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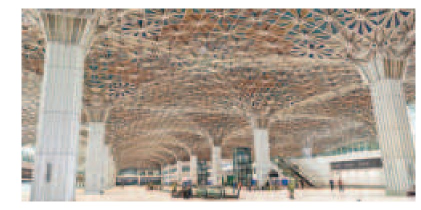
Star BUSINESS

2023: Infrastructure was a glimmer of hope in a perilous year



Story on B4

Can Bangladesh put economy back on track in 2024?

2023: BY THE NUMBERS

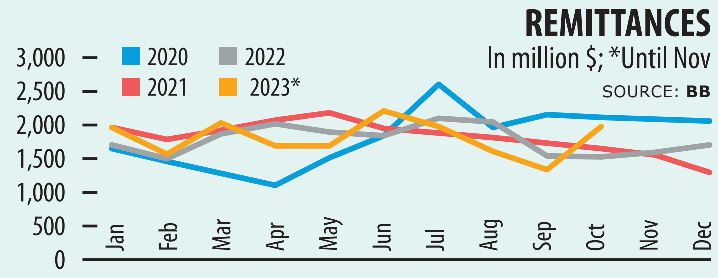
EXPORT Until Nov	IMPORT Until Oct	REMITTANCE Until Nov	INFLATION	FOREX RESERVE
2023: $50.47b ↑	2023: 51.63b ↓	2023: $19.9b ↑	Nov 2023: 9.49% ↑	Dec 28, 2023: $26.82b $21.44b (BPM6) ↓
2022: $49.28b ↑	2022: $69.03b ↑	2022: $19.5b ↓	Nov 2022: 8.85% ↑	Dec 28, 2022: $33.93b ↓
2021: $39.31b	2021: $64.15b	2021: $20.4b	Nov 2021: 5.98%	Dec 28, 2021: $45.80b

How countries checked inflation thru monetary tools

	Inflation in Jan 2022	Inflation in Aug 2023	Interest rate in Jan 2022	Interest rate in Aug 2023
Canada	5.1%	4%	0.5%	5%
China	0.9%	0.1%	3.7%	3.45%
Euro area	5.1%	5.2%	0%	4.25%
Germany	4.9%	6.1%	0%	4.25%
India	6%	6.83%	4%	6.5%
Japan	0.5%	3.2%	-0.1%	-0.1%
UK	5.5%	6.7%	0.25%	5.25%
US	7.5%	3.7%	0.08%	5.38%
Bangladesh	5.86%	9.92%	5%	6.5%

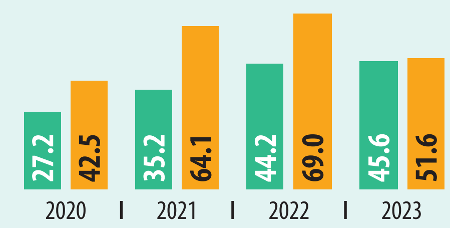
SOURCE: STATISTA

REMITTANCES



SOURCE: BB

Trends of export and import



MD FAZLUR RAHMAN

Bangladesh perhaps has not bid farewell to a year on a weaker note like it is going to do today in recent memory.

When it welcomed 2023, most of the economic indicators were already smarting from the woes left behind by the coronavirus pandemic and global supply chain disruptions.

Inflation had surged to record levels, foreign currency reserves plunged, the taka dipped, exports were in the slow lane, remittance inflows did not live up to expectations, and the banking sector saw troubles – all combined together to bring about a major crisis for the economy.

The optimists might have thought that the economy had seen its worse, learnt its lesson and would make a fresh beginning in 2023. Unfortunately, that had not happened because of both external and internal factors, keeping the country on edge throughout the next 12 months.

Therefore, as 2023 comes to a close, the condition of almost all economic indicators has worsened.

Foreign currency reserves have more than halved compared to two years ago. Inflation had hovered around 9 percent. The taka has fallen further. Exports and remittance earnings have been disappointing. Imports fell but are still at a higher level. Non-performing loans at banks and irregularities remain unabated.

For the second year running, the stock market brought almost nothing for investors amid continuous fall in earnings of the listed companies owing to deepening economic and political uncertainty and the floor price.

The difficulty of making ends meet amid higher inflation and slower wage growth means low-income groups suffered a low-quality life for the second consecutive year in 2023.

But it was not all doom and gloom.

Although it unmasked the economy's cracks, completing the loan negotiating with the IMF and the subsequent release of two installments could be seen as a major achievement of the government as it would not only help the country manage the balance of payments crisis, the conditions would force the government to put in place some reforms that were long overdue.

When it comes to infrastructure development, 2023 was perhaps the best year for the country since several major projects were completed.

The long-awaited Dhaka Elevated Expressway opened to the public in September, serving as an alternative route to and from the airport road, one of the busiest in the capital city.

The 82-kilometre rail line from Dhaka to Bhanga via the Padma Bridge has opened a new horizon for cheaper rail connectivity in the southwestern region.

The country's first tunnel, named after Bangabandhu Sheikh Mujibur Rahman, built under the Karnaphuli river opened in

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Challenges, responses and beyond

RIZWANUL ISLAM

The present government started its journey at a time when the global economic environment was conducive to growth and low inflation. Food prices had stabilised after the global food crisis of 2007-08. Interest rates were lowered globally in response to the global economic crisis of 2008.

Bangladesh economy benefited from that environment and attained a gradual acceleration in growth associated with improvements in social indicators like poverty reduction, enrolment in primary education, and decline in child mortality. The conducive external environment made it easy to attain economic growth with poverty reduction despite several shortcomings in policy.

