

Star BUSINESS

Production in the packaging industry of Bangladesh fell 25 percent in 2023 due to under-supply of raw materials



Story on B4

It's peak season for potato, but prices are still high. Here's why

SUKANTA HALDER and SAJJAD HOSSAIN

Consumers in Bangladesh have been paying more for potatoes since the beginning of the season after inclement weather alongside the stoppage of imports disrupted the supply of the tuber.

Traders said potato production in the country was affected due to incessant rains during Cyclone Michaung, which led to lower supply of early varieties of potatoes at the beginning of the peak season. They added that the stoppage of potato imports had also led to a reduction in supply.

As a result, consumers now have to buy potatoes at an abnormal price.

Yesterday, potatoes were being sold at Tk 50 to Tk 60 per kilogramme (kg) compared to Tk 22 to Tk 25 per kg a year ago, data from the Trading Corporation of Bangladesh showed.

In the last month, the retail price of potatoes has increased by 10 percent while it has increased by 134 percent in the past year, the data showed.

Mohammad Sabuj, a wholesale trader in Karwan Bazar, one of the largest kitchen markets in Dhaka, said prices usually start to fall when new potatoes arrive in the market, but this time was an exception.

New potatoes are entering the market while old potatoes are also in stock, but prices are rising instead of falling, he said.

He added that around this time last year, he was selling potatoes for Tk 18 to Tk 20 per kg. Now, he is selling each kg at Tk 45 to Tk 46.

Sabuj, who has been trading potatoes for 30 years, said he had never seen prices increase to this extent at the beginning of the season.

Jahirul Islam, a farmer of the Khetlal upazila of Joypurhat district, said: "Last year, we produced 70-80 maunds of potatoes per bigha. This year, we can manage only 40-42 maunds per bigha because unfavourable weather spoiled saplings. That's why production is lower this year."

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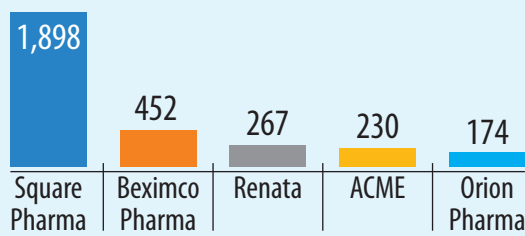
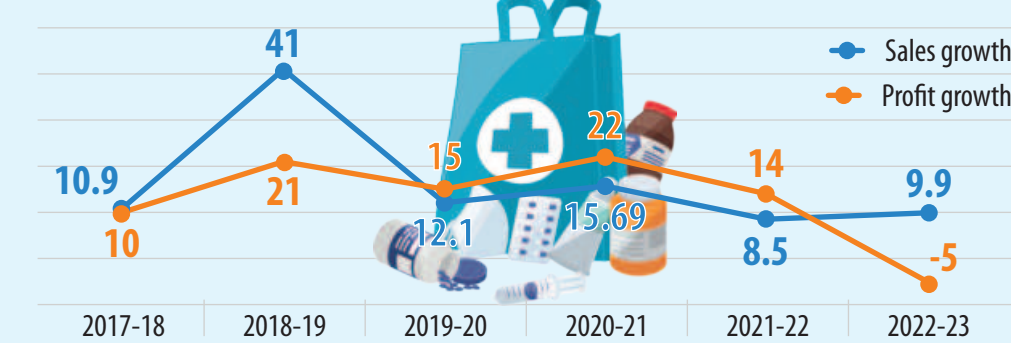
Pharma profit falls for first time in five years as costs escalate

Sales and profit growth of listed drug makers

In %

SOURCE: FINANCIAL STATEMENTS

Top five profit-making listed pharmas (In crore taka)



CAUSES OF LOWER PROFITS

- Higher prices of raw materials
- Increased energy costs
- Higher costs for a rise in interest rate
- Increased costs from currency devaluation
- A drop in consumption for high inflation

AHSAN HABIB

Profits of listed pharmaceutical companies in Bangladesh shrank in the last fiscal year of 2022-23, the first decline in at least five years, as the cost of production went up.

The taka's significant depreciation against the US dollar and higher raw material, energy and finance costs have pushed up the manufacturing cost.

As per an analysis of The Daily Star, 10 of the 15 listed drug makers registered lower earnings in FY23, reducing the industry's collective profits by 5.16 percent year-on-year to Tk 3,160 crore.



by 14 percent and 22 percent in FY22 and FY21, respectively. The growth was 15 percent, 21 percent and 10 percent in the three years prior.

"The industry suffered in FY23 as the cost of doing business rose mainly for higher raw material, energy and finance costs," said Muhammad Zahangir Alam, chief financial officer of Square Pharmaceuticals.

He informed that the sharp fall in the value of the local currency is hurting their profits as the exchange rate at the time of opening letters of credit (LCs) on deferred payments ends up being far less than the final value.

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Priorities that should top new govt's to-do list

According to Sadiq Ahmed

STAR BUSINESS REPORT

Restoring macroeconomic stability, resuming the growth momentum and helping the poor should be the fundamental focus of economic reforms for the new government, said Sadiq Ahmed, vice-chairman of the Policy Research Institute of Bangladesh.

"In order to restore macroeconomic stability, a combination of flexible management of the exchange rate, tightening of credit growth and a judicious use of tax and expenditure measures are required."

"This is the most fundamental reform challenge facing the new government."

Associated reforms include adopting a uniform and market-based exchange rate, strengthening the flexibility of the interest rate by targeting the desired inflation rate, and allowing the interest rate to rise in the short term until demand for credit has fallen adequately to achieve the target inflation rate.

In an interview with The Daily Star recently, Ahmed said the government should reduce the fiscal deficit by raising public revenues through a comprehensive tax reform that overhauls the present primitive and discretionary tax system to a modern and rules-based taxation system.

Similarly, it should sharply strengthen the financial performance of the state-owned enterprises through corporate governance and pricing policy reforms.

The prevailing macroeconomic instability has hurt growth, with most of the growth drivers, including private investment, public investment and exports adversely affected.

"Additionally, the government's policy response based on import controls has further weakened the growth momentum."

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