

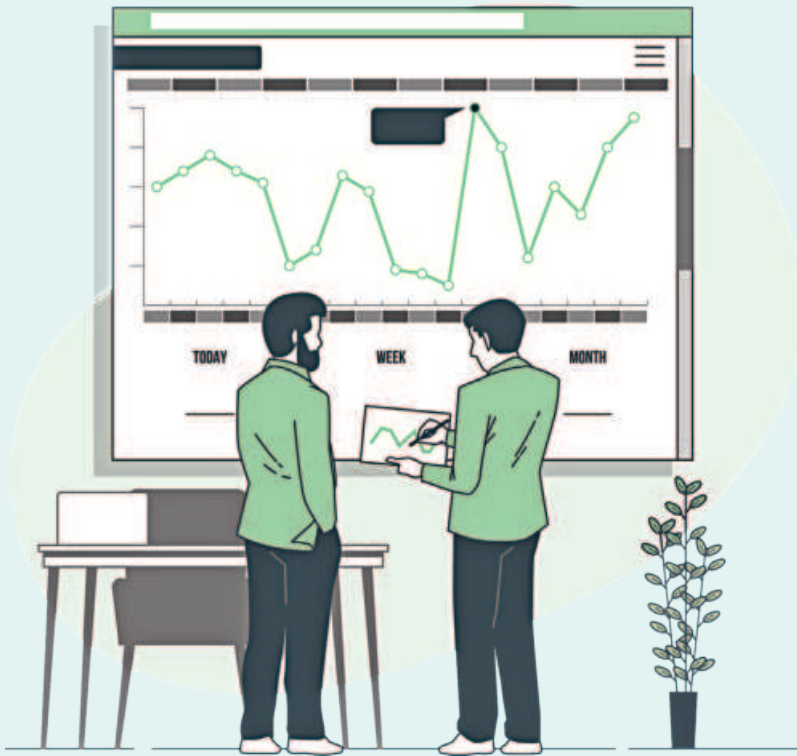
Star BUSINESS

Chattogram port experienced a 2.92 percent year-on-year drop in the number of containers handled in 2023



Story on B4

Three factors that could determine stock market recovery in 2024

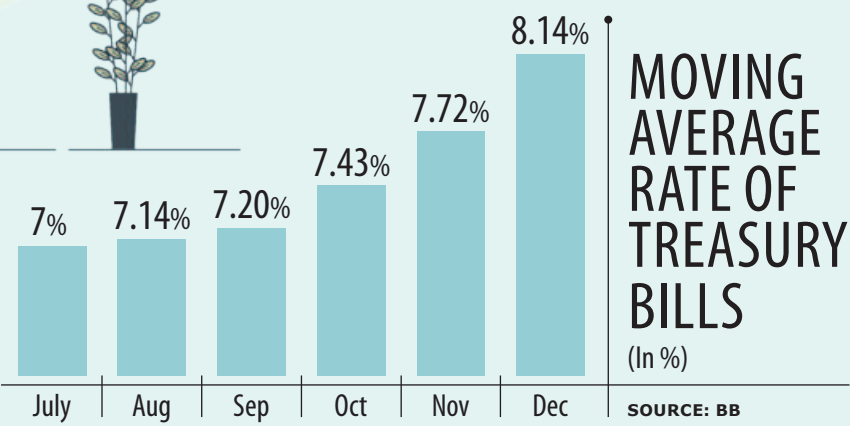


Why stock market didn't get enough funds

- » DSEX rose only **0.6%** in 2023
- » Interest rate of 5-year treasury bond **10.35%**
- » Rate of corporate bond **9%**
- » Bank deposit rate **7-8%**
- » National savings certificates' rates **11.56%-11.75%**

Major changes that affected market in 2023

- » BB moved out of lending rate cap
- » Forex reserves hit the lowest in **8 years**
- » Taka depreciated **4.7%** in the year
- » Inflation jumped to **12-year high**



No prediction will work for the stock market as long as the floor price is in place

Mir Ariful Islam
Managing director of Sandhani Asset Management



LOOKING AHEAD TO 2024

AHSAN HABIB

Bangladesh might have bid adieu to 2023 but it could not leave behind the old problems that held it back throughout the turbulent year.