Mega infrastructure projects were undertaken, based on the premise that they would encourage investment and thus ignite further economic growth. Several such projects, notably Padma bridge, metro rail and part of an elevated expressway in Dhaka, and the Karnaphuli tunnel have been completed and are making an immediate impact in terms of easing travel and transport of goods.

Of course, there were questions of high costs and cost over-runs due to delay in their implementation. Furthermore, their expected benefits in terms of contribution to GDP growth are yet to be seen.

Single-minded pursuit of economic growth looked like growth fetishism. And issues like rising inequality, poor employment performance, continued dependence on employment in the informal economy and shortfall from decent work, low quality of education, vulnerability of the economy in the face of shocks (e.g., pandemic, war, global economic recession), etc. have been ignored.

The commitment for employment guarantee made in the 2008 election manifesto was forgotten quickly. A large segment of the population who were vulnerable fell into poverty during the coronavirus pandemic.

The programme adopted by the government in response to the crisis had several weaknesses in helping the poor people and smaller enterprises.

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Time ripe to own up to weaknesses

ZAHID HUSSAIN

The Bangladesh economy faced extended economic distress after recovering partially from the pandemic before facing the cost-of-living increases and external payment imbalances. Economic activity slowed in 2023 with persistently high inflation and erosion of external buffers.

The experiment with unorthodox macroeconomic policy response to global shocks have so far proven counterproductive. We seem to move in ways that we have tried before but haven't worked.

Foreign exchange and energy shortages constrained productivity and employment. Large manufacturing sectors such as garments, textile, pharmaceuticals, steel, tanneries, shipbreaking and chemicals heavily depend on imported raw materials.

The lack of a relationship between the tapering of global shocks and macroeconomic stability in Bangladesh shows there is a lot more to it than just an adverse change in the global economic climate.

The year started with several administered price adjustments and tighter controls on foreign exchange prices and volumes. The Bangladesh Bank backed BAFEDA-ABB model devalued the taka at periodic intervals. A de facto reduction in current account convertibility came into place with tighter export proceed surrender requirements and withholding payments on various invisibles.

Bangladesh Bank monetised government borrowing and stuck to the 9 percent lending rate cap until July, when implementation of a timebound macro-structural reform programme supported by the IMF kicked in.

Policies moved better in the second half of 2023, albeit not in all key fronts. The central bank changed the monetary policy operating model, bringing greater flexibility to the money market and more frequent crawl in bank lending rates. It put a lid on deficit monetisation.

The operating dynamics of the exchange rate regime exhibited several mood swings. The culture of impunity in loan default lived well.

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Garment exports to face rocky recovery in 2024

LOOKING AHEAD TO 2024

REFAYET ULLAH MIRDHA

Garment exports from Bangladesh may witness moderate growth of between 7 and 10 percent in 2024 after struggling to perform strongly in the outgoing year due to a global economic slowdown.

In January-November of the outgoing year, garment shipments from the country grew 4.35 percent year-on-year to $42.83 billion, which is an unusually low rate.

Bangladesh's garment sector has been maintaining 10 percent growth over the last decade, barring the Covid-19 period, and the sector has become a nearly $50 billion export market, accounting for nearly 8 percent of the $700 billion global market.

However, with historic inflation in major markets such as European countries and the US, garment shipments from Bangladesh experienced a lull in 2023.

Still, local exporters are expecting moderate growth in 2024 as the US, Bangladesh's single largest export destination, has already paused its high interest rate in the last quarter.

Furthermore, it is expected that the Federal Reserve will reduce the interest rate in the next quarter, which will drive up consumer spending on luxury items like high-end garment items.

Moreover, old inventories in stores of American and European clothing retailers and brands

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Bangladesh is the number one exporter of diversified denim items to the EU. PHOTO: STAR/FILE

Corn import to fall as dollar shortage persists

SOHEL PARVEZ

Bangladesh's corn import may plunge in the marketing year (MY) 2023-24 beginning from May owing to reduced requirement of feed in poultry, aqua and other farms, and difficulties faced by millers in importing goods amid the ongoing forex shortage in the country, according to a recent report by the US Department of Agriculture (USDA).

Corn import may decline 41 percent year-on-year to 12 lakh tonnes in MY24, it said in its grain and feed update on Bangladesh, issued recently.

"This adjustment considers the current economic slowdown in the country and the uneven performance of the feed industry," said the USDA report.

Citing industry contacts, it said Bangladesh imported 4 lakh tonnes of corn in the first seven months of MY24. It added that many medium and small mills are grappling with shortage of key feed ingredients, corn and soybean meal, as they face challenges in opening letters of credit as a result of shortage of dollars.

Large mills also face difficulties in LC opening, said the USDA.

Despite the decline in imports, local production of corn or maize is forecasted to increase 7 percent to 52 lakh tonnes in MY24 from 48.5 lakh tonnes the previous year.

The report said corn, the second-largest cereal crop in Bangladesh which is grown by farmers as a cash crop, is a major ingredient for feed mills, which consume 70-75 lakh tonnes of the grain to make feed for poultry, fish and dairy farms.

So, given the USDA's projection regarding local production, increased local production will meet the demand for feed, consumption of which may fall

Corn import may decline 41 percent year-on-year to 12 lakh tonnes in MY24, the US Department of Agriculture said.

to 7.6 percent year-on-year to 60 lakh tonnes for the current MY, ending in April 2024, according to the report.

"The high prices of poultry, aqua, and cattle feed have reduced their demand at the farm level," said the agency in its report, adding that all types of feed prices increased by about Tk 6,000 per tonne from October to November 2023.

In the second week of December, the average price of poultry feed reached Tk 66,000 per tonne, up 20 percent compared to the same period last year.

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