

Oil price drops slightly

REUTERS, New York

Oil prices settled slightly lower on Friday but recorded a weekly gain as Middle East tensions and disruptions to oil output offset concerns about the Chinese and global economies.

Brent futures settled 54 cents lower at \$78.56 a barrel. US West Texas Intermediate crude fell 67 cents to settle at \$73.41.

For the week, Brent gained about 0.5 percent while the US benchmark rose over 1 percent.

In China, slower-than-expected economic growth in the fourth quarter raised doubts about forecasts that demand there will drive global oil growth in 2024.

"The Chinese equity market this week dropped to near a five-year low," said Bob Yawger, director of energy futures at Mizuho Bank. The indication for weaker demand drove crude prices down on Friday.

In the Middle East, geopolitical risks supported prices for the week.

On Friday, tensions escalated in Gaza as Israeli forces pushed south against Hamas militants, while earlier in the week, the US launched new strikes against Houthi anti-ship missiles aimed at the Red Sea.

Although conflict in the Middle East has not shut any oil production, supply outages continued in Libya.

In the US, about 30 percent of oil output in North Dakota, the country's third largest producing state, remained shut due to extreme cold, the state's pipeline authority said on Friday.

Output had been cut by some 700,000 bpd, or more than half, midweek.

It could take a month for production to return to normal levels, the state regulator said on Friday.

"Supply disruptions remain an upside risk but there are downside risks too, including the global economy," Craig Erlam, analyst at brokerage OANDA, said.



Maddhapara Granite Mining Company Limited failed to fetch a higher profit as sales dropped for various reasons, but largely because it hiked the sales price of granite.

PHOTO: STAR/FILE

Maddhapara Granite posts drop in profit for declining sales

FEDA AL HOSSAIN and KONGKON KARMAKER

Despite eight-year-high production, profit of Maddhapara Granite Mining Company Limited (MGMCL) dropped as half of the quarried igneous rock remained unsold in the last fiscal year (FY), according to the company's annual report.

Consequently, MGMCL, a unit of Petrobangla, recorded a 5 percent year-on-year loss in profit in fiscal 2022-23.

Profit stood at Tk 17.31 crore in FY23 compared to Tk 18.25 crore a year ago, according to the company's audited financial statement.

MGMCL's revenue fell nearly 10 percent to Tk 214.13 crore in FY23 from Tk 237.46 crore in fiscal 2021-22.

According to the report, MGMCL, which has a mine located in Parbatipur upazila of Dinajpur, sold around 5.71 lakh tonnes of the igneous rock.

Although production remained suspended for the first three months of the fiscal year, Germania Trest Consortium, a company contracted by MGMCL, produced 10.63 lakh

tonnes of granite in FY23.

It represented the company's highest output since 2015, according to the annual report, but it sold only half of its produced granite, amounting to 5.71 lakh tonnes in FY23.

MGMCL failed to fetch a higher profit as sales dropped for various reasons, but largely because it hiked the sales price of rocks.

MGMCL makes sales via different channels, including through 94 appointed dealers.

However, sales slowed to a six-year low and the 94 dealers collectively sold only 2.56 lakhs tonnes in FY23 compared to 9.86 lakhs tonnes the year prior.

Government and non-government organisations – including the Roads and Highways Department (RHD), Bridge Division, Public Works Department (PWD), Water Development Board (WDB), Bangladesh Railways, different cement factories, and other private companies – also cut back on purchases in the last fiscal year, according to the report.

The Bridge Division, RHD and PWD jointly bought around 50,000 tonnes of the hard rock in FY23, which was 2 lakh tonnes lower

than in the prior year.

The WDB purchased only 35,000 tonnes in FY23 compared to 1.51 lakh tonnes the prior year while Bangladesh Railways bought around 30,000 tonnes less.

The company said its quarried rock was more expensive than imports from Bhutan at zero duty and from India through the land ports located at Hili, Sona Masjid, Banglabandha, Sonahat and Burimari.

This is because of the relatively high cost of transporting rocks from Maddhapara's mine in Dinajpur to southern and eastern parts of the nation.

Despite the challenges, the company completed 3,805 metres of roadway and stope development in FY23, the financial statement said.

Regarding future plans, MGMCL said if it developed a new mine, the combined production capacity of the two mines would be 4.95 million tonnes per year, meeting a large portion of domestic demand for the igneous rock.

When contacted, Abu Daud Md Fariduzzaman, managing director of MGMCL, refused to comment.

Iqbal becomes DMD of Prime Bank

STAR BUSINESS DESK

Prime Bank has promoted an official to the post of deputy managing director (DMD).

The official, Md Iqbal Hossain, was serving the bank as senior executive vice-president and deputy CAMICO prior to the new charge, said a press release.



Hossain joined Prime Bank in 2004.

He had more than 26 years of experience across various functions in organisations across the globe.

He previously worked for Bangladesh AEC, UNICEF, Hong Kong Polytechnic University, Hong Kong University of Science & Technology, and Chinese University of Hong Kong.

Under his supervision, Prime Bank began its IT infrastructure development to automate all of its services and operations.

He obtained his bachelor's and master's degrees in applied physics & electronics from the University of Rajshahi and did an MS in CSE from Shanghai University, China.

US consumer sentiment highest since 2021 SAYS University of Michigan

AFP, Washington

Consumer sentiment in the United States jumped 13 percent in January to reach its highest level for almost two and a half years, the University of Michigan said Friday.

The index for consumer sentiment blew past expectations to reach 78.8 in January, according to initial estimates from the university, marking a steep rise from December, when the figure was 69.7.

The data is likely to be seen as good news for President Joe Biden's 2024 reelection campaign, which has been struggling to convince American consumers that he has done a good job tackling inflation while continuing to support the US economy.

But it is a tough message to sell, since good economic news in the current high interest rate environment is likely to reduce the chances of early interest rate cuts by the Federal Reserve.

The Fed is determined to sustainably lower inflation by keeping rates at a higher level, meaning borrowing costs would remain elevated for both consumers and businesses.

Jared Bernstein, who chairs the US President's Council of Economic Advisers, called the surge in consumer sentiment "the latest sign that President Biden's economic plan is delivering results that more Americans are feeling."

Economic ills demand

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Crisis. "The demand for goods in Europe and the US has dropped."

Mohammad Ali Khokon, president of the Bangladesh Textile Mills Association, termed the energy crisis and the woes in the banking sector as the major challenges for the economy.

Power and gas are not available as per demand although Bangladesh imports energy worth \$10 billion annually, he said.

He said good borrowers are bearing the brunt of the bad loans of dishonest borrowers who took away money from banks using fictitious names.

He suggested the government introduce the floating exchange rate.

Anu Muhammad, a former professor of economics at Jahangirnagar University, said institutions like the Bangladesh Bank and the Anti-Corruption Commission lack independence.

He said a few selected conglomerates are getting the government's favour.

He added Bangladesh is implementing mega projects using foreign loans. But too many mega projects may turn into mega disasters.

M Masrur Reaz, chairman of the Policy Exchange Bangladesh, said political will is needed to resolve a majority of the current challenges.

He called for the merger and acquisition of some banks as they were not performing well.

According to Reaz, the ease of doing business has not improved a lot in Bangladesh. "The logistics sector needs improvement as well."

He suggested establishing a good taxation system and ensuring rationality when it comes to providing tax exemption.

Fahmida Khatun, executive director of the Centre for Policy Dialogue, recommended raising the interest rate aggressively and putting in place a floating exchange rate to control inflation.

"If businesses buy the dollar at higher rates, the prices of basic commodities will go up

automatically."

Rashed Al Mahmud Titumir, a professor of the Department of Development Studies at the University of Dhaka, said the food and energy security of the country is under threat.

He said accurate data on exports and imports is needed to make the right decisions.

Faruk Moinuddin, a former managing director of Trust Bank, said industrialisation took place a lot even when the interest rate in the banking sector was high, an indication of crony capitalism.

He called for finding out willful defaulters.

Shawkat Hossain, head of online at the Prothom Alo, moderated the discussion.

No need to panic

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The forex reserves have fallen from \$24 billion before the Covid-19 pandemic to \$21 billion as per calculations by the International Monetary Fund.

"But people think the reserves fell from \$44 billion to \$21 billion, which is not correct," he added.

The country's forex reserves stood at \$20.03 billion as of January 17, down from \$40.7 billion as of August 2021, according to data of Bangladesh Bank. The DCCI President also lauded the decline in poverty over the past two decades.

Ahmed said Bangladesh's debt to GDP ratio is still lower in comparison with the various neighbouring countries, and the country has the scope to borrow from foreign sources.

The DCCI president said assets of the banking sector increased by 5 times in the last 15 years while its rate of NPLs increased only 4.5 times.

According to him, the NPL ratio of the banking sector did not increase heavily.

Ahmed added that around 30 percent of the total NPLs are concentrated in 10 or 12 banks while the others are not struggling with high NPLs.

Bowing to corruption

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corruption was the top problematic factor for businesses in 2023, with a staggering 67.6 percent of respondents complaining about high levels of corruption.

The study was conducted by the Centre for Policy Dialogue (CPD) in partnership with the World Economic Forum.

In a similar survey conducted by the CPD last year, 64.6 percent of respondents thought corruption was the biggest obstacle to doing business in the country, saying they had to pay bribes for tax payments, licences and utilities.

The country is adopting digital initiatives in many areas but the pace is slow and there are still loopholes.

For example, business owners are now allowed to pay value added tax (VAT) for different local purchases digitally, with no requirement to visit the VAT office.

But some officials still ask businesspeople to visit the VAT office with a printed copy of the VAT payment, only to demand extra money to process the document.

Bribes are also required to obtain operating licenses from various government departments.

A top cement manufacturer opined that there was no public office in Bangladesh that was free of corruption.

According to him, businesspeople deal with corruption for everything, from obtaining trade licenses to filing tax returns. They have to provide bribes to obtain timely clearance at every step.

For example, he said: "As per the rules, it takes three days to release one container of raw materials from the port. But if the release is delayed by three extra days, a businessperson incurs losses of Tk 30 lakh. The customs officials delay the release of the containers so that they can receive undue benefits from businesspeople."

Although he admitted that

corruption was a normal issue for developing countries like Bangladesh, he demanded a system to gradually reduce it.

Businesspeople consider corruption a significant challenge for several reasons. It can create an uneven playing field, giving an advantage to businesspeople willing to pay bribes or engage in other illicit activities.

The problem has gone from persistent to inevitable, so most businesspeople have no choice but to embrace bribes in order to get anything done in a timely manner.

A garment exporter said most garment owners do not protest since time is a very important issue in the RMG sector. So, they have little choice but to pay bribes for the timely release of raw materials.

Because of such processes, the private sector is also becoming corrupt.

If a businessman prepares all his documentation properly, he or she can at least argue with corrupt government officials. But in most cases, bowing to corruption is an easier way out.

Corruption in the country's private banking sector is also increasing.

Many private banks have been accused of giving depositors' money as loans to ineligible persons while honest entrepreneurs running small and medium enterprises face hardships getting meagre loans.

Non-performing loans are also increasing in private commercial banks. During the July-September period of 2023, the default loans in private banks rose by Tk 7,902 crore, as per the central bank's latest data.

Top business leaders believe there is no alternative to ensuring good governance in both the public and private sectors to combat corruption.

And to ensure good governance, commitment from the top levels of the government is mandatory, they opined.

Floor price for stocks

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Last week, the BSEC lifted the floor price for the majority of stocks.

Bangladesh's economy is now enduring some stresses, as stated by the central bank, so its impact will be reflected on the stock market.

Initially, the market can be impacted but the drop should not be restricted through artificial mechanisms. After a period, the market will settle based on its own strengths, he said.

Instead of intervening in the price mechanism, Islam suggested that regulators ensure good governance in the market and bring good companies.

"Supply-side problems are a fundamental issue of the stock market."

If the government can bring some good companies to the stock market, it will benefit the market and investors much more.

"Corporate governance among the listed companies is very weak. It

should be strengthened," he said.

Islam, who is also a director of BRAC EPL Stock Brokerage, urged institutional investors to give support to the market and keep it vibrant.

However, he conceded that there was a possibility that institutions may not be interested to invest in the stock market considering opportunity costs.

Specifically, as the yield rate of treasury bonds and treasury bills is above 11 percent, institutions may not be interested to invest in the risky stock market, he clarified.

There is also liquidity pressure in some institutions.

But he opined that big fund holders should support the market despite the situation.

"They should go fundamentally and support the capital market," added Islam, who is also a former vice chairman of the South Asian Federation of Exchanges. He is also a former senior vice-president of the Dhaka Stock Exchange.

Dhaka int'l trade fair

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but it was delayed this year because of the national elections, held on January 7.

Islam said the goal of the fair is to increase exports by showcasing local products.

"We will focus more on tannery and jute products as part of diversification," he added.

He informed that there would be transport facilities from Farmgate and Kuril Bishwa Road to Purbachal through the elevated expressway so that people can visit the fair easily.

Islam also vowed to ensure fair prices at the expo.

Companies from six countries, including Turkey, India, Pakistan, Singapore and Iran, alongside local companies will take part in the fair, where exhibitors will showcase products across 351 stalls, pavilions,

and mini pavilions.

There will also be a food court that can accommodate up to 500 people. Other facilities include a prayer room, children's playground, media corner, office rooms, medical rooms, guestrooms for officials, and stores.

The parking area can accommodate 500 vehicles.

The fair will open at 10:00am and close at 9:00pm on weekdays. On weekends, visitors can stay until 10:00pm.

The entry fee for adults has been fixed at Tk 50 while that for minors at Tk 25. Freedom fighters and the physically challenged can enter the venue without any fee. The DITF was first held in 1995.

At the event, Tapan Kanti Ghosh, commerce secretary, and AHM Ahsan, vice-chairman of the EPB, also spoke.