Import rules eased for eight Ramadan commodities

STAR BUSINESS REPORT

Bangladesh Bank (BB) yesterday eased the rules for banks regarding keeping a cash advance from the importers while opening letters of credit (LCs) to import essential commodities ahead of the fasting month of Ramadan, when demand for certain items rises.

In order to increase supply and keep prices within tolerable levels, the central bank asked banks to keep the advance payment, also known as the cash LC margin, to a minimum level based on the bank-client relationship.

Banks should keep minimum cash margin for opening of LCs from importers of edible oil, gram, pules, onion, sugar and dates, according to a circular by the BB.

The central bank asked banks to give priority to LCs for these essential commodities in order to ensure adequate supply in the market.

Banks will be able to keep minimum cash margin for LCs of the eight essential commodities until March 2024, according to the circular.

The is the second time the BB eased rules regarding LC margin for import, which it imposed in July 2022 in an effort to discourage imports to prevent depletion of the foreign exchange reserves and contain the exchange rate.

In July 2022, the central bank asked banks to take 75 percent of the import value of the items, including essential commodities, as minimum margin.

Later in December 2022, it relaxed the rule ahead of Ramadan.

Gold prices decline

REUTERS

Gold prices extended declines on Wednesday, hitting a near one-week low, pressured by a stronger dollar as hawkish comments from a Federal Reserve official diminished hopes of an interest rate cut in March.

Spot gold was down 0.3 percent at $2,021.59 per ounce, as of 0945 GMT. It fell 1.3 percent in the previous session in its biggest single-day decline since December 4, 2023.

US gold futures also fell 0.3 percent to $2,024.90.

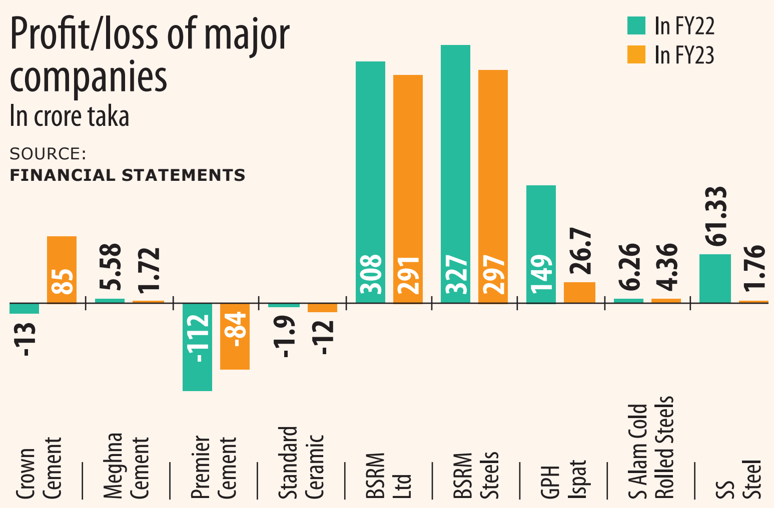
Reason behind higher sales revenue

Higher prices of cement and rod

Profits dropped due to…

- Shortage of raw materials
- Problems in LC opening
- Devaluation of taka
- Higher energy costs
- Higher interest rate

TOTAL TURNOVER AND PROFIT (In crore taka)	2021-22	2022-23
Turnover	25,234	32,904
Profit	736	602



Higher production costs blindside building material industry

Bangladesh's economy has been facing tough times of late as sustained high inflation, hike in interest rates and massive devaluation of the local currency continue to plague the country. In this series, we take a look back at how various industries fared amid the crisis in fiscal year 2022-23. Here, in the third instalment of the series, we put building material companies under the scanner.

AHSAN HABIB

Although building material makers in Bangladesh registered higher sales revenue in fiscal year (FY) 2022-23, their profits were eroded by increasing production costs, according to industry people.

The overall sales revenue rose as manufacturers hiked the prices of their goods, such as rods and cement, to cope with higher raw material and energy costs.

However, their efforts proved futile as the import-heavy industry faced growing input prices amid continued devaluation of the local currency.

Besides, the ongoing US dollar crunch caused difficulties in opening letters of credit (LCs) for importing the required raw materials, even in the energy sector.

As such, electricity prices rose by 5 percent three times in FY23, resulting in a compound increase of around 15.7 percent, while the price of diesel grew 37 percent and furnace oil 41.4 percent.

Similarly, the retail price of gas for industries was hiked by 150 percent to 178 percent throughout the previous fiscal.

And as per data of the Trading Corporation of Bangladesh, the prices of 40-grade and 60-grade mild steel rod rose by an average of about 14 percent at the same time.

So, despite making price adjustments, building material makers saw their combined sales revenue soar 30 percent year-on-year to Tk 32,904 crore while their profits fell 18 percent to Tk 602 crore.

Rod makers were among the worst affected by an erosion in profits as the steel industry is highly import dependant.

Overall sales revenue rose as manufacturers hiked the prices of goods to cope with higher raw material and energy costs but their efforts proved futile as the import-heavy industry faced growing input prices

Tapan Sengupta, deputy managing director of BSRM Group, told The Daily Star that the increased sales revenue resulting from price adjustments was not enough to compensate for rising input costs.

The costs rose mainly due to massive devaluation of the local currency while the price of raw materials and energy soared in the global market.

"Higher bank finance costs also aggravated the situation," he said.

Sengupta informed that many companies even had to reduce production for struggles in opening LCs.

"So, profits of the industry dropped," he added.

Bangladesh Bank data showed that local cement makers opened LCs for importing clinker and limestone worth $693.29 million in the first eight months of FY23, down 12.33 percent year-on-year.

Meanwhile, LC opening for scrap vessels, iron and steel scrap used for making rods and other products declined 44 percent year-on-year to $1.201 billion during the July-December period.

BSRM Ltd saw its sales revenue rise 43 percent to Tk 11,506 crore that year but its profits dropped 5.5 percent to Tk 291 crore at the same time.

Likewise, BSRM Steel's turnover rose 25 percent to Tk 8,452 crore while its profits fell 9 percent to Tk 297 crore.

GPH Ispat Limited saw a similar fate as the company's sales revenue rose 23 percent to Tk 5,765 crore but its profit nosedived 82 percent to Tk 26.7 crore.

SS Steel and S Alam Cold Rolled Still Mills registered a 94 percent and 25 percent rise in turnover respectively. However, their profits simultaneously dropped by 97 percent and 30 percent respectively.

The sales revenue of Fu-Wang Ceramic and Shinepukur Ceramic rose while that of Standard Ceramic fell, with profit margins in the ceramics industry remaining relatively unchanged from the previous year.

On the other hand, the cement industry

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Assign someone to imagine

EKRAM KABIR

Introducing a "Meatless Sunday" in the office cafeteria or a "Feedback Thursday" on the office intranet does not require a super-thinker. A recently graduated management trainee can think of such simple innovations.

So, who would think about far more revolutionary and implementable ideas that go beyond anyone's expectations?

A chief imagination officer? Or a team of imagination officers? Maybe, if we could agree with Einstein's quote: "Imagination is more important than knowledge", we could certainly think of introducing such a role in businesses.

It is not that companies did not have such functions; we have seen innovation officers, creative officers, and visionary officers. Apart from creative agencies, who have roles of creative directors, very few companies think of assigning someone only to imagine and implement.

Doesn't our risk management function that assess risks on go? There may be some anticipation, but mostly, all risks are evaluated as we experience them. For a marketing campaign, we mainly depend on outsourced agencies.

Customer experience is another example. The phrase "customer experience" has become an overused cliché and not working as we hoped for. Have we thought of re-coining the jargon? Maybe, our chief imagination officer can help.

I know of a company that gave up close-collar outfits and introduced branded panjabis for men and sarees-kurtas for women coworkers. I am sure the thinker who thought about implementing this piece of idea was surely the undesignated chief imagination officer for them. The idea was a grand success.

This position is rare across the world; and not many have employed such resources. Many HR gurus across high-efficiency companies are talking about introducing this role.

Visualise how the public sector could benefit from the work of a team of imagination officers. Our bureaucrats are known for their orthodoxy and are quite innovation-shy. They are conventional in whatever they do and achieve.

However, the national challenges are far graver than they consider them to be.

The imagination officers can help in everything; they could be the best in policy-making, service delivery, creating new industries, promoting forward-thinking in education, addressing environmental and social issues, enhancing governance and diplomacy, and promoting culture and diversity.

Most importantly, they can streamline government processes and improve citizen engagement.

Now, what capabilities should such a resource have for this role? Certainly, they must be able to lead and inspire the entire population of a company to think creatively and embrace new ideas. Problem-solving abilities in a creative way are a must-have. This role may be engaged in fostering a culture that values creativity and open-mindedness. They must be able to forge strategic partnerships and networking. This professional must be a great communicator who can become an envoy of invention inside and outside the company.

Finally, they must have excellent skills in project management and implementation. It won't be a good idea to send a set job description (JD) to this resource. A JD-based resource may soon crumble down to within-the-box thinking. They must remain outside the box. The imagination officer's JD, if at all, should focus on staying in a perpetual box-less domain, thinking of ideas everyone would throw away as garbage.

But this individual or team must imagine without any box; if they try to enter the box, we should simply fire them.

The writer is a communications professional.

Red Sea war insurance rises with more ships in firing line

REUTERS, *London*

War risk insurance premiums for shipments through the Red Sea are rising after further attacks on merchant vessels by Yemen's Houthi movement and the expectation that ships with a UK or US connection will be targeted, insurance sources said on Tuesday.

The Iran-aligned Houthis, who are well equipped and trained, have launched multiple attacks on ships in the Red Sea since November. They will expand their targets to include US ships, a Houthi official said on Monday.

Even before the recent Houthi attacks, the London insurance market listed the southern Red Sea among its high risk areas and ships need to notify their insurers when sailing through such areas and pay an additional premium, which until earlier this month was typically for a seven-day cover period.

Insurance industry sources said that war risk premiums had risen to around 1 percent of the value of a ship, from around 0.7 percent last week with various discounts applied by underwriters. They added that rates were expected to move higher. This translates into hundreds of thousands of dollars of additional costs for a seven-day voyage.

The terms being offered for war risk quotes are now significantly shorter, "with 24 hours being the norm", said Munro Anderson, head of operations at marine war risk and insurance specialist Vessel Protect, which is part of Pen Underwriting.

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Trucks loaded with coal queueing at a port in Lianyungang, in China's eastern Jiangsu province. China, the world's biggest coal producer, mined 4.66 billion tonnes of the fuel last year, up 2.9 percent from a year earlier. PHOTO: AFP/FILE

China's 2023 coal output hits record high

REUTERS, *Beijing*

China's coal output reached a record high in 2023, data from the statistics bureau showed on Wednesday, amid an ongoing focus on energy security and a rise in demand after pandemic-related restrictions eased.

The world's biggest coal producer mined 4.66 billion metric tons of the fuel last year, up 2.9 percent from a year earlier, according to the National Bureau of Statistics.

For December, output reached 414.31 million tons, nearly flat with November's 414 million tons and up 1.9 percent from the year-earlier level.

Daily output over the month was 13.36 million tons, slipping from November's record high daily average of 13.8 million tons.

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