DHAKA WEDNESDAY APRIL 17, 2024, BAISHAKH 4, 1431 BS ● starbusiness@thedailystar.net

Star BUSINESS

IDRA aims to amend certain provisions of the Insurance Act 2010 that are in conflict with other laws to streamline operations

Story on B4

IMF cuts GDP growth forecast for Bangladesh again

STAR BUSINESS REPORT

The International Monetary Fund (IMF) has further revised down the growth forecast for Bangladesh's economy for the ongoing fiscal year owing to persisting global and local challenges, including higher inflation.

The Washington-based lender said the economy would grow by 5.7 percent in 2023-24, lower than the 6 percent forecast in October. The gross domestic product (GDP) projection was 6.5 percent initially.

The GDP growth will rebound to 6.6 percent in 2024-25, said the IMF in its World Economic Outlook yesterday.

The downward revision for the current fiscal year comes although the IMF raised its outlook for the global economy for 2024, while maintaining a gloomy forecast over the medium term.

The lender expects the world economy to grow by 3.2 percent this year, up 0.1 percentage point from its previous forecast in January, and by a further 3.2 percent in 2025.

Last week, state-run Bangladesh Bureau of Statistics said economic growth halved to 3.78 percent in October-December of FY24, the slowest pace of expansion in three quarters, as manufacturing output growth declined sharply owing to reduced domestic consumption.

The government also cut its growth projection earlier this month to 6.75 percent from 7.5 percent set at the beginning of the fiscal year in July.

The World Bank has forecast Bangladesh's real GDP growth to remain relatively subdued at 5.6 percent in FY24, compared to the average annual growth rate of 6.6 percent over the decade preceding the Covid-19 pandemic.

The Asian Development Bank, however, has projected a 6.1 percent economic growth rate. The forecast is higher than the 5.8 percent expansion estimated for FY23. It may go up to 6.6 percent in FY25, the Manila-based lender said.

Among the South Asian countries, the IMF has projected a 6.8 percent GDP growth for India, 2 percent for Pakistan, 5.2 percent for the Maldives, 4.3 percent for Bhutan, and 3.1 percent for Nepal.

Since the Russia-Ukraine war broke out in February 2022, Bangladesh has been experiencing economