

US oil output falls in Oct

REUTERS

US crude oil output fell slightly in October to 13.248 million barrels per day, the first monthly decline since April, the US Energy Information Administration (EIA) said on Friday.

Analysts have been expecting a slowdown in US oil output after it set monthly records in August and September. Falling US output could help ease some oversupply concerns that have weighed on crude prices in recent months.

However, the small magnitude of that decline - just 4,000 barrels per day (bpd) - likely shows that US production might still have room to grow.

"Those who have been preaching for months that US shale production has peaked are in for another surprise: Crude production increased in all tight plays except in North Dakota," Anas Alhajji, an energy market expert based in Dallas, wrote on Friday.



People living in around 450 chars on rivers traversing Lalmonirhat and Kurigram districts have become more inclined towards rearing goats owing to an increase in the cost of feed for cattle. According to the Department of Livestock Services, each family is rearing anywhere from 5 to 20 goats, taking the total to around 6 lakh, double that three years ago. The photo was taken at Kalmati Char on the Teesta river last Tuesday.

PHOTO: S DILIP ROY

Rising wealth disparity, graft stand in the way of inclusive economy

Economists say at roundtable

STAR BUSINESS REPORT

The growing wealth disparity and corruption in Bangladesh are among the biggest challenges for creating an inclusive economy in the country, according to various economists.

"Although poverty has decreased, income inequality has widened over the years and this is a major problem for our economy," said Jahangir Alam, an agricultural economist.

He was speaking at a roundtable on "Inclusive Development in Bangladesh: Challenges and Opportunities", organised by Business Eye, a financial daily, at the Jatiya Press Club in Dhaka yesterday.

Citing data of the Bangladesh Bureau of Statistics, Alam said it is worrying that the country's Gini coefficient currently stands at 0.499 while it was 0.458 in 2010.

The Gini coefficient, or Gini index, is a measure of income inequality within an economy.

It is expressed as a number between 0 and 1, where 0 represents perfect equality (everyone has the same income) while 1 represents maximal inequality (one person has all the income).

With this backdrop, Alam said the growing wealth disparity is to blame for rising income inequality.

"While there is no issue regarding the economic growth we have achieved or will achieve, it is important to question the characteristics of our development," he added.

Regarding ways to decrease the wealth disparity, Alam urged for addressing income, educational and employment inequalities between rural and urban regions.

He also said social safety nets need to be expanded while corruption should be rooted out.

"The triangle of power among unscrupulous businessmen, politicians and bureaucrats must be broken," Alam added.

Dr Shamsul Alam, former state minister for planning, said Bangladesh's economy has transformed over the years, experiencing massive growth in the process.

"But when a country sees such development, there is also a rise in wealth disparity," he added.

Highlighting various government

initiatives to reduce wealth gaps, he said it has become a challenging task due to corruption.

Noted economist Qazi Kholiquzzaman Ahmad said inclusive development is a part of Bangladesh's heritage as it is rooted in the country's spirit of liberation.

Citing data of the Bangladesh Bureau of Statistics, Alam said it is worrying that the country's Gini coefficient currently stands at 0.499 while it was 0.458 in 2010.

"But a great erosion of values remains as we want more wealth and power. We have to get out of this mindset. Our principles are fine, but when it comes to the individual level, our values have been greatly eroded," he added.

He also said the issue of inclusive development was incorporated in the country's policy framework.

"Bangabandhu [Sheikh Mujibur Rahman] did this. He wanted to reduce people's suffering. Therefore, whatever

development measures we take, we have to think of those who are marginalised," he added.

Ahmad said alongside Covid-19 and the Russia-Ukraine war, some missteps by the authorities concerned have worsened the challenges related to ongoing inflation, the US dollar crisis and corruption.

"These [challenges] have to be dealt with," he added.

Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association, said the economy is on the right track but there are some issues that require attention.

For example, the implementation of mega projects needs to be sped up and existing barriers for doing business should be removed, he added.

Md Amin Helali, senior vice-president of the Federation of Bangladesh Chambers of Commerce and Industry, said the country should reduce its reliance on the garments sector for earning foreign currency to ensure sustainable growth.

Atiur Rahman, former governor of Bangladesh Bank, and Farida Yasmin, editor of Business Eye, also spoke at the event.

India to remain fastest-growing economy in 2024

Assocham says

ANN/THE STATESMAN

Riding on the back of strong consumer demand, India is likely to remain the fastest-growing major economy in the world in 2024, Assocham said on Thursday.

The consumer demand will lead to a pickup in investment across sectors such as construction, hospitality and infrastructure including railways and aviation.

India retained the tag of the world's fastest-growing major economy, with its GDP expanding by a faster-than-expected rate of 7.6 percent in the July-September quarter on booster shots from government spending and manufacturing.

Notably, country's GDP growth of 7.6 percent beat most estimates, including 6.5 percent projected by the Reserve Bank of India (RBI).

India's GDP growth beat China's 4.9 percent rise in July-September, while the Western economies are getting crushed under high-interest rates and energy prices.

"India's macro picture looks quite convincing with the overall economy following a trend growth of seven percent with critical building blocks combining to give it brighter prospects," Assocham Secretary General Deepak Sood said.

According to the industry body, India Inc led by financials, construction, hotels, aviation, automobile and other manufacturing areas like electronics are on a strong pitch to further improve performance in the coming year.

It said the trajectory is being helped by the low crude oil prices, keeping inflation in check with a big positive on raw material cost.

"Sectors like construction have several related industries which too have gained momentum. These include steel, cement, mining, electricity generation and consumer durables."

The macroeconomic indicators including government balance sheet reflected in strong tax collections, record foreign exchange reserves, stability in the rupee against major currencies and signs of revival in merchandise exports are expected to further improve, it estimated.

STOCKS		WEEK-ON WEEK
DSEX	CASPI	
0.04%	0.11%	
6,246.50	18,520.13	

COMMODITIES		AS OF FRIDAY
Gold	Oil	
\$2,062.9	\$71.32	
(per ounce)	(per barrel)	

ASIAN MARKETS				FRIDAY CLOSINGS
MUMBAI	TOKYO	SINGAPORE	SHANGHAI	
0.23%	0.22%	0.8%	0.68%	
72,240.26	33,464.17	3,240.27	2,974.93	

Can Bangladesh put economy back on track?

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October while the new terminal at the Hazrat Shahjalal International Airport and Cox's Bazar rail station could accelerate connectivity.

But those milestones, which are expected to give a much-needed fillip to the bruised economy, were dwarfed by the widening cracks in the economy and the outlook remains deeply uncertain.

In order to restore macroeconomic stability, some policy measures were taken from the middle of the year, largely because of the International Monetary Fund's conditions tagged with its \$4.7 billion loan, although local experts and think-tanks have long called for identical moves for years.

In a major move, the central bank has withdrawn the interest rate cap on loans. However, it remains to be seen whether the new reference rate used to fix the interests of loans will live up to the expectations since the rate setting is determined by treasury bills, meaning it might not be fully market-based.

The central bank said it has stopped printing money to keep the government operational. It has also tightened rules to limit imports and protect the reserves.

The policy rate has been increased multiple times to lift it to a record level with a view to countering the escalated inflation but the interest-rate cap made the monetary policy tool ineffective.

The adoption of a unified exchange rate has been welcomed but the IMF has stressed that a gradual transition to a more flexible regime is needed to enhance the economy's resilience to external shocks.

Md Zaved Akhtar, chairman and managing director of Unilever Bangladesh Ltd, said businesses and policymakers had collectively missed the opportunity to put in place fundamental corrections like market-based foreign exchange rates, good governance in building strong financial institutions, and prudence in financial account management during peacetime, "making us

vulnerable during the current volatile economic period."

"As we move into 2024, we need to review our actions as businesses and policymakers. We will require a different playbook to address some of the fundamental headwinds."

Policymakers might have hoped that the troubles at home would be resolved once the external factors responsible for the crisis in Bangladesh go away.

But Zahid Hussain, a former lead economist of the World Bank Bangladesh, says: "This assumption did not serve us well in 2023. The time is ripe to own up to the weaknesses of our unorthodox policy models and frameworks."

He said one hopes the long overdue policy corrections will not procrastinate on the assumption that the global headwinds will fade sooner than later.

In fact, 2024 could see significant political upheaval and economic instability globally.

As countries representing 60 percent of the global GDP head to the polls, governments, businesses, and households are adopting a widespread 'wait-and-see' attitude that will likely delay critical economic decisions, according to the Economic Outlook 2023-25 of Allianz Research.

It warns that such uncertainty could act as a negative supply shock, potentially raising prices and curtailing output, investment and consumption.

Global growth is set to remain modest, with the impact of the necessary monetary policy tightening, weak trade and lower business and consumer confidence being increasingly felt, said the OECD's latest Economic Outlook.

The US is on course for a 'soft landing,' despite facing economic headwinds. Conversely, the eurozone is grappling with near-zero growth and is forecast to dip briefly into a technical recession.

If the two regions, home to about 60 percent of Bangladesh's total exports and 80 percent of

garment shipment, face volatility, the country's export sector would continue to be under strain.

Birupaksha Paul, a professor of economics at the State University of New York at Cortland, blamed the lack of knowledge-based leadership at financial institutions for the delayed response to the current shocks.

He said the interest-rate cap was justified by policymakers whereas other economies kept on raising policy rates to combat inflation. And they, including the neighbouring economies, were successful in reducing inflation and avoiding the dollar crisis, but Bangladesh failed in both.

Another area of policy tardiness happened in the exchange rate, which kept the dollar's value artificially much lower than required, worsening both the current account and eventually the forex reserves, according to Prof Paul, also a former chief economist of the Bangladesh Bank.

"Further reserve depletion and moderately high inflation will keep on harming the economy if the government does not ensure knowledge-based leadership at financial institutions and make both interest and exchange rates soundly market-based."

Rizwanul Islam, a former special adviser to the employment sector at the International Labour Office in Geneva, said the new year would provide the policymakers an opportunity to make a new beginning. But that opportunity will have to be used quickly and effectively if further deterioration of the economic condition is to be avoided.

He thinks the first task would be to fix the macroeconomic imbalances that have been acting as a brake on the economy for more than a year now.

In the outgoing year, Bangladesh could not bring down inflation whereas it has come under control in most countries. The country's failure to discipline the vested quarters

behind the commodity market volatility was visible.

To fight inflation, the economist says, action will be needed on multiple fronts.

If the interest rate is raised, its impact is likely to come with a time lag. During the interim period, supply-side interventions will be needed, especially for items that are sensitive to price fluctuations.

"Advance estimation of import requirements and better planning and implementation of imports are essential. Measures should be undertaken to protect the poor from the adverse effects of inflation," Islam said.

Since the economy does not show any signs of an immediate return to the pre-crisis level, much of the uncertainty that haunted people and businesses over the year might not go away. So, the question arises whether people, businesses and the economy will be able to keep their head above water in 2024 if real changes take longer than they should.

Corn import

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Similarly, the average price of aqua feed in December 2023 reached Tk 85,000 per tonne, 25 percent higher than last year, according to the USDA.

"Many small and medium poultry and cattle farms have shut down their production due to the higher feed prices," it said.

Citing the Feed Industry Association Bangladesh (FIAB) and Bangladesh Poultry Industries Central Council (BPICC), the report said FIAB and BPICC contacts highlighted that the elevated prices of key feed ingredients contributed to the overall increase in feed prices.

"They also mentioned facing challenges in opening LCs for importing corn and soybean meal. Additionally, locally crushed soybean meal prices have reached a record high since August of this year. Collectively, these factors contribute to the high cost of feed production."

Garment exports

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have waned due to sales during festival seasons such as during Thanksgiving, Black Friday, Cyber Monday, Boxing Day and Christmas.

So, demand for garment items from countries like Bangladesh is expected to grow.

"I will not say the outgoing year was a bad one if I compare with other countries and account for the tight global economic situation," said Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association.

In 2022, the global export market for garment items was worth \$576 billion, shrinking from more than \$700 billion. Hassan said that it was expected that the amount would be even lower at the end of 2023.



Despite that downturn, garment shipments to the European Union (EU) grew by 2.28 percent in January-November of the outgoing year compared to the corresponding period of 2022. However, shipments to the US declined by 9 percent over the same period.

In most cases, China lost its market share and Bangladesh gained despite the overall downturn.

For instance, Bangladesh became the foremost knitwear exporter to the EU, overtaking China in both value and volume.

Bangladesh had earlier topped

China in terms of its volume of exports to the EU and is already the number one exporter of diversified denim items to the trading bloc.

However, the outgoing year presented one of the toughest challenges for the garment sector because of labour unrest relating to a wage hike from September to the first week of December.

That came at a time when the sector was already contending with challenges stemming from the severe fallout of Covid-19 and Russia's invasion of Ukraine in February 2022.

The significant depreciation of the local currency, taka, against the US dollar gave the garment industry a sigh of relief. But that relief did not last for long given the rising cost of production and labour unrest, which contributed to lower production.

Inadequate gas and power supply to the primary textile sector and garment industries was another problem in the outgoing year even though energy prices were hiked by nearly 100 percent in February.

The next year will be significant for business because Bangladesh will have a new government with a new vision and there will be a lot of changes and challenges to overcome globally.

The garment exporters are also expecting some new facilities from the government that will enable them to be more competitive globally.

With heavy investment in green growth as per demand from western consumers, Bangladesh is now the global champion in green garment factories with more than 206 units in the country.

"I believe Bangladesh will export \$100 billion worth of garment items by 2030 as we have diversified both garment items like manmade fibre and markets like Asian economic giants India, Japan and South Korea," Hassan told The Daily Star over phone.

He urged for adequate gas and power supply and to ensure ease of doing business by removing cumbersome processes in customs, bonds and ports while also reducing bureaucracy.