## GSP Finance incurs loss for fourth consecutive quarter

STAR BUSINESS REPORT

GSP Finance incurred losses for the fourth consecutive quarter in a row.

Its earnings per share (EPS) stood at Tk 2.75 in the negative in the July to September period of the current year, which was Tk 0.18 in the same period of the previous year.

The company's EPS stood at Tk 4.25 in the negative in the first nine months of the year.

In the previous year's three quarter, the lender's EPS was Tk 0.63.

The company's stock price was Tk 30.3 at the Dhaka Stock Exchange, and was unchanged till closing yesterday, and the non-bank financial institution did not give any dividend in 2021 and 2022.

Its consolidated net asset value per share was Tk 23.53 as on September 30, 2023 which was Tk 27.78 as on December 31, 2022.

Workers melt down raw materials at a light engineering workshop at an industrial estate of the Bangladesh Small and Cottage Industries Corporation in Bogura. The light engineering industry is suffering from a slump in sales amid the ongoing economic uncertainty resulting from global crises.

PHOTO: MOSTAFA SHABUJ

# Lower sales of agri-machinery, spare parts hurting light engineering sector

JAGARAN CHAKMA

The agricultural machinery and spare parts segment of the light engineering sector in Bangladesh has been suffering from significantly lower sales for the past one-and-a-half years, according to industry people.

This is because the ramifications of Covid-19 and the ongoing Russia-Ukraine war have forced consumers to restrict spending amid the ensuing economic uncertainty resulting from global inflationary pressure.

Besides, a US dollar crunch in the country is causing difficulties in opening letters of credit (LCs), leading to higher import costs for required components, they said.

Although there is no reliable data, industry people believe their sales have decreased by around 40 percent compared to previous levels.

The light engineering sector produces a diverse range of items, including import substitute machinery and spare parts used in cement mills, construction, and manufacturing.

However, agricultural machinery and spare parts dominate the industry, with a market share of around 45 percent.

"The light engineering sector is passing a terrible situation as sales of agricultural machinery and spare parts declined by around 35-40 percent amid the economic crisis and price hike of required components," said Ashraful Islam Babu, proprietor of Ripon Engineering Workshop in Jashore.

He informed that light engineering workshops manufacture all kinds of spare parts and machinery, such as stone crushers, shallow-engine machines and water pumps.

But agricultural machinery and spare parts see higher demand than any other item, he added.

**SECTOR AT A GLANCE**

- More than **40,000** workshops employing **6** lakh people
- Agri-machinery and spare parts control **45**% of the market
- Overall annual turnover now at Tk **16,000**cr
- Contributes **3.08**% of the GDP

Babu, also president of the Light Automobile Engineering Owners Association, said their production costs have increased by around 35 percent as the price of various inputs has doubled or tripled this year.

"We cannot even open LCs to import the required materials as we do not have the financial strength like corporate houses. So, production has reduced by around 50 percent," he added.

As such, workshop owners are being deprived of profit or even facing losses.

Md Abdur Razzaque, president of the Bangladesh Engineering Industry Owners Association, said they have lost hope in an immediate revival of the business as the situation will not improve until the country's economy stabilises.

According to him, the light engineering sector manufactures hundreds of types of spare parts and machinery, catering to the agriculture sector and other heavy industries such as textiles and garments.

Razzaque said the workshops in Dhaka, Narayaganj, and Gazipur mostly produce industrial items but those in areas like Jashore, Khulna, Bogura and Syedpur make agricultural and electric-related items.

According to him, the sector suffered a lot during the Covid-19 pandemic while it is now plagued by economic turbulence due to the impact of the Russia-Ukraine war.

The owners are currently fighting to keep their workshops running to at least recover operational costs and pay the salaries of workers.

But at the same time, they are working hard to improve the business situation and tackle the crisis, he added while pointing out that they do not have access to finance for being in an unorganized sector.

Razzaque also said some light engineering workshops cannot directly import their required inputs for having poor financial health. Several workshops are even on the cusp of shutting down for a lack of sufficient capital.

Abul Kashem Titu, the owner of Mafia Engineering in Dhaka, said their overall sales have declined by more than 50 percent over the past year. According to him, the situation had improved after the pandemic as orders were available. However, the scenario has changed since July 2022.

"Now, I only get orders from the corporate sector to supply a maximum of two to three units per month while it was five to eight orders before the Russia-Ukraine war," he said.

"The overall business of the light engineering sector is witnessing a tough situation that may not alleviate within the next six months," Titu added.

As per data of the Bangladesh Engineering Industry Owners Association, the yearly turnover of light engineering equipment and spare parts has condensed to Tk 16,000 crore over the past one-and-a-half years from about Tk 26,000 crore in 2019.

## Dollar seen vulnerable in 2024 if Fed pivots

REUTERS, *New York*

The Federal Reserve's dovish December pivot has boosted the case for the weakening dollar to keep falling into 2024, though strength in the US economy could limit the greenback's decline.

After soaring to a two-decade high on the back of the Fed's rate hikes in 2022, the US currency has been largely range-bound this year on the back of resilient US growth and the central bank's vow to keep borrowing costs elevated.

Last week's Fed meeting marked an unexpected shift, after Chairman Jerome Powell said the historic monetary policy tightening that brought rates to their highest level in decades was likely over, thanks to cooling inflation. Policymakers now project 75 basis points of cuts next year.

Falling rates are generally seen as a headwind for the dollar, making assets in the US currency less attractive to yield-seeking investors. Though strategists had expected the dollar to weaken next year, a faster pace of rate cuts could accelerate the currency's decline.

Still, betting on a weaker dollar has been a perilous undertaking in recent years, and some investors are wary of jumping the gun. A US economy that continues to outperform its peers could be one factor presenting an obstacle for bearish investors.

The Fed's aggressive monetary policy tightening, along with post-pandemic policies to boost US growth, "fueled the notion of American exceptionalism and delivered the most powerful dollar rally since the 1980s," said Kit Juckes, chief FX strategist at Societe Generale.

**ANALYSIS**

With the Fed set to ease policy, "some of those gains should be reversed," he said.

The dollar is on track for a 1 percent loss this year against a basket of its peers . Getting the dollar right is key for analysts and investors, given the US currency's central role in global finance.

For the US, a weak dollar would make exports more competitive abroad and boost the profits of multinationals by making it cheaper to convert their foreign profits into dollars. About a quarter of S&P 500 companies generate more than 50 percent of revenues outside the US, according to FactSet data.

An early December Reuters poll of 71 FX strategists showed expectations for the dollar to fall against G10 currencies in 2024, with the greater part of its decline coming in the second half of the year.

Whether they're right may come down to how the US economy performs compared to its global peers next year and the pace at which central banks adjust monetary policy.

So far, it's been an uneven picture. In the eurozone, a downturn in business activity deepened in December, according to closely watched surveys that show the bloc's economy is almost certainly in recession. Still, the European Central Bank has pushed back against rate cut expectations as it remains focused on fighting inflation. The euro is up 2.4 percent against the dollar this year.

The "growth slowdown is more entrenched in other economies," said Thanos Bardas, senior portfolio manager at Neuberger Berman, who is bullish on the dollar over the next 12 months. "For the US it will take a while for growth to slow down."

Others, however, see areas of strength, particularly in Asian economies. Paresh Upadhyaya, director of fixed income and currency strategy at Amundi US, says he believes the market is "way too pessimistic" on the outlook for growth in China and India. Accelerating growth could boost the countries' appetite for raw materials, benefiting commodity currencies such as the Australian, New Zealand and Canadian dollars.

China will step up policy adjustments to support an economic recovery in 2024, according to state media reports.

## Google plans ad sales restructuring

REUTERS

Alphabet-owned Google plans to reorganise a big part of its 30,000-person ad sales unit, The Information reported on Tuesday, citing a person with knowledge of the situation.

Sean Downey, who oversees ad sales to big customers in the Americas, said at a department-wide meeting last week that Google plans to restructure its ad sales teams without specifying whether the move would include layoffs, according to the report.

Google intended to consolidate staff, including through possible layoffs, by reassigning employees at its large customer sales unit who oversee relationships with major advertisers, the report said, citing another person briefed on Google's plans.

The planned reorganization comes as Google is relying more on machine-learning techniques to help customers buy more ads on its search engine, YouTube and other services, the report added.

Google did not immediately respond to Reuters request for a comment.

In January this year, Alphabet announced plans to cut 12,000 jobs around the world, equivalent to 6 percent of its global workforce.

## Asia feels the sting of India's onion export ban

REUTERS, *Mumbai/Dhaka/Kathmandu*

India's ban on the export of onions has driven up prices of the vegetable for Asian buyers, who are scrambling for cheaper alternatives, particularly as New Delhi is unlikely to lift the curbs before general elections next year.

The world's biggest exporter of onions banned shipments on December 8 after domestic prices more than doubled in three months following a drop in production.

Now retail shoppers from Kathmandu to Colombo are struggling with high prices, since traditional Asian buyers, such as Bangladesh, Malaysia and Nepal, and even the United Arab Emirates, rely on imports from India to bridge domestic gaps.

"Onions are needed for almost everything we cook," said Mousumi Akhtar, who works in the private sector in Dhaka, the capital of Bangladesh. "This sudden price hike is tough to swallow. I've had to cut back on how much I buy."

From the belacan shrimp paste of Malaysia and Bangladeshi biryani to chicken chillies in Nepal or Sri Lankan fish curry, Asian consumers have built up a serious dependence on Indian supplies of onions to lend spice to their favourite dishes.

Traders estimate that India accounts for more than half of all imports of onions by Asian countries. Its shorter shipment times against those from rival exporters such as China or Egypt, are key to preserving the taste of the perishable commodity.

India exported a record 2.5 million metric tons of onions in the financial year that ended on March 31, with 671,125 tons going to neighbouring Bangladesh, its biggest buyer of the vegetable.

Farmers wait for the onion auction at Lasalgaon market in Nashik district in India's western state of Maharashtra. India's onion export ban has sent its neighbouring countries reeling, with prices of the bulb having recently spiralled.

PHOTO: REUTERS/FILE

## Sri Lanka gets $250m from World Bank

AFP, *Colombo*

The World Bank said Wednesday it had released $250 million to support bankrupt Sri Lanka's tough economic reforms following last year's financial crisis.

Sri Lanka defaulted on its $46 billion external debt in April 2022 after running out of foreign exchange to finance essential imports of food, fuel and medicines, with civil unrest ousting then-president Gotabaya Rajapaksa.

His successor has been pressing tough austerity measures to help restore essential supplies.

The World Bank said it had released the second and final tranche of a total $500 million package "considering the continued satisfactory progress made by the government with the reform program".

Sri Lanka has doubled taxes, removed subsidies on fuel and electricity and introduced anti-graft legislation in line with a $2.9 billion bailout from the International Monetary Fund.