Likewise, the stock market passed a disappointing year because of multiple factors ranging from lingering economic and political uncertainties and the floor price stemming from regulatory failures.

What is more, the equity market will face some fresh challenges as interest rates are expected to rise and investors and savers are returning to banks for better rates.

As a result, the market is unlikely to see any major improvement in its course in 2024.

Most shares on the Dhaka Stock Exchange (DSE) were unchanged in 2023 due to the floor price, which spooked the confidence level of investors, brokers, asset managers, and merchant bankers.

Macroeconomic pressures

have also hit investors' sentiment, so the index was flat throughout the year.

The DSEX, the benchmark index of the DSE, was up only 0.6 percent, or 40 points, at 6,246 at the end of 2023 compared to a year ago.

At the heart of the stock market's woes in the last one year has been the bruised macroeconomic scenario,

driven by the challenges stemming from wars, escalated energy costs, a drastic fall in foreign currency reserves and the value of the taka, and higher inflation.

The challenges are expected to continue in 2024 as well unless the factors behind them change their direction overnight.

Adding to the challenges for the market include the higher bank interest rate and the rates of treasury bills.

The Bangladesh Securities and Exchange Commission set the floor price in the middle of 2022 in order to halt any erosion of indexes after the eruption of the Russia-Ukraine war. This has caused an erosion of the confidence of foreign and institutional investors.

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Reserves fall short of IMF target

MD MEHEDI HASAN

Bangladesh has failed to meet the International Monetary Fund's target on keeping \$17.78 billion as the minimum net international reserve as of December 31 last year.

The NIR stood at \$17.20 billion at the end of the year, meaning the country has missed the target by \$58 million, figures from the central bank showed.

"We set a target to keep an NIR of more than \$17 billion till December 31 and we fulfilled the goal because the NIR stood at \$17.20 billion on Sunday," said Bangladesh Bank Executive Director and Spokesperson Md Mezbaul Haque.

"Our net reserve is close to the IMF target and this is not mandatory to fulfill the goal." Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, said it would have been better if the government had met the target.

"But it was good to see that they tried to raise the reserve level."

The economist said the forex reserve increased in December compared to November and Bangladesh would have to

maintain the momentum in the coming months to secure the rest instalments from the IMF.

As per the IMF manual, the gross international reserves stood at \$21.82 billion on Sunday.



When the Washington-based lender approved the \$4.7 billion loan for Bangladesh in January last year, it had fixed a minimum NIR of \$26.81 billion for December. Later, the goal was revised downwards since the reserve level dropped at a faster-than-expected pace.

In December, the IMF reset the NIR at \$17.78 billion for December, \$19.27 billion for March this year and \$20.11 billion for June, as per IMF documents.

The revision comes as the government could not meet two of the six targets that it had to reach in order to qualify for the second instalment under the loan programme. The two targets are related to the reserves and revenue collections. Still, the IMF released the installment.

In order to hit the goal and boost the reserve level, the BB has started to buy US

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Private credit growth slows

STAR BUSINESS REPORT

Credit growth to the private sector slowed to 9.9 percent in November as appetite for loans from businesses waned amid rising interest rate, sustained high inflation, and banks' focus on attracting more deposits during the final months of the year, according to bankers.

In October, credit flow to private business grew 10.09 percent, the highest in the current fiscal year 2023-24, data from the Bangladesh Bank (BB) showed.

"Demand for credit has reduced due to high inflation and rising interest rate. It seems that people have become selective. They have become conservative and are thinking twice," said Md Mahiul Islam, deputy managing director at BRAC Bank.

Official data showed that inflation, which has remained persistently high

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Govt sees budget surplus of Tk 11,865cr in Q1

REJAUL KARIM BYRON

The government saw a budget surplus of Tk 11,865 crore in the first quarter of the current fiscal year (FY) as its spending was lower than its revenue collection.

In the same period of last fiscal year, the government saw a budget deficit of Tk 1,775 crore. According to a finance ministry report, in the July-September period of FY 2023-24 the government spent Tk 83,650 crore out of its total budget of Tk 7,61,785 crore.

In the same period of FY 2022-23, the spending stood at Tk 82,434 crore out of Tk 6,78,064 crore. The revised budget of FY 2022-23 was Tk 6,60,508 crore.

On the other hand, in the first quarter of the current fiscal year, revenue collection stood at Tk 95,515 crore whereas it was Tk 80,659 crore in the previous year.

In addition, in the same period the government received Tk 537 crore in foreign grants whereas none in the same period of FY 2022-23.

The government considers foreign grants as revenue.

A finance ministry official said although budget spending usually remains low in the first quarter of a fiscal year, it increases significantly in the following quarters.

However, one reason behind the budget surplus could be the government's austerity measures, said the official.

The official also said except for interest payments, spending in different sectors decreased in comparison to that in the previous fiscal year.

Even the government's spending for subsidies did not rise, he also said.

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Investment dried up in textile and garment in 2023



2023 IN REVIEW
THE EVENTS THAT SHAPED OUR ECONOMY

REFAYET ULLAH MIRDDHA

The textile and garment sector witnessed a very dry investment season in 2023 as demand for clothing items fell globally while an energy crisis on the domestic front led to higher costs of production.

Moreover, higher costs of production due to increased prices of raw materials, transport cost, the volatile exchange rate of the local currency against the US dollar, and the government's restriction on imports in order to save US dollars were other reasons for the slowdown in investment in the sector.

The year 2023 was one of the toughest for global textile and garment industries as the major consumer markets like Europe and the USA reduced import of clothing items substantially due to historic inflationary pressure.

For instance, the USA's overall garment imports declined by 22.71 percent in January-October of 2023 to \$67.26 billion.

The lower demand from the major consumer markets also affected investment in the domestic market.

The US saw garment imports from Bangladesh decline by 24.75 percent to \$6.35 billion in the January-October period of 2023, according to data from the Office of Textiles and Apparel (OTEXA) of the US government.

Meanwhile, garment shipments from

Bangladesh to the European Union (EU) grew by merely 2.28 percent in January-November of 2023 compared to the corresponding period of 2022.

In January-November of the outgoing year, garment shipments from Bangladesh grew an unusually low rate of 4.35 percent

year-on-year to \$42.83 billion.

In 2022, the global export market for garment items was worth \$576 billion, shrinking from more than \$700 billion. The export of garment items globally was even lower than \$576 billion in 2023.

The worst-hit sector was Bangladesh's primary textile sector, worth nearly \$25 billion, as it witnessed almost zero investment in 2023, with no new units being established.

Even in 2022, the year Russia launched its invasion of Ukraine, 14 new units were established in the primary textile sector at an investment of Tk 4,148.14 crore, mainly in non-cotton fibre production, according to data from the Bangladesh Textile Mills Association (BTMA).

In 2023, only one unit of a spinning mill in Narsingdi reported that they would invest Tk 700 crore to produce cotton and man-made fibre, but that factory will be set up this year, said Monsoor Ahmed, chief executive officer of the BTMA.

Ahmed also said the import of four core raw materials for the primary textile sector, including capital machinery, fabrics, yarn and cotton, declined by 28 percent on average in 2023 compared to 2022 because of low investment inflow in the sector.

Very few textile millers expanded their capacity despite it being very much required, the BTMA CEO added.

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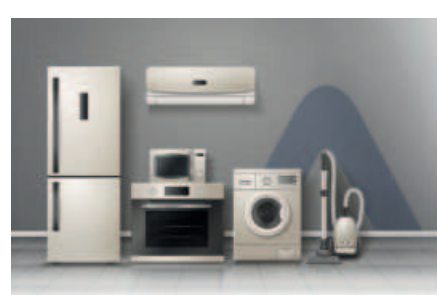
Bangladesh's primary textile sector, worth nearly \$25 billion, witnessed almost zero investment in 2023.

PHOTO: STAR/FILE

STOCKS	
DSEX ▼	CASPI ▼
0.05%	0.08%
6,242.87	18,505.13

COMMODITIES	
Gold ▲	Oil ▼
\$2,066.26	\$71.32
(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.22%	▼ 0.22%	▲ 0.8%	▲ 0.68%
72,407.38	33,464.17	3,240.27	2,974.93



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