DHAKA THURSDAY JANUARY 11, 2024, POUSH 27, 1430 BS ● starbusiness@thedailystar.net

Star BUSINESS

The costs of Boro paddy cultivation have risen significantly this season due to higher labour and irrigation costs.

Story on B4

Who will be new finance, commerce and planning ministers?

REFAYET ULLAH MIRDHA

Although many ministers in the outgoing cabinet have been able to keep their place in the upcoming one, some big names have been left out.

This means the government might bring in new faces to the ministries such as finance, commerce and planning as outgoing Finance Minister AHM Mustafa Kamal, Commerce Minister Tipu Munshi, and Planning Minister MA Mannan have not been named yet for the next term of the government.

Cabinet Secretary Md Mahbub Hossain disclosed the names of the new cabinet during a media briefing at the secretariat last night.

The exclusion of Kamal, Tipu Munshi and Mannan raises curiosity about who are going to be assigned in their places to run the key ministries. The three veteran politicians have been elected as lawmakers in the 12th parliamentary elections that took place on Sunday.

The three ministers have been in the spotlight for the past four years as the country navigated the twin crises stemming from the coronavirus pandemic and the Russia-Ukraine war.

Of them, Kamal drew criticism for the government's failure to manage the economic crisis, which saw gross domestic output decelerate.

Also, the foreign currency reserves have plunged to a record low from a record high in a span of two years, the banking sector has continued to be plagued by irregularities and loan scams, non-performing loans are mounting, and inflation surged to a decade-high.

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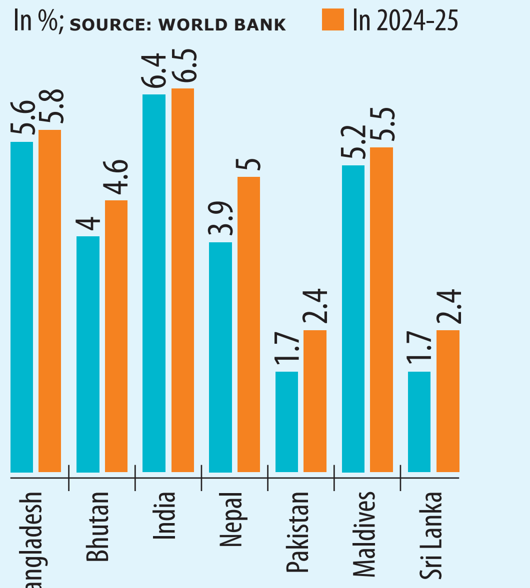
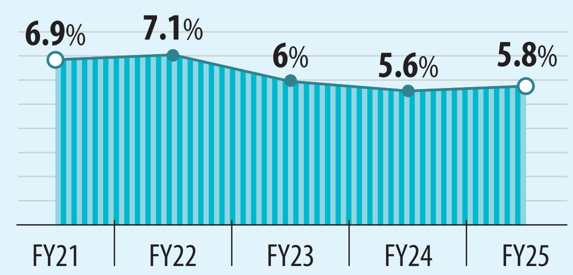
Bangladesh to post sixth highest GDP growth in Asia in FY24

World Bank keeps economic growth forecast unchanged at 5.6%





World Bank's observations about Bangladesh

- Inflation is likely to remain elevated
- Forex reserves are likely to stay low
- Import restrictions may continue and impede private investment
- Public investment envisaged to remain resilient

REJAUL KARIM BYRON

Bangladesh will clock the sixth highest economic growth in Asia in the current financial year although it will be much lower than its average in recent times and the target set by the government as pressures on the economy linger.

According to the World Bank's Global Economic Prospects report released yesterday, the country's gross domestic product expansion is forecast to slow to 5.6 percent in 2023-24, unchanged from its October update.

If the forecast translates into reality, this would be the lowest GDP growth in more than a decade if the Covid-hit 2019-2020 is excluded. In FY20, it plunged to a 30-year low of 3.4 percent owing to massive disruptions caused by the countrywide lockdown imposed to limit the spread of the deadly virus.

The government has decided to revise its GDP growth goal downwards to 6.5 percent for FY24 from the 7.5 percent initially set since the factors that caused the economic growth to decelerate to 6 percent in 2022-23 such as import restrictions and higher prices of raw material and energy costs, as well as external and financial pressures, persist.

"A higher GDP growth is not our objective this fiscal year. Our aim is to contain inflation and increase the foreign currency reserves," said a finance ministry official.

The economic growth is expected to rise in the next financial year as inflationary pressure recedes, the WB said.

In Asia, which comprises 48 nations covering the Pacific, East Asia, Central Asia, the Middle East and South Asia, only five countries will be ahead of Bangladesh in FY24 when it comes to GDP growth: Cambodia, Mongolia, Palau, the Philippines, and India.

Cambodia is forecast to grow at 5.8 percent, Mongolia at 6.2 percent, Palau at 12.4 percent, the Philippines at 5.8 percent, and India at 6.3 percent.

Bangladesh's lower-than-expected GDP growth comes at a time when the world economy is also going through a slowdown. In fact, the global economy is set to rack up a sorry record by the end of 2024 —the slowest half-decade of GDP growth in 30 years.

Global growth is projected to slow for the third year in a row—from 2.6 percent last year to 2.4 percent in 2024, almost three-quarters of a percentage point below the average of the 2010s.

Developing economies are projected to grow just 3.9 percent, more than one percentage point below the average of the previous decade.

"Without a major course correction, the 2020s will go down as a decade of wasted opportunity," said Indermit Gill, chief economist and senior vice president of the WB, in a press release.

The Washington-based lender says inflation is likely to remain elevated in Bangladesh, weighing on private consumption.

Headline inflation averaged 9.02 percent in FY23 – the highest in more than a decade – and stood at 9.49 percent in November and shows no sign of cooling off.

It said as foreign exchange reserves are likely to stay low, import restrictions are expected to continue and impede private investment.

This means Bangladesh will continue to face macroeconomic challenges caused by a sharp decline in the forex reserves in the past two years. On Monday, the reserves stood at $20.38 billion, which was $40.7 billion in August 2021.

Public investment is envisaged to remain resilient.

According to the WB, the global economy is in a better place than it was a year ago: the risk of a global recession has receded, largely because of the strength of the US economy.

"But mounting geopolitical tensions could create fresh near-term hazards for the world economy."

Meanwhile, the medium-term outlook has darkened for

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Making the economy breathe easier

ZAHID HUSSAIN

The Bangladesh economy has entered 2024 with acute cost-of-living pressures, external payment imbalances, shortage of dollar liquidity, elevated illicit capital outflows, and vulnerable balance sheets in several, not all, bank and non-bank financial institutions.

Economic activity slowed in 2023. Policies have moved in ways tried before in Bangladesh and elsewhere but haven't worked. The market playing field is immutably tilted towards the connected. Market policing, based on superficial intelligence, has veered into cat-and-mouse games.

Unorthodox model did not deliver

Students of Bangladesh's economy might look back at 2023 as the continuation of a natural experiment, that started in 2022, on the effect of crawling peg pricing regimes under different institutional clothes in the foreign exchange and credit markets. The evidence so far confirms the text bookish prediction: The cure is worse than the disease.

The decline in all major categories of imports in 2023 is telling. The tables have turned. Corporates now seek bankers instead of the good old days when it was the other way around.

Foreign exchange shortage repressed import demand. Bankers are unable to open letters of credit (LCs) because they can't sell what they don't have—foreign exchange. The outstanding bills in foreign exchange in power and energy jumped to about $5 billion, according to media reports quoting official sources.

The gaps between export shipments and export receipts widened. The shortfall in receipts relative

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RMG exports to US continue to decline

REFAYET ULLAH MIRDHA

Apparel shipments from Bangladesh to the United States have continued its downward trend for the past several months due to slowdown in the sourcing of garment items by American retailers and brands because of higher inflationary pressure.

Consumer spending on non-essential items such as apparel articles decelerated last year, which caused old inventories to pile up in stores in the world's biggest economy, which is Bangladesh's single largest export destination.

The sales finally picked up in the festive months of November and December ahead of the holiday shopping season, including Black Friday, Cyber Monday, and Christmas.

Owing to lower consumer spending, garment shipments from Bangladesh to the US declined 24.91 percent year-on-year to $6.79 billion in the January-November period last year, according to data from the Office of the Textile and Apparel (OTEXA) of the US.

If textile and apparel are considered together, the export from Bangladesh declined 25.41 percent to $6.95 billion.

The shipment of garment items to the US from other countries such as China, Vietnam, India, and Pakistan also

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STOCKS

DSEX ▲	CASPI ▲
0.27%	0.24%
6,285.25	18,626.78

COMMODITIES

Gold ▲	Oil ▼
$2,035.21 (per ounce)	$71.98 (per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.31%	▲ 2.01%	▼ 0.56%	▼ 0.54%
71,604.96	34,441.72	3,179.96	2,877.70

Why sales rose

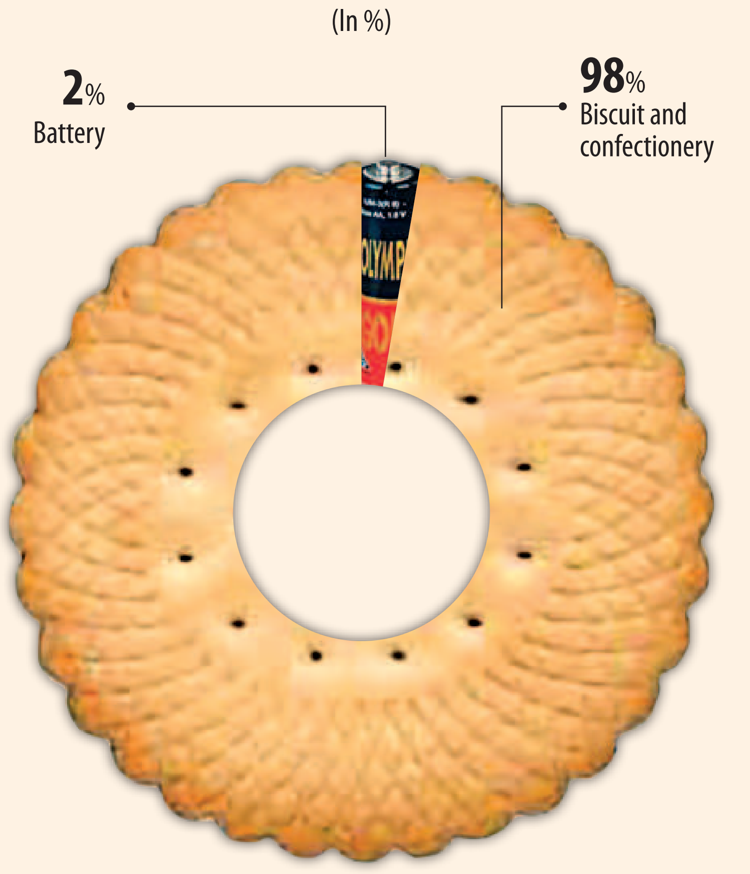
- Huge demand for packaged snacks

Challenges

- Rise in raw material prices
- Offsetting high costs by lowering weight of products

Source of revenue

(In %)



SOURCE: ANNUAL REPORT

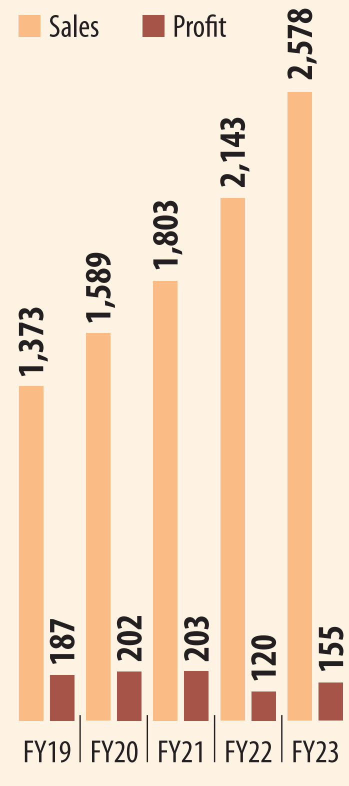
"Prices of all the raw materials -- refined flour, oil and sugar -- soared but prices of finished goods could not be raised at that pace."

Satya Ranjan Mondal
General manager (accounts and finance), Olympic Industries

SALES OF OLYMPIC INDUSTRIES

(In crore taka)

SOURCE: ANNUAL REPORT



Olympic's sales cross Tk 2,500cr

AHSAN HABIB

Biscuits and confectionery sales of Olympic Industries have crossed Tk 2,500 crore for the first time in its history, thanks to rising demand for packaged bakery and confectionery items.

According to the largest biscuit and confectionery seller of Bangladesh, its total sales revenue rose 20.2 percent year-on-year to Tk 2,579 crore in fiscal year 2022-23.

Of the amount, Tk 2,536 crore came from selling biscuits, confectionery, bakery and snack products. This includes exports worth Tk 26 crore.

The remaining Tk 43 crore came from dry cell batteries.

Although its revenue was higher than that in fiscal year 2021-22, the amount of biscuits, confectionery, bakery and snack products sold, however, dropped 8.34 percent to 118,706 tonnes.

In adjustments with high prices of raw materials, Olympic Industries reduced the weight of the products in the packets to retain prices the packets were already being sold at, according to the annual report.

It has been an ongoing and lengthy process to make adjustments with the rise in the prices of raw materials, it said.

"The work, however, has been essential in moving toward normalised margins while providing price points acceptable in the market to ensure sales," the company said in its financial report.

Prices of all the raw materials -- refined flour, oil and sugar -- soared but prices of finished goods could not rise at that level, said Satya Ranjan Mondal, general manager of the company's accounts and finance.

On top of that, the local currency, taka, was devalued in the last two years at a high rate against the US dollar.

Of the total sales of Tk 2,579 crore, Tk 2,536 crore came from biscuits, confectionery, bakery and snacks products

As a result, the profit margin has been affected over the last two years, he said.

In spite of all these, the company's profits rose and it declared handsome dividends for its shareholders this year, he added.

Prices of refined flour rose 75 percent, oil 17 percent, and sugar 91 percent over the past two years, according to the Trading Corporation of Bangladesh.

The company's profits swelled 29 percent year-on-year to Tk 155.6 crore in fiscal year 2022-23. The company's profit margin, meaning profits in context to sales, rose in the year to 6.04 percent.

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