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Shrimp exporters may face significant pressure from competitor nations after the country graduates from LDC status

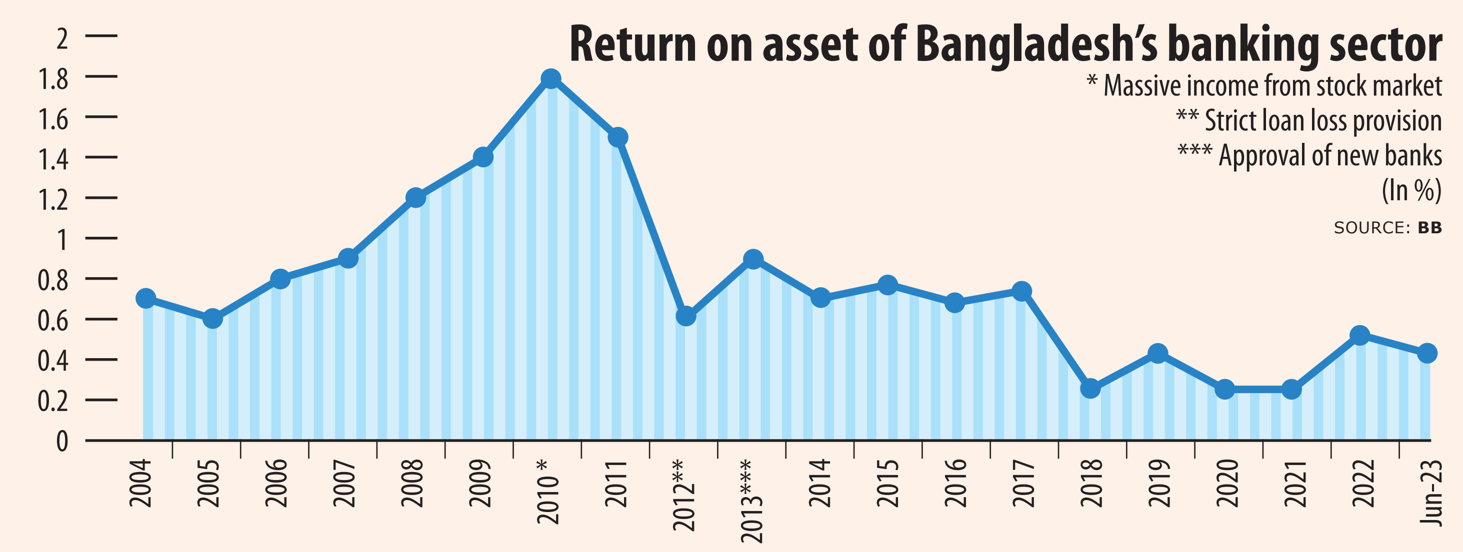
Story on B4

Bangladeshi banks' profitability lowest in South Asia

ROA and NPL ratio of South Asian countries

(Data from their latest fiscal year)

South Asian countries	ROA	NPL ratio
India	1.1%	3.90%
Bangladesh	0.52%	9%
Sri Lanka	1.36%	11.30%
Pakistan	1.48%	7.30%
Afghanistan	1.37%	3.48%
Bhutan	1.98%	8.70%
Nepal	2.05%	1.20%
Maldives	5%	5.90%



AHSAN HABIB

The profitability of the banking sector in Bangladesh is the lowest in South Asia due to the prevalence of higher non-performing loans, lower efficiency, and an elevated level of related cost of funds.

The return on assets (ROA), also known as profitability, was 0.52 percent in Bangladesh in 2022 and it further slipped to 0.43 percent in June last year, Bangladesh Bank data showed.

In 2022, the ROA was 5 percent in the Maldives, 2.05 percent in Nepal, 1.98 percent in Bhutan, and 1.48 percent in Pakistan, according to data from central banks of the respective countries and media reports.

In Afghanistan, the ROA was 1.37 percent whereas it stood at 1.36 percent in Sri Lanka and 0.91 percent in India. India's ROA rose to 1.14 percent in 2023.

ROA measures how efficient a company's management is in generating profits from the economic resources or assets on their balance sheets.

Anis A Khan, a former chairman of the Association of Bankers Bangladesh (ABB), a platform of CEOs in the banking industry, blamed the higher default loan for the lowest ROA.

Syed Mahbubur Rahman, a former chairman of the ABB, echoed Khan.

BB data showed that NPL swelled to a whopping Tk 134,396 crore in September last year, which accounted for 9.36 percent of the total loans disbursed.

In India, the NPL ratio was 3.90 percent. It was 1.2 percent in Nepal, 3.48 percent in Afghanistan, and 5.9 percent in the Maldives.

The share was 7.3 percent in Pakistan, 8.7 percent in Bhutan and 11.3 percent in Sri Lanka. This means Bangladesh has the second-highest ratio of NPL in South Asia.

Sri Lanka's highest default loan stemmed from its recent economic turmoil as many firms incurred losses or went out of business.

"Borrowers in other countries fear downgrade of their credit status, so they regularly repay their loans," Khan said.

On the other hand, some borrowers in Bangladesh have a tendency to default on their instalment payments intentionally. Many even did not pay back despite the single-digit interest rate, pandemic holiday, up to four times rescheduling facility, and a lower down payment.

"The higher default loans raise the costs for banks straightforward," said Khan, currently a managing partner of AAZ Partners, a law firm.

The cost of funds for banks is low in many other countries because of a higher number of current account and savings account deposits whereas it is much higher in Bangladesh since

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Apparel exports to US fall 2.58%

REFAYET ULLAH MIRDHA

Garment exports to the US, the single largest export destination for Bangladesh, fell by 2.58 percent year-on-year to $5.46 billion in the July-February period of the current fiscal year.

Import of clothing items by American retailers and brands from around the world were 23 percent lower year-on-year last year because of high inflationary pressure, which impacted Bangladesh's shipment to the US markets.

Thanks to competitive pricing and longstanding trade relations, Bangladesh is the third largest garment supplier to the US after China and Vietnam.

Bangladesh's performance has been strong compared to its peers in case of garment export to the US in spite of the imposition of a 15.62 percent tariff, the highest in the world in this particular market.

Import of clothing items by US retailers from around the world was 23 percent lower last year

However, clothing sales have started to increase in the US economy thanks to a recent recovery of the market.

The National Retail Federation (NRF), the largest retailers' platform in the US, said sales in clothing and accessories stores were up 0.51 percent month-over-month and up 8.05 percent year-on-year in February.

"February retail sales indicate continued momentum from consumers," said NRF President and CEO Matthew Shay.

"While the future direction of interest rates and inflation remains uncertain, it's clear that a strong job market and increases in real wages are continuing to support spending," he said.

In the July-February period of fiscal year 2023-24, garment export to the European Union, the biggest trade block for

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ADP spending hits 14-year low in Jul-Feb

MD ASADUZ ZAMAN

Spending under the annual development programme (ADP) has been going slow in the current fiscal year (FY), with implementing agencies using just 31.17 percent of the total allocation till February this year, showed official figures.

In the first eight months of FY2023-24, the government managed to spend just Tk 85,603 crore out of the Tk 274,678 crore ADP budget allocation, representing its lowest implementation rate in at least 14 years.

The current implementation rate is even lower than that witnessed during the pandemic, meaning FY2020-21.

At that time, the ADP spending out of a Tk 214,611 crore allocation slowed to 33.83 percent, as per data of the Implementation Monitoring and Evaluation Division (IMED).

Amidst this situation, the government this month has also downsized the ADP for the current fiscal year of 2023-24 by 7 percent while prioritising projects having the highest impact.

"The lower ADP execution rate is a big concern for the economy," said Muntaseer Kamal, a research fellow at the Centre for Policy Dialogue.

"We have to look into whether this is due to the government's austerity policies or a revenue deficiency," he added.

Kamal stated that the government was facing difficulties in fulfilling revenue generation targets while the scope had narrowed for borrowing from commercial banks and printing more money through the central bank.

"These issues may contribute to slower fund disbursals for project implementation," he added.

Kamal also pointed out a historical trend of spending being comparatively lower behind health and educational

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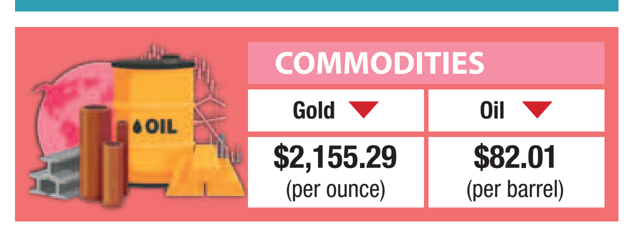
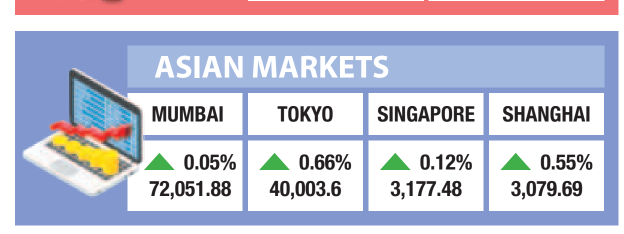




Why do high prices persist despite govt steps?

ANALYSIS

SUKANTA HALDER *and* MOHAMMAD SUMAN

Exorbitant prices! Unbearable!

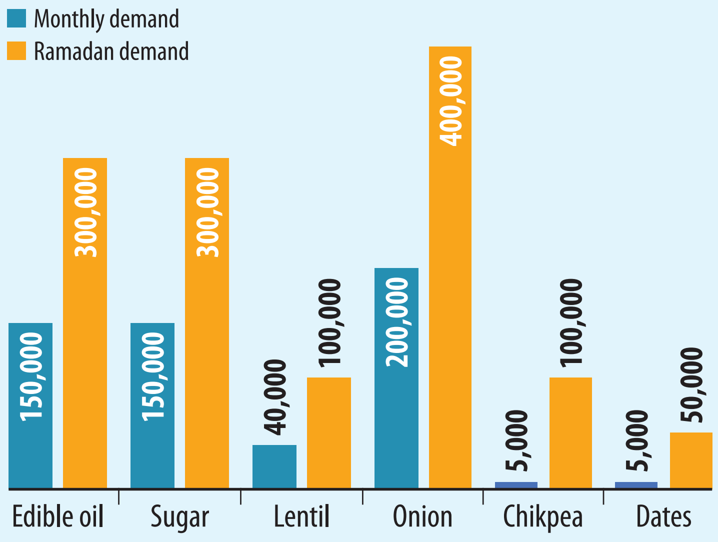
These are among the words that have dominated public discussions in Bangladesh in the past two years. And the discontent of a majority of the population is growing since they are not getting any relief from higher inflation.

Inflation, in general, has stayed at an elevated level since the middle of 2022 and at more than 9 percent since March 2023, in particular.

Consumers were not spared even during the fasting month of Ramadan, a time to show self-restraint, even though there have been a lot of promises and drives on the part of the government. Therefore, while devotees perform their religious duty, the escalated prices of essentials have continued to give them hard times.

Take the case of chickpeas.

The price of the nutritious seeds, imported mostly, rose 13.5 percent over the last two months and 23.5 percent in the first nine days of the fasting month, which alone accounts for one-third of the total annual consumption of 1.5 lakh tonnes of chickpeas.



The price of dates, another popular item for iftar, rose too. Sugar, a major item used to make sweets especially popular jalebi, has remained steady. Consumers received some respite while purchasing edible oil. The price of the imported fruits declined marginally. But consumers are yet to see any reduction in the prices of rice, moong and other pulses and broiler chicken.

These essentials have rather become dearer though there had been a lot of efforts to contain prices: the government sat with traders, reduced import taxes and VAT, conducted drives against price manipulation and hoarding, launched open market sales, and fixed prices of essentials.

Thus, it begs the question what is wrong with the market? Why aren't the prices falling?

The Daily Star spoke to consumers' rights groups, industry operators and analysts to know why markets are behaving irrationally.

One common observation was the discrepancy between supply and demand. This means without guaranteeing adequate supply based on proper assessment of demand and active monitoring, price control measures are not going to bear fruit.

Another point, as some traders said, is the hidden costs that include unofficial payments made to banks to buy US dollars while opening letters of credit (LCs) for imports owing to limits enforced by the central bank to discourage non-essential purchases from the international market.

"It is not possible to implement the prices of commodities in the way the government has set," said MA Taslim, professor of economics at the Independent University, Bangladesh.

He said the government can make a lot of commitments and set the prices but the market has its own pattern.

"If the government's data was correct, the current situation would not have arisen."

Taslim, who taught economics at the University of Dhaka and headed the Bangladesh Trade and Tariff Commission as its chairman previously, said that there is supply shortage. Therefore, the prices of the products have gone up.

He, however, says it is unclear to him why traders are not ramping up the supply despite knowing that demand goes up in Ramadan.

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TOTAL IMPORT TARIFF OF KEY ESSENTIALS

Commodities	Total import tax (Jan 31, 2024)	Total import tax after reduction
Dates	58.60%	46.60%
Rice	62.50%	15.25%
Soybean oil	15%	10%
Palm oil	15%	10%
Raw sugar (per tonne)	Tk 1,500	Tk 1,000
Refined sugar (per tonne)	Tk 3,000	Tk 2,000