE sector report (initially covering the 50 largest SOEs), and an SOE governance framework.

The MEFP says the government will further improve the statistics of distressed assets to align with international best practices.

It aims to issue a circular by March 2024 to treat material exposures as non-performing when they are more than 90 days past due.

In order to reduce bank balance sheet weaknesses, particularly of the state-run commercial banks, the government developed bank-specific roadmaps to reduce the average NPL ratio to below 10 percent for SCBs.

Currently, it is drawing up roadmaps for private commercial banks (PCBs) to reduce NPLs to below 5 percent by 2026.

These roadmaps will also aim to increase capital adequacy ratios and provisioning coverage of SCBs to 10 percent and 100 percent of required provision and of PCBs to 10 percent and 100 percent by 2026.

In a letter to the IMF, Finance Minister AHM Mustafa Kamal said the updated programme will continue to be centred on upfront policy actions aimed at restoring macroeconomic stability and rebuilding the reserve buffer.

"We believe that our commitments, as outlined in the MEFP, are adequate to achieve programme objectives, but we are prepared to take additional measures, as appropriate, for this purpose."

External pressure to remain

FROM PAGE B1

unrest related to the garment industry that could weigh on export demand and volumes.

It projects the current account deficit to widen modestly to around 1 percent-1.5 percent of GDP in the current fiscal year of 2023-24 from 0.7 percent in FY23.

The deficit widened sharply in October to nearly $900 million from $15 million in September, eroding surplus positions in earlier months and narrowing the fiscal year-to-date surplus to $233 million over the first four months of FY24.

"On the other hand, we expect a narrowing of the financial account deficit, which will reduce pressure on the reserves position," Moody's said.

Since the start of FY23, as part of the IMF programme's reform objectives, the Bangladesh Bank has adopted a more unified exchange rate system – reversing from the multiple rate system for exports, imports and official remittances introduced in September 2022.

At the same time, the BB has also begun the transition toward an interest rate targeting regime from the previous monetary targeting framework. The use of an interest rate corridor can potentially increase the bank's policy effectiveness in managing inflation as global and domestic economic circumstances change.

"These reforms should reduce distortions in the market and, as attested by the completion of the first IMF review, could aid in shoring up confidence among foreign investors and financial institutions, allowing a recovery in financing inflows," Moody's said.

For the next IMF review, Moody's expects progress toward a market-driven, floating exchange rate regime to be a key policy focus.

"Further progress in introducing flexibility in the exchange rate regime is key to allowing greater official capture of foreign-exchange flows, which will further enhance Bangladesh's external resilience."

The ratings agency said the taka remains largely fixed, driving exporters to retain profits overseas and Bangladeshi workers overseas to remit their earnings through unofficial channels with better rates.

Fiscal reforms will be on the agenda as well, Moody's said.

"Measures adopted by the government in the latest budget will not significantly raise the tax base, while expenditures continue to be elevated in an election year with plans to rationalise subsidies yet to materialise."

"We expect greater clarify on reform developments after general elections."

Moody's has kept Bangladesh's credit rating unchanged at B1 with stable outlook.

In May, it downgraded the country's long-term ratings to B1 from Ba3.

Tk 1,000cr fund for cinemas

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Of them, only Premier Bank took Tk 15 crore while ONE Bank Tk 3 crore, central bank data shows.

As per the data, Premier Bank provided a majority of its fund for Show Motion Limited, which runs cineplexes under the Star Cineplex brand.

Opening its first cineplex at the Bashundhara City Shopping Mall in 2002 with an investment of Tk 5 crore, Show Motion now has four cineplexes in Dhaka.

Mahaboob Rahman Ruhel, chairman of Show Motion, recently told The Daily Star that they had to put in a lot of effort to get loans from the scheme, which were being used to set up new cineplexes in Dhaka, Bogura and Narayanganj.

"The lenders are uninterested while the process is quite lengthy," he said, adding that their business started with an investment of Tk 5 crore but it has now increased to Tk 90 crore.

Central bank data shows that ONE Bank was to provide its fund to the Grand Riverview Hotel to set up a new cineplex in Rajshahi city.

Md Monzur Mofiz, managing director of the bank, said the cineplex is under construction but the loan is yet to be disbursed.

There is low demand because people are now enjoying movies at their own convenient time and place on video streaming platforms like Netflix, he added.

It all boils down to the loan repayment ability of cinema owners, said Mia Alauddin, senior vice-president of the Bangladesh Film Exhibitors Association.

Many cinema owners did not apply for the loan as it is difficult to comply with the conditions imposed by banks and there are complexities over the land on which many cinemas are situated.

These are also the reasons why around 50 cinema owners applied for the loan but did not get it, he added.

Alauddin, alongside Iftekhar Uddin Noushad, owner of Madhumita Cinema Hall, one of Dhaka's oldest cinemas, gave another excuse – that not enough content is available in the country.

"We can screen films for 15 weeks to 20 weeks. The rest of the time the theaters are closed," Noushad said.

There were as many as 1,235 cinemas in Bangladesh in 1998 but currently, only about 60 are in operation. During the Eid festivals, the number doubles to around 120, according to the association.