

India's forex reserves at 1-month high

ANN/CHINA DAILY

India's foreign exchange reserves rose by \$5.736 billion to \$ 622.469 billion in the week that ended on February 2, 2024, hitting a month high, the latest data released by the Reserve Bank of India showed.

During the week, India's foreign currency assets (FCA), the biggest component of the forex reserves, rose by \$ 5.186 billion to \$ 551.331 billion, the central bank's weekly statistical data showed.

Gold reserves during the week rose by \$ 608 million to \$ 48.088 billion.

In the calendar year 2023, the RBI added about \$ 58 billion to its foreign exchange kitty. In 2022, India's forex kitty slumped by \$ 71 billion cumulatively.

Forex reserves or foreign exchange reserves (FX reserves), are assets that are held by a nation's central bank or monetary authority.



Workers inspect the quality of shoes at a factory of RFL Footwear in Danga Industrial Park, Narsingdi. Due to shifting global preferences for environment and animal-friendly products, consumers are switching to non-leather products. PHOTO: COLLECTED

RFL Footwear looks to raise non-leather exports to Africa

STAR BUSINESS REPORT

RFL Footwear, a concern of PRAN-RFL Group, wants to expand its non-leather footwear business in African markets.

"Africa can be a good market for us in the near future. Our progress depends on the skills of our workforce. But we have to further reduce our production costs so that we can compete extensively with China," said Ahsan Khan Chowdhury, chairman of PRAN-RFL Group.

"We are trying every day to export our shoes to different parts of Africa. Besides, we have the opportunity to do well in the Middle Eastern and Indian markets," he added.

While pointing to how the government has set an export target of \$80 billion by 2024, Chowdhury said the export sector must be diversified.

And footwear, especially non-leather footwear, could be one of the most important products in this regard.

Besides, due to increasing global preference for environment and animal-friendly products, consumers across the world are switching to non-leather products, he added.

RFL Footwear's products are currently being manufactured at its factory in Danga Industrial Park, Narsingdi, Dhaka. The company's

footwear industry was set up at a cost of about TK 138 crore and currently employs around 2,500 people.

RFL Footwear manufactures sneaker, ladies' shoes, ladies' sandals and various items for children, Chowdhury said.

RFL started exporting non-leather footwear products in 2021. It exported non-leather footwear products worth about \$4.7 million in fiscal 2021-22 and \$7.2 million in fiscal 2022-23.

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According to the Export Promotion Bureau, Bangladesh exported non-leather footwear worth \$478 million in fiscal 2022-23 compared to \$244 million in fiscal 2017-18.

At present, RFL is exporting non-leather footwear products through buyers of different countries. Among these, the main buyer is H&M.

Other buyers include Kappa, Umbro, Airness and Redtape, said Rahat Hossain Roni, chief operating officer of RFL Footwear.

RFL's footwear products are currently being exported to 37 countries through these buyers.

The company's export unit has a monthly production capacity of around six lakh pairs, with 10 production lines at two units for four different processes.

RFL Footwear has already obtained GRS and RCS certifications, which will play an important role in exporting its non-leather footwear products.

Most of the raw materials used in RFL's non-leather footwear are imported from China. But, now RFL is working extensively on backward linkage to produce the raw materials itself. As such, preparations are underway to produce the sole, mould and synthetics used in non-leather footwear soon, Hossain said.

If the raw materials that are currently imported can be produced in the country, the lead time for exporting products will considerably decrease.

Also, if the government provides facilities similar to those for the garment industry in establishing backward linkages, then investors will come forward and only then the necessary backward linkages for non-leather footwear will develop.

And if the necessary backward linkages are developed, buyers will be encouraged to buy more products from

Bangladesh as the lead time will be reduced, he added.

In 2023, the global shoe market grew to about \$400 billion. This market will be worth about \$500 billion in 2027, according to industry people.

In fiscal 2022-23, footwear exports from Bangladesh were worth \$1,180 million. Leather footwear accounted for \$700 million of the sum while non-leather footwear contributed \$480 million.

Currently, Bangladesh ranks 16th in global footwear exports.

China is at the top in this regard, catering to more than 60 percent of the global demand.

Hossain informed that RFL will soon move into manufacturing high-value non-leather footwear because they have huge demand worldwide.

Additionally, it is possible to earn a lot of foreign currency through it, he said.

RFL Footwear markets 50 percent of its products domestically and exports the rest.

As there is huge potential for export, about 80 percent of its production is planned to be exported. With this in mind, the company will soon add six more production lines, Hossain said.

Because of that, there are plans to invest about TK 100 crore in the future, he added.

Experts for a regional alliance of South Asian airlines

STAR BUSINESS REPORT

Aviation experts and top officials of different airlines yesterday stressed the need to form a regional alliance among South Asian airlines to sustain against the competition of global mega airlines, stretch their market share, and increase customer satisfaction.

This will also help promote air connectivity in the region, boosting trade, commerce and tourism as well as provide multifaceted benefits and packages to passengers, resulting in capturing more market share, they added.

They said this at a roundtable conference titled "Greater cooperation among South Asian airlines" at a city hotel. Aviation expert Kazi Wahidul Alam presided over the seminar, organised by Bangladesh Monitor.

While presenting the keynote paper, aviation expert ATM Nazrul Islam said it was the need of the hour to create greater cooperation among the airlines of South Asian countries.

He said due to limited connectivity only 27 million passengers arrived in this region in 2019 from other regions whereas during the same period 198 million passengers arrived in North America, 968 million in Europe and 30 million in China.

He said about 32 airlines of different South Asian countries operate from the region to different destinations.

Unfortunately, the South Asian airlines are still far from such cooperation among themselves.

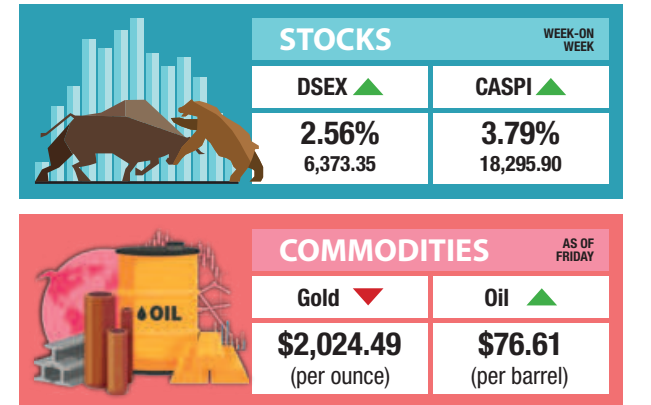
He said airlines of South Asian countries could not create any impact in the connectivity among the countries of this region. Neither could they establish themselves as competitive to other regions' airlines or alliances.

Nazrul Islam said cooperation among the airlines may be generated on the following areas: code sharing, Interline agreement for route sharing, operation facilities sharing and training.

Addressing the event as chief guest, Biman MD and CEO Shafiqul Azim said the idea of forging a collaborative alliance in the aviation sector is both timely and visionary.

"By joining forces through this alliance, we have the opportunity to address these challenges collectively, leveraging our combined strengths and expertise," said the Biman CEO.

Md Saleuddin, director (acting) of marketing and sales at Biman, Mesbah ul Islam, head of marketing and sales of Novoair, Ganesh Rajaram, country manager of Air India, and Morgan Dsouza, country manager of Vistara, were also present.



Banking reform roadmap

FROM PAGE B1

situation in Bangladesh is quite different from that in other countries, he said.

"Maximum limits must be set on interest rates otherwise weak banks will not get deposits and bank loans will be taken by only those groups who are not willing to pay those back," he said.

The banking sector is the heart of the economy yet everyone knows about its "sorry state", added the economist.

Recently the international credit rating of Bangladesh was downgraded, he said, adding that this rating reflects the country's economic condition.

"The evaluation of credit rating agencies is more important now than the certificate of the World Bank and the IMF," said Mahmud.

Regarding the Banking Almanac, he said it contains information regarding default loans in the country but no information about the loans that have been written off.

Written-off loans may be included in a bank's profit and loss account but the defaulter should always be held liable, he said.

"Not only default loans, written-off loans are also an indicator of a bank's

bad health," he said.

Nowadays word is going around that small and weak banks will be merged and the authorities have realised that there are too many banks, he said.

"We had said earlier that there was no need for any more banks in the market," he said.

Private banks will not take up the burden of weak banks while forced mergers with state-run banks will not bring about any good, he said.

Reforms taken up by the central bank are very strange, said Salehuddin Ahmed, a former Bangladesh Bank governor.

Once upon a time, borrowers had to pay 30 percent of the total loan to reschedule it but now they have to pay only 2 percent, he said.

He criticised the latest banking sector reform roadmap, saying that it would allow banks to write off bad loans in two years whereas it was three years previously.

"It is a trick to reduce bad loans," he said, adding that banks should be allowed to fail.

Nowadays, data mismatch has become a trend, which is not good for research, said Ahmed, also chairman of the board of editors of the Banking Almanac.

Retail investors' holdings

FROM PAGE B1

from brokerage firms and merchant banks to expand their portfolio. At the end of the day, they went home empty handed.

Market intermediaries were not spared either since many did not get back the funds they lent to the cash-strapped beneficiary owner (BO) account-holders in their heydays through margin loans, a form of credit investors secured by keeping their securities as collateral.

Md Belal Hossain, a stock investor who closed two BO accounts in 2021, said the investment in the stock market gave him nothing but tension.

He mainly parked funds in well-performing companies but he too saw a lower return compared to the national savings certificate rate. Likewise, the profit from initial public offerings (IPOs) was lower.

"Therefore, I left the market and kept the funds in the national savings schemes," he added.

Many retail investors were attracted by the bull run in 2010 and the prices were lucrative to sponsors, which prompted them to offload more shares while general investors

bought shares without assessing the risks.

This lifted the stake of the general investors in the market, recalled Md Moniruzzaman, managing director of Prime Bank Securities.

"When the market crashed and general investors saw a massive erosion in the value of their holdings, they began to dump shares and their dominance ended," he said.

The DGEN, the previous broad index of the DSE, almost doubled within a year to 8,918 points. But it halved to 4,100 in 2013.

The debacle led the government to reform the market. Accordingly, the premier bourse introduced a new broad index named DSEX.

It rose by around 50 percent to the 6,500 level in 2018 before slipping below 4,500 in 2020. It hovered around 6,300 for one and a half years due to the introduction of the floor price in 2022 and uncertainties brought on by the lingering fallout of the coronavirus pandemic and the macroeconomic crisis stemming from the Russia-Ukraine war and internal failures.

The number of BO account-

holders also declined.

In 2010-2011, some 10.31 lakh new BO accounts were opened, taking the tally to 27.63 lakh at the end of the financial year, according to the annual report of the Bangladesh Securities and Exchange Commission (BSEC).

As of January 28 this year, there were 17.78 lakh BO accounts. Of them, 3.07 lakh accounts had no share at all, figures from the Central Depository Bangladesh Ltd showed.

Ali Imam, managing director of Edge Asset Management, said many retail investors left the market as the equity investment is providing a low return while savings certificates offer a handsome yield.

"People still prefer banks to keep their funds. They also like to invest in the real estate sector. These investors don't go to asset managers."

A major portion of the mutual funds comes from corporates as well.

Many institutional investors also do not have the capacity to invest as they are struggling with a huge negative equity. Some institutional investors have the ability to invest

but are reluctant to do so amid a lower number of well-performing companies.

In the last 10 years, only two large companies—Walton and Robi—went public and these are sound firms. But the number of their shares publicly available for trading is limited, Imam said.

Although retail investors' stakes fell, the ownership of sponsors and directors rose to 58 percent from 42 percent, DSE data showed. This jump mainly came after the BSEC became strict about the holding of minimum shareholding by sponsors and directors.

According to the securities order issued in 2012, directors must hold at least 2 percent of shares individually and 30 percent jointly to keep their positions.

At present, institutional investors hold a 15 percent stake in the listed companies, the government owns 4 percent, and foreign investors hold 3 percent.

In 2011, institutional investors' holding was 14 percent, the government's 4.78 percent, and foreign investors' 1.36 percent.

Garment exports

FROM PAGE B1

and Exporters Association (BGMEA), highlighted the overall decline in garment imports by the US last year.

"High inflation caused low consumer spending last year, so the retailers imported less," he said.

Moreover, there was a high amount of unsold inventory in stores but it started to decline as inflation eased from the middle of last year. The US will also see its interest rate cut this year, he said.

"Sales during the festival seasons, such as Christmas, was very good as old inventory was reduced, giving rise to the prospects of an increase in the export of Bangladeshi items this year," Hassan said.

Matthew Shay, president and CEO of National Retail Federation (NRF),

the largest retail trade association in the US, in a statement last week said retailers are coming off a successful holiday season.

Sales growth is expected to be around 3 percent to 4 percent, reflecting a more sustainable rate of growth than seen during the pandemic years, he said.

The growth reflects the fact that retailers were accommodating the expectations of consumers and demonstrates the underlying strength of the US economy, he said.

"I think the things that drive consumer spending are the unemployment rate and wage growth," Shay said.

"And right now, the unemployment rate is very low and wage growth remains steady, so consumer choices

are driven by these factors," he further remarked.

The future will also depend on how good of a balancing act the Federal Reserve can manage with interest rates, alongside other external factors such as global geopolitical conflict and challenging elections in the US, said Shay.

In conversations with retail CEOs at the event, he said many pointed out the high customer expectations as they will continue seeking value, as well as being deliberate in their spending.

"I think in the coming year, there's a recognition that there will be a premium on execution, and those that execute at a high level will be successful. Those that don't, maybe won't be able to keep up with the dynamism in the industry," Shay said.

Yields on bills and bonds are rising

FROM PAGE B4

incentive to extend credit to businesses, particularly considering the absence of additional provisions required for scheduled banks regarding investments in government T-bills.

For instance, in early February, the lending rate stood at 12.43 percent under the SMART mechanism, while one-year T-bill rates remained at 11.60 percent, resulting in a narrow spread of just 0.83 percent.

"This minimal difference offers little incentive for banks to lend to the private sector. Consequently, businesses in general are likely to face hurdles in obtaining credit over the

coming months, potentially leading to a slowdown in private sector investment activities," he said.

The spiraling interest of T-bill will have effect on deposit flow too.

"As the interest rate on T-bills keep increasing due to increased borrowing by the government, this will intensify pressure on private and public banks as they will find it difficult to attract deposits," said Ashikur Rahman, senior economist at the Policy Research Institute of Bangladesh.

"Consequently, interest rate in commercial banks must rise if we want deposit growth to not slowdown. The situation needs close monitoring by Bangladesh Bank so

that we can adopt any required time-sensitive policy changes."

Sheikh Mohammad Maroof, additional managing director & chief business officer at City Bank PLC, said the authorities are pursuing a tight monetary policy to contain credit growth to the private sector in order to reduce inflation.

He said the government's borrowing may not crowd out funds for private sector loans.

"There is still excess liquidity in the banking sector, and I expect liquidity will remain available in the market too. The question is whether there will be appetite among private sector to borrow at high interest rates," he said.