DHAKA THURSDAY JANUARY 4, 2024, POUSH 20, 1430 BS ● starbusiness@thedailystar.net

Star BUSINESS

Though mini effluent treatment plants have high potential for reducing pollution, most entrepreneurs are unaware of the benefits.

Story on B4

RED SEA IMPASSE

Freight charges up for export, import

REFAYET ULLAH MIRDHA

Bangladeshi exporters and importers are having to pay higher freight charges to the US and Europe following attacks last month on commercial vessels on the Red Sea, one of the world's busiest shipping routes.

The attacks were launched by Iran-backed Houthis, who control much of Yemen but are not recognised internationally and who said it was to put pressure on Israel over its devastating war with Palestinian Hamas militants in the Gaza Strip, reports the AFP.

It prompted the major shipping lines to suspend travel across the Red Sea and adjoining Suez Canal, which basically connects Africa and Asia.

Around 12 percent of the global trade of all goods, including 30 percent of the world's shipping container volume, especially from South Asia, relies on the Red Sea route to trade with parts of West Asia, Africa and Europe.

According to shipping executives, over 70 percent of Bangladesh's export-laden containers, which are destined for the EU, US East Coast and Canada, cross the Red Sea.

Meanwhile, 8 to 10 percent of the country's imports come through the route.

> **The diversion will raise freight costs, which domestic garment suppliers will have to bear ultimately.**
>
> **Faruque Hassan**
> President of BGMEA

The shipping lines are now diverting to a much longer route, around Africa's Cape of Good Hope.

Danish shipping company AP Moller-Maersk on January 2 said, "An investigation into the incident is ongoing and we will continue to pause all cargo movement through the area while we further assess the constantly evolving situation."

"In cases where it makes most sense for our customers, vessels will be rerouted and continue their journey around the Cape of Good Hope," it said.

The threat remains high, even with efforts to protect commercial vessels, and analytics provider MarineTraffic has confirmed that commercial ships are increasingly opting for the diversion, according to the CNBC.

Global trade data provider Kpler said the number of ships doing that jumped to 124 this READ MORE ON B3

Evaly asked to settle complaints

STAR BUSINESS REPORT

The Directorate of National Consumers Right Protection (DNCRP) recently served a notice on controversial e-commerce platform Evaly asking to settle consumer complaints.

The letter, sent to Evaly CEO Mohammad Rassel on January 1, also sought to know in seven days how the complaints would be settled.

Evaly began its journey on December 16, 2018 through an advertising blitzkrieg and offering exorbitant discounts.

Customers later complained that it did not deliver products on taking advance payments of hundreds of crores of taka. Neither did it pay merchants who had initially supplied products.

Evaly's creditors are unlikely to get their money back as there is no documentation at the platform's end, making it difficult to verify who is owed what, found an audit into the company's books commissioned by a court-appointed board last year.

Rassel and his wife Shamima Nasrin, also a co-founder of Evaly, were arrested by the Rapid Action Battalion on September 16 in 2021 after a customer filed an embezzlement case against them with Gulshan Police Station.

Later, five other embezzlement cases were lodged against the couple with Dhanmondi Police Station and the court.

Nasrin was freed from jail on April 6 last year whereas Rassel from the Kashimpur prison on bail on December 18.

"Of the complaints READ MORE ON B3

Energy sector was hobbled by dollar crunch in 2023. Will 2024 be any different?

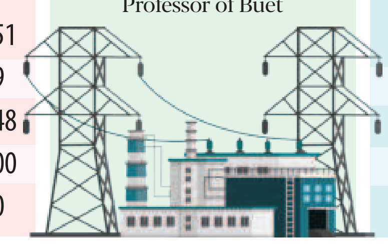
CHALLENGES FOR ENERGY SECTOR
Dollar crunch
Huge deferred payments
Introduction of automatic price-fixing mechanism
Possibility of upward price adjustment of gas, power

CAPACITY AND GENERATION
(In megawatts)

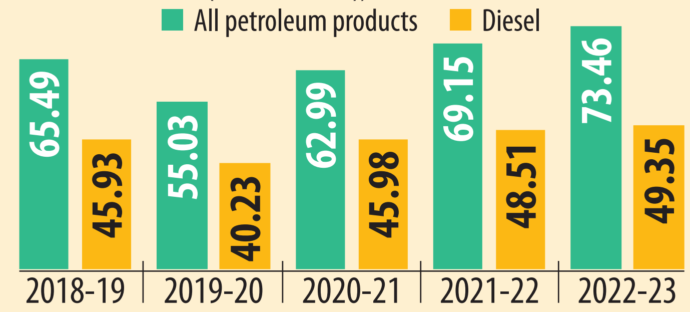
Current installed power capacity	25,951
Electricity added in 2023	3,149
Highest generation in 2023	15,648
Highest generation target in 2024	17,800
New power to be added in 2024	5,480

We have no major issues other than the dollar shortage in the power sector.

M Tamim
Professor of Buet



Petroleum imports over the years
(In lakh tonnes); SOURCE: BPC



ACTUAL AND PROJECTED PETROLEUM IMPORTS

	2023	2024
Gas production (mmcf a day)	1,066	1,760
Furnace oil imports by BPC, in million tonnes	0.8	0.8
Furnace oil imports by IPPs, in million tonnes	4.5	5
Overall diesel imports, in million tonnes	5.3	5.8
Diesel imports for power sector, in million tonnes	0.3	0.18

ASIFUR RAHMAN

The severe US dollar crunch hurt the power sector in Bangladesh most in 2023 as demand outpaced generation owing to lower imports of liquified natural gas and coal, leaving households and factories without power for hours during many summer days.

The single state buyer -- Bangladesh Power Development Board -- witnessed piling up of deferred payments of Tk 25,000 crore, putting private power producers in trouble since they could not import furnace oil to keep plants up and running.

Likewise, Bangladesh Petroleum Corporation, the lone national petroleum importer, faced difficulty in paying bills, while the country's largest coal-based power plant in Payra remained shut for weeks due to the shortage of the fuel after the supplier refused to deliver it without receiving payments.

The power plant in Rampal was also shut several times due to the shortage of coal.

Although the country bid farewell to 2023, the bad news is that the crisis in the power sector is unlikely to disappear in the new year since the underlying factors behind the current scenario are still at play.

For example, Bangladesh's gross forex reserves tumbled to $21.82 billion on Sunday, which was $40.7 billion in August 2021, meaning imports will continue to be under pressure.

As a result, the US dollar supply is once again going to be the key for Bangladesh even when global agencies have forecast stability in energy prices this year.

Concerns remain high whether public and private sectors would get the greenback on time to clear import bills for the primary fuel to produce electricity, run factories, keep transports moving and even cook foods.

"We have no major issues other than the dollar shortage in the power sector," said Prof M Tamim, dean of the chemical and materials engineering department at the Bangladesh University of Engineering and Technology (Buet).

He said fuel demand decreased globally, which indicates that the prices will be more or less unchanged.

Bangladesh relies on imported primary fuels, including LNG, furnace oil, diesel and coal to meet domestic requirement.

It needs 75 lakh tonnes of petroleum products a year, of which 92 percent are imported. Of the fuel, 20 percent is needed for power generation.

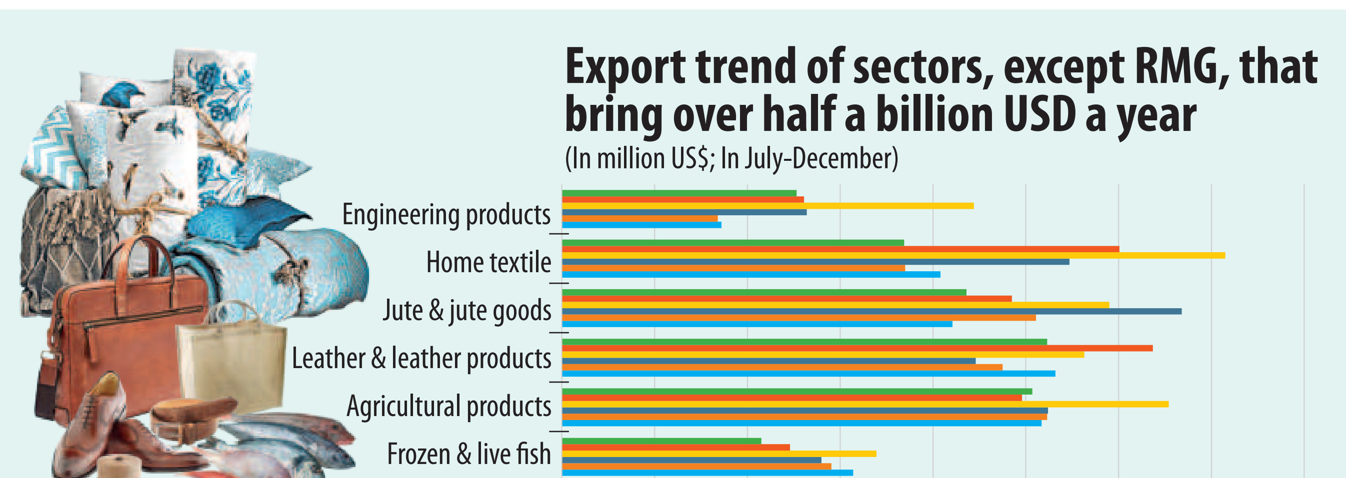
Besides, the country produces around 850 billion cubic feet of gas a year and imports around 280 bcf LNG. The power sector consumes around 40 percent of the total gas usage.

Since natural gas supply is not widely available for households across the country, liquefied petroleum gas (LPG) is becoming a READ MORE ON B3

Seven major sectors fell from grace as exports dropped

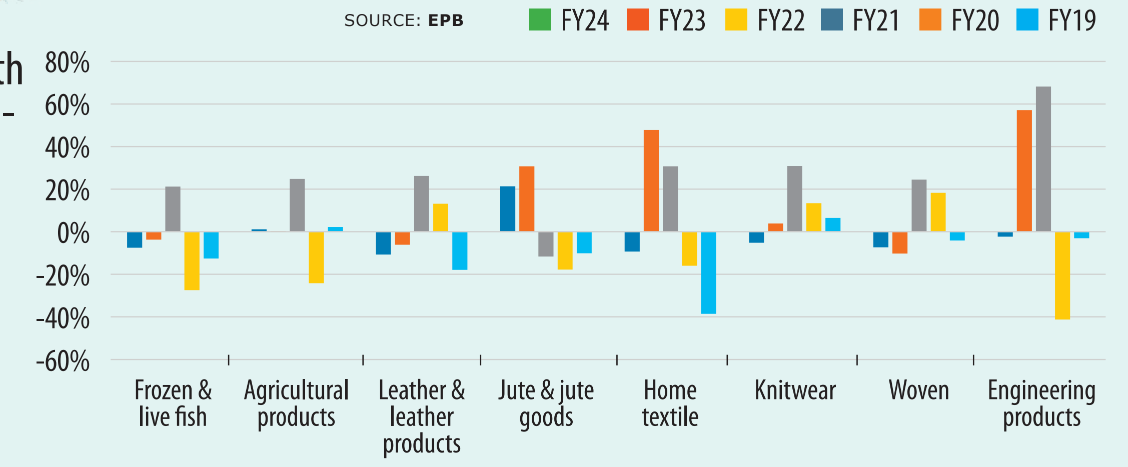
SOHEL PARVEZ

Export trend of sectors, except RMG, that bring over half a billion USD a year
(In million US$; In July-December)



SOURCE: EPB

Export growth of major non-RMG sectors
(In %)



SOURCE: EPB

At the end of fiscal year (FY) 2021-22, Bangladesh had eight sectors that recorded over half a billion dollars in overseas sales.

One sector -- frozen and live fish-- slipped from the club the following year, and the downturn of export receipts of the sector continued in the current fiscal year 2023-24.

But the frozen and live fish sector is not alone.

Export of engineering products, including bicycles, which recorded roughly $800 million in FY22, are on the decline for the second consecutive year while the sector for woven garments, the second-largest export earner after knitwear, has also found itself on the list of sectors suffering from falling export earnings.

In fact, except knitwear, export earnings across the other seven major sectors that had registered at least half a billion dollars in annual export receipts in FY 2021-22 each fell in the first half of the current fiscal year 2023-24, showed data released by the Export Promotion Bureau (EPB).

Exporters said demand from buyers in major markets such as Europe and the USA had slowed as consumers cut back on spending amid high inflation, and inventory build-up in the post-Covid-19 period while the Russia-Ukraine war and geopolitical tensions also cut sales.

However, prospects of a quick recovery appear gloomy.

"I do not see any possibility of a sharp rebound soon. Buyers are not placing orders, but rather observing ahead of the general election. We are concerned," said Md Nasir Khan, vice-president of the Leathergoods and Footwear Manufacturers & Exporters Association of Bangladesh (LFMEAB).

The association represents leather products and footwear makers, who fetched roughly $1 billion in export earnings in FY2022-23.

Makers of leather and leather goods, including footwear, saw their overseas sales plummet in the current fiscal year following a recovery from a downturn in the previous two-year period.

During the July-December period of FY24, export proceeds from leather and leather products slumped 18 percent year-on-year to $523 million.

Khan, also managing director of Jennys Shoes Ltd, said high consumer prices had affected export of leather items, but that it was not the only reason.

The leather export also suffered greatly due to a lack of compliance with the requirements of buyers since most local tanneries do not have certification from the Leather Working Group (LWG), a global body for compliance and environmental certification.

tIn six months to the end of December of FY24, earnings from export of jute and jute goods fell 10 percent year-on-year to $436 million. With this, the cumulative losses in export in the sector stands at 40 percent since FY22.

"We are facing a number of challenges. There is no possibility of improvement soon," said Helal Ahmed, chief operating officer of Janata-Sadat Jute Mills, one of READ MORE ON B3

Govt to start issuing special bonds today

Funds to be used to clear dues to fertiliser importers

REJAUL KARIM BYRON

The government is going to begin clearing arrears to fertiliser importers and independent power producers (IPPs) from today by issuing special bonds with a maximum interest rate of 7.5 percent.

A finance ministry official said a four-party agreement would be signed for the payment and the ministry would send a consent letter to the central bank to issue the special bonds.

The bonds will remain effective for eight, nine and 10 years.

The government decided to issue these special bonds, worth around Tk 26,000 crore, to clear arrears to IPPs and fertiliser importers that have remained unpaid for months.

> **The government decided to issue these special bonds, worth around Tk 26,000 crore, to clear arrears to IPPs and fertiliser importers**

Fertiliser importers have arrears of Tk 12,000 crore while IPPs have arrears of Tk 14,000 crore.

The bonds, a debt instrument, will be used as loan repayments to 40 banks on behalf of power producers and fertiliser suppliers.

The finance ministry official added that they would issue special bonds worth around Tk 4,000 crore through a state-owned bank for the Bangladesh Chemical Industries Corporation (BCIC) and the Bangladesh Agricultural Development Corporation (BADC).

Special bonds worth around Tk 450 crore will also be issued through a private commercial bank for private sector fertiliser importers.

"We are starting with two banks and the rest will follow gradually," a senior official of the finance ministry told The Daily Star.

The official added that banks would receive interest on the bonds every six months, and can use the amount towards their statutory liquidity ratio, the minimum percentage of deposits a commercial bank has to maintain in the form of cash or securities. READ MORE ON B2