Apparel export to non-traditional markets grows nearly 12%

STAR BUSINESS REPORT

Bangladesh's garment shipment to non-traditional markets grew 11.69 percent year-on-year to $5.46 billion in the July-January period of the current fiscal year, official figures showed.

The overseas sales stood at $4.89 billion in the identical period a year earlier.

Bangladesh considers all markets other than the United States, the United Kingdom, the European Union and Canada as non-traditional.

Among the major non-traditional markets, the export to Japan, Australia and South Korea increased 8.74 percent, 23 percent, and 17.57 percent, respectively, according to Export Promotion Bureau (EPB) data compiled by the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) showed.

Apparel exports to India, however, declined 21.86 percent.

In July-January of 2023-24, the export to the EU reached $13.92 billion, an increase of 1.32 percent compared to the same period of 2022-23.

The export to Spain, France, the Netherlands and Poland showed a 6.05 percent, 4.25 percent, 11.77 percent, and 20.30 percent year-on-year growth, respectively.

The shipment to Italy declined 1.81 percent.

A view of workers at an export-oriented factory inside the 245-acre Adamjee Export Processing Zone in Narayanganj. Garment exports to non-traditional markets grew 11.69 percent to $5.46 billion in the July-January period of the current fiscal, official data showed. PHOTO: SAURAV HOSSAIN SIAM

Germany, the largest export destination for Bangladesh in the EU, dropped 13.46 percent to $3.51 billion.

RMG exports to the US, the single largest market for Bangladesh, stood at $4.79 billion in the first seven months of FY24, a fall of 3.90 percent.

Suppliers shipped products worth $3.31 billion and $871.27 million to the UK and Canada, respectively, which were up 12.98 percent and 0.68 percent year-on-year.

Suspicious transactions in banks

MAMUN RASHID

There seems to be a fresh noise around suspicious transactions in the banks and financial institutions.

Having audited many banks' books or operational failures in the emerging countries especially those who have large informal or shadow economy and not so hailed for their economic governance model or internal governance within the banks, I am not at all surprised.

The just-released annual report of the Bangladesh Financial Intelligence Unit (BFIU) is a loud reminder of how the country's financial sector continues to languish in disarray despite frequent calls over the years especially by the development partners for ensuring discipline and regulation in the financial sector.

According to the report, at least 14,106 incidents of suspicious transactions and financial activities were reported in 2022-23 fiscal year, which marks a 65 percent rise from the previous year's numbers.

Of these reports, 91 percent came from banks and the rest from non-bank financial institutions (NBFIs), capital market intermediaries, remitters and others.

The agency boss seemed to be intellectually constipated while he mentioned the sharp rise in suspicious reports does not necessarily indicate a rise in irregular financial activities.

We find it hardly convincing, especially given the frequent media reports of illicit activities and forgeries in banks and financial institutions.

The report also mentioned how trade-based money laundering has not seen any substantive decline because of banks' reluctance to check pricing anomalies or revalidate the prices.

And 85 percent of the money laundering took place through trade mostly cross-border trades.

The question is why does this situation continue to persist rather increasing in recent years?

We have known for a long time that trade mis-invoicing is a major avenue for syphoning off money.

Yet there has been no effective step from the agencies concerned to prevent it.

In this regard, one would obviously want to know the extent of the BFIU's authority as the country's anti-money laundering agency.

Is it supposed to just compile reports of suspicious activities and forward them to other relevant agencies?

Is not it supposed to track all avenues of money laundering and take adequate steps to curb it?

From the look of things, we cannot help but assume that either the BFIU has capacity issues with regard to what it is supposed to do—legally and/or logistically—or its authority is deliberately curtailed while being actioned.

This is further reinforced by the statement of the BFIU boss that strong political will is needed to deal with money laundering, particularly cases involving the biggies.

We know for sure, without bringing the biggies to task, no measures are going to yield results rather create double standards to continue.

Money laundering has long been draining our economy, accentuating the dollar crisis and other financial woes.

We, therefore, for the sake of bringing minimum accountability in the financial management demand proper investigation into all suspicious financial activities reported to the BFIU and urge the government to empower the agency so that it can function as a proper financial intelligence organisation with full independence and credibility.

We also urge the government to urgently take necessary reform measures being recommended by local financial sector experts to bring discipline to this sector.

Political harnessing of the wrongdoers or 'close to the regime' must stop.

The central bank as such the government should make sure all suspicious transactions are being dealt with deep-dive efforts and like in other similar countries investigated by forensic experts instead of retired government or judicial officials who may not have proper or full visibility of the nature of financial crimes happening in recent times, especially in the era of technology.

This is also very much aligned with our vision of a smart Bangladesh focusing on least possible cash transactions or building a cash-less society.

The author is an economic analyst

Two more RMG factories get LEED certifications

STAR BUSINESS REPORT

Comfit Composite Knit Ltd and Fakir Eco Knitwears are the two latest garment factories to receive the Leadership in Energy and Environmentally Design (LEED) certification from the US Green Building Council (USGBC) for their eco-friendly initiatives.

NUMBER OF GREEN FACTORIES

Categories	Factories
Platinum	79
Gold	116
Silver	10
Certified	4

SOURCE: BGMEA

Comfit Composite is situated at Gorai, Mirzapur of Tangail and Fakir Eco Knitwears is in Kayempur, Narayanganj, according to a press release.

Bangladesh is the leader in green garment factories as there are 54 out of the top 100 green and 18 of the top 20 LEED green factories are located in the country.

The country now boasts 209 green factories. Of them, 79 are platinum, 116 gold and 10 silver.

Shipping insurance rates soar on Red Sea missile attacks

AFP, *London*

Attacks by Yemen's Huthi rebels on commercial ships in the Red Sea have sent insurance premiums surging, exacerbating costs already stretched by soaring freight rates and longer alternative trade routes.

The Huthis have carried out relentless attacks since November on shipping transiting the Red Sea, a maritime hub through which 12 percent of global trade usually passes.

Maritime container transport has sunk by almost one third so far in 2024 compared with a year earlier, according to IMF data.

The Iran-backed Huthis argue the attacks are in solidarity with Palestinians in Gaza during the Israel-Hamas conflict.

The war started when Hamas launched its attack on October 7, which resulted in the deaths of about 1,160 people in Israel, mostly civilians, according to an AFP tally of official Israeli figures.

Hamas militants also took about 250 hostages -- 130 of whom remain in Gaza, including 30 presumed dead, according to Israel. Israel's retaliatory campaign has killed at least 29,313 people, mostly women and children, according to the latest count by the Hamas-run health ministry in the territory.

UNUSUAL, NOT EXCEPTIONAL

Commercial boats need to obtain three types of insurance. Hull insurance covers damage to the vessel; cargo insurance covers the vessel's load; and protection and indemnity insurance includes coverage for damage caused to third parties.

Premiums for ships and their cargos have "increased significantly" following the Huthi attacks, according to Frederic Denefle, head of Garex, a French firm specialised in marine risk insurance.

And they have increased in proportion to the threat level, he told AFP.

The Red Sea threat is unusual but not exceptional, according to Neil Roberts, head of marine and aviation at the Lloyd's Market Association (LMA), which represents all underwriting businesses on the Lloyd's of London insurance market.

"The Red Sea situation is both dynamic and unusual in the respect that a non-combatant country is targeting commercial shipping to achieve a political aim in a third country," Roberts told AFP.

"It is not exceptional because, unfortunately, commercial shipping regularly comes under threats, whether in West Africa, off Somalia or elsewhere."

The Red Sea is a Listed Area, meaning that vessels planning to enter have to notify their insurers, he noted.

Insurance providers can then review both the vessel and its voyage, and can demand an extra war premium on top of normal coverage.

This war premium however is limited to a short period of time.

DANGER ASSESSMENT

The LMA's Joint War Committee gathers regularly to assess security risks to shipping worldwide. "If you're trading into an area where this committee says that this is a bit dangerous, effectively cover ceases as soon as you go in, and then you have to pay for that period while you're in it, and then it reattaches when you get out," said Marcus Baker, global head of marine, cargo and logistics at Marsh.

Claire Hamonic, general manager of Ascoma International, estimated that the war insurance premium has multiplied by between five and ten times for vessels and cargo crossing the Red Sea.

According to several anonymous industry sources, the current rate of war risk premium stands at between 0.6 percent and 1.0 percent of the value of the ship.

That can equate to a considerable sum when some of the enormous vessels are worth in excess of 100 million euros.

Added to the picture, particular attention is given to the nationality of a ship, according to Munro Anderson, head of operations at war insurance specialist Vessel Protect.

"The Huthis have specifically said that they're targeting US and UK connected vessels," Anderson told AFP.

"There's a number of vessels that are flagged or associated to countries that simply don't carry the same risk profile.

"For example, Chinese connected vessels. Hong Kong Chinese connected vessels, of which there are lots, are trading in that area. Those will be able to add less premium than those connected with Israel, UK and US."

COAST NOT YET CLEAR

The Huthi strikes have also prompted some shipping companies to detour around southern Africa to avoid the Red Sea.

This takes between 10 and 15 more days than the Red Sea route -- and it can take 20 extra days for a slow ship.

Shipowners doing so can avoid paying significant toll fees in the Red Sea, but they also face higher fuel and labour costs for the longer trip.

Europe's shoppers still shell-shocked

REUTERS, *Budapest/Warsaw*

When a $500 Electrolux oven briefly went on sale for 1 percent of its list price in Hungary last week, within hours shoppers flooded the online store with thousands of orders.

But what looked like the bargain of the century turned out to be a technical glitch and neither the customers had any realistic chance to score such an improbable bargain nor the Swedish home appliance group can count on such exuberant demand.

"We expect weak consumer sentiment to persist in the European market in 2024 as consumers opt for lower prices and delay non-essential or occasional expenditure," Peter Toth, head of Central and Eastern Europe South sales area at Electrolux, told Reuters when asked about the health of demand on the European Union's eastern wing.

The reality across the region is that there are scant signs of a recovery in consumption that governments were counting on to offset weaker demand for exports from a stuttering German economy and pull the region out from last year's inflation-led downturn.

Both the Czech Republic and Hungary slid into recession, while Poland avoided it by the narrowest of margins.

Just four weeks into the new year, the Czech government cut its 2024 growth forecast citing weaker-than-expected recovery in consumption, while the Hungarian central bank has issued a similar warning.

Even in Poland, which is expected to see the sharpest wage gains in the region this year, consumer spending was off to a mixed start in January after the gross savings rate dipped into negative territory in four quarters since the start of 2022.

While a jump in vehicle and car part sales and housing renovations lifted headline retail sales data above forecasts, economists at Bank Pekao said January was a "hopeless month" for clothing, while other durable goods sales also fell.

"We remain sceptical about the potential of the Polish consumer," it said. "In our opinion, 2024 will be a year of saving rather than a consumption boom. Of the 7-8 percent real increase in income, Polish consumers will spend approximately half."

Data published on Wednesday showed how a steady improvement in consumer sentiment since late 2022 stalled in February amid renewed concerns about Poland's and households' economic prospects.

People walk past the 'SALE' sign on a window of the Adidas store in the centre of Warsaw, Poland on January 4. PHOTO: REUTERS