



A farmer takes grass collected from his mustard field for his cattle back home in Hobibor Baiguni village of Gaibandha's Gobindaganj upazila. Raw grass provides water, digestible fibre, protein, carbohydrates, vitamins, and minerals. Experts suggest 80 percent of the total feed be comprised of a mixture of raw grass, hay and silage while the remaining 20 percent be of a mixture of grains. The photo was taken recently.

PHOTO: MOSTAFA SHABUJ

Bring back missing \$12b in export proceeds

Says Mustafizur Rahman of CPD

STAR BUSINESS REPORT

The government should take steps to bring back the \$12 billion in export earnings that went missing from the overall export proceeds of fiscal 2022-23, according to a noted economist.

Bangladesh is currently facing a foreign currency crisis and so, bringing in these export earnings would help alleviate pressure on the country's reserves.

So, policymakers like Bangladesh Bank, the National Board of Revenue and Export Promotion Bureau (EPB) should work on resolving this issue, said Mustafizur Rahman, a distinguished fellow of the Centre for Policy Dialogue.

With this backdrop, Rahman suggested the government show zero-tolerance for those who avoid repatriating their export earnings and thereby deprive the state of its share.

EPB data shows that export proceeds in the previous fiscal amounted to \$55 billion while Bangladesh Bank reported \$43 billion, with exporters attributing the discrepancy to the cancellation of work orders and their discount offers.

In order to boost the country's exports,

the economist suggested diversifying the garment industry with non-cotton apparels.

In addition, he urged for diversifying the country's export basket by further infiltrating the \$1.50 trillion global market for pharmaceuticals, enhancing productivity and exploring more leather markets.

It is expected that the country's export earnings will reach more than \$100 billion if those diversifications take place in next 10 years.

"Still, it might not be possible to earn like Vietnam at \$350 billion," Rahman said.

He blamed some wrong policies taken by the country, such as not depreciating the local currency against the US dollar over the last six years, for creating a challenging time at present.

Even two years ago, the country's foreign currency reserve stood at \$48 billion while it has now fallen to \$19 billion because of these wrong policies.

The exchange rate was hovering around Tk 86 some 18 months ago and now the official rate is Tk 112.

But had the taka been depreciated on

time, the rate could have been fixed at about Tk 96 per greenback, Rahman said.

However, higher productivity will require higher payments for workers as the low productivity with low wage model will not work anymore to be more competitive in the global fashion market, he added.

Rahman was speaking at a seminar on "Global Economic Slowdown, Bangladesh's Apparel Industry and Decent Work", organised by the Bangladesh Institute of International and Strategic Studies (BISS) at its auditorium in Dhaka yesterday.

Various government high-ups, academicians, exporters, businessmen, trade experts and businesspeople participated in the event.

Major General Md Abu Bakar Siddique Khan, director general of BISS, delivered the welcome address while Ambassador AFM Gousal Azam Sarker, chairman, presided over the seminar.

Masud Bin Momen, senior secretary to the Ministry of Foreign Affairs, touched upon the issue of the newly announced US labour policy.

He also emphasised on collaborative

efforts from the government, entrepreneurs and labourers to overcome any future challenges in the garments sector.

Tapan Kanti Ghosh, senior secretary to the commerce ministry, said Bangladesh's apparel industry has successfully secured its hold on new markets in Australia, Japan and South Korea.

Mahfuz Kabir, research director of the BISS, made the keynote presentation.

Mashiur Rahman, former economic affairs adviser to the prime minister, emphasised on skills development, which he suggested should be associated with a necessary wage raise.

He also drew attention to the changing nature of the global market, where developed countries are increasingly looking inward.

Faruque Hassan, president of Bangladesh Garment Manufacturers and Exporters Association, Kamran Tanvirur Rahman, president of the Metropolitan Chamber of Commerce and Industry, Md Ehsan-E-Elahi, secretary to the Ministry of Labour and Employment, and Akhter Hossein, vice president of the Bangladesh Knitwear Manufacturers and Exporters Association, also spoke.

US overnight funding rate hits record high

REUTERS, New York

A gauge measuring the borrowing costs on loans between banks and other participants in the US repurchase agreement (repo) market hit its highest level since it was launched about five years ago, New York Federal Reserve data released on Friday showed.

The Secured Overnight Financing Rate (SOFR), a measure of the cost of borrowing cash overnight collateralized by Treasury securities, hit 5.4 percent on Thursday - the highest since April 2018, when the New York Fed began publication of the rate.

A spike in the price for repurchase agreements, or repos - in which investors borrow against Treasury and other collateral - can be a sign that cash is getting scarce in a key funding market for Wall Street.

Market participants, however, said the recent rise was related to borrowing costs being driven up because many dealers have closed their books for the year, limiting the availability of funding.

"The rise in SOFR is directly related to the demand for year-end financing needs and the lack of counterparties doing financing the last day of the year," Tom di Galoma, managing director and co-head of global rates trading at BTIG, said on Friday. "Many have closed their books for the year, and it is pushing SOFR higher."

Another measure of the cost of borrowing short-term funds backed by US Treasuries spiked this week to its highest level since September 2019, when dwindling bank reserves forced the Federal Reserve to intervene.

The DTCC GCF Treasury Repo Index, which tracks the average daily interest rate paid for the most-traded General Collateral Finance (GCF) Repo contracts for US Treasuries, stood at 5.495 percent on Thursday, a four-year high.

"Year end pressure in funding markets is normal," said Spencer Hakimian, CEO of Tolou Capital Management, a New York-based macro hedge fund.

"Banks tend to slow down activity to bolster their balance sheets for compliance purposes ahead of the new year. This, in itself, is nothing to be worried about - unless it persists through January," he said.

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	

Opportunities not limited

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"On the other hand, we have developed a very strong mobile broadband network across the country. High speed internet infrastructure is there as a result of the initiatives by both government and mobile operators," he added.

He said the nation has significant opportunities in the IT sector in general and through freelancers on a broader scale.

"What we need is stability and good governance to unleash such potential to become an economic power in the foreseeable future," said Azman, who took charge as the first Bangladeshi CEO of Grameenphone in February 2020.

He said 2023 was pivotal for Grameenphone, marked by significant transformational initiatives.

The mobile phone operator, majority owned by Telenor, navigated through supply chain disruptions and equipment import challenges despite less favorable macroeconomic conditions and global conflicts.

2024 could be

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addressed. Overall, we are very upbeat about 2024."

"Hopefully, the next elections will be peaceful and participatory. And after the election, stability will be attained. So, I am quite hopeful for the future. Bangladeshis are smart people."

Talking about the economy, he said 2023 had been difficult.

"We had a stressful time. But we have to think positively and overcome the difficulty. We can't give up and be frustrated."

Anis Ud Dowla said 2024 will also be a challenging year.

"To this end, a discipline must return to the financial sector and it should be reformed. The export capacity should be strengthened."

He said the country is witnessing challenges because of misgovernance in the financial sector.

Businesses display

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Even, the demand for fast-moving consumer goods dropped. As a whole, consumption has reduced," she said.

Moreover, she said, businesses could not pass the full burden of the currency depreciation to customers since it could bring down the demand further. Large firms were able to continue their operations while it was very challenging for small and medium enterprises.

Currently the managing director of Berger Paints Bangladesh, Chowdhury says the companies that were in expansionary mood could not open letters of credit (LCs) to import capital machinery.

The LC opening situation was tough initially before seeing some improvement. But it has come under stress recently, maybe for the uncertainty surrounding the national election.

She said some companies are supplying products to government

projects, but the supply shrank as the projects are moving at a slower pace.

Fortunately, the electricity situation did not worsen as businesses had feared at the start of the year although the price rose significantly. The supply of gas was, however, in bad shape, inflicting damages on industries.

"The high price of fuels ultimately raised the costs of production. Therefore, it was difficult to maintain profitability for the companies that did not cut jobs or salaries."

According to the CEO, multiple exchange rates and the volatility in dollar prices also hit businesses in the just-concluded calendar year.

"2023 was the most difficult year for all."

Still, Chowdhury sounds optimistic about 2024.

If Bangladesh can borrow \$8 billion to \$10 billion from the World Bank and other multinational development partners, the situation will improve, she said.

Reforms must speed up

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circumstances," Akberali said. The industrialist lauded the government for taking various mega projects, calling it brave.

"But from now onward, it needs to consider the payback period before initiating any mega project as well as during their implementation. Otherwise, we may fall into the debt trap."

Akberali says Bangladesh would have done better if it could take some steps long ago by gradually freeing up the interest rate as well as making the exchange rate flexible.

Regarding the slowdown faced by the economy in 2023, he said, "I think we were overconfident that our exporters would save us. Now, we are facing too much shortage of foreign exchanges."

"If reforms were put in place three to four years ago by slowly devaluing the currency and increasing the interest rate in phases, we might not

face the current situation all of a sudden."

According to the BSRM chief, Bangladesh has huge potential and there is no reason for the country to look back.

"The only thing is that there has been no serious reform in the banking sector in the last three or four years against willful defaulters. The lack of strong steps to rein in willful defaulters led to the serious liquidity crisis."

Akberali thinks the new government can't slow down reforms, infrastructure development and digitalisation.

"Digitalisation in many spheres is urgent. Government organisations are aware of digitalising things and they are trying but the implementation is very slow."

He said the Awami League has been in power for 15 years but the land ownership document is yet to be digitalised.

Opportunities

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on the political stability and quick economic reforms, including faster decisions of money loan courts as well as concluding on the fate of weaker institutions."

According to Saha, the financial sector and the capital market should come out from the restrictive measures to a market-driven exchange rate and interest regime. There should not be any floor price in the stock market and stern action against manipulators should be ensured.

"Listing of good companies is a must."

Both state and private businesses should come to the capital market to raise funds, instead of continuing their reliance on banks for project financing.

Saha said the National Board of Revenue can think of a few incentive structures to attract large and multinational companies. Biggies will not come for listing without attractive tax incentives.

Food wasn't

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A report by the Food and Agriculture Organisation (FAO) stated that about 1.19 crore people in Bangladesh experienced high levels of acute food insecurity from May to September this year despite record cereal harvests in 2022 and 2023.

The increase in food insecurity comes despite the fact that cereal production in the country, including paddy, stood at a four-year average of 6.09 crore tonnes between 2018-2022. In 2023, the total paddy production is forecast at a record 5.9 crore tonnes.

"Production is not a problem for Bangladesh. The country's weak link lies in agriculture marketing," said M Asaduzzaman, former research director of the Bangladesh Institute of Development Studies (BIDS).

By the time the product reaches the consumers from the growers, its price increases manifold, he said.

Work to ensure

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dollar shortage and slow payment of overdue bills by the government.

"Local banks are struggling to source US dollars to settle the limited fuel import letters of credit, foreign loan repayments, and spare parts procurement. The power sector requires support from the Bangladesh Bank to ensure uninterrupted power generation," he said.

Apart from this, the government owes over Tk 25,000 crores to IPPs in monthly bills. Some plants have more than nine months of payment overdue, he said.

The BIPPA chief said the Bangladesh Power Development Board (PDB) makes partial payments each month from their revenue collection and support from the finance ministry.

The dues are building up because of non-release of funds allocated to the power sector during the national budget for

the current fiscal year, according to Khan.

Consequently, he said, IPPs are suffering massively from forced loans and defaults on loans and other payments.

"IPPs are collapsing due to the huge receivables," he said.

He said IPPs are prepared to support the nation to meet its electricity needs but they alone do not have the capacity to ensure uninterrupted electricity without the US dollar support from the Bangladesh Bank and resolution to the cashflow crisis due to extremely delayed bill payments.

Khan said high interest rate on loans, inflation and disparity in the foreign exchange rate are the key challenges for businesses and the economy.

"We need to overcome these challenges to attract more foreign direct investments and ensure survival of local industries."

Recovery likely

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customs authority imposes a duty on referral prices, meaning that products such as noodles imported at \$800 per tonne will face duty based on its referral price of \$1050 per tonne.

As such, importers unnecessarily pay an additional 25 percent import duty.

Sayed also said sales of fast-moving consumer goods (FMCG), particularly cosmetics and toiletries, have decreased by at least one-fourth of previous levels due to a hike in product prices amid inflationary pressure.

The annual turnover of the FMCG market came down to around Tk 15,000 crore in 2023 from Tk 20,000 crore in 2022, he added.

Multinational companies control about 67 percent of the overall market while the remaining 33 percent is shared by local manufacturers such

as Square, Kohinoor and ACL.

With this backdrop, Sayeed stressed the need to control inflation while also increasing the country's foreign exchange reserve in order to stabilise the market.

He also said product prices will not come down overnight, but the market situation will improve gradually in 2024 if inflation is controlled.

Consumers were forced to reduce their purchases of FMCG in the outgoing year in order to survive the inflationary pressure, which is very natural, he added.

According to Sayeed, almost all sectors suffered the same fate as FMCG throughout 2023.

"But we are optimistic about improving slightly in 2024 as there is the possibility to stabilise the political situation," he said.

"Besides, the government will try to take measures to revive the economy," he added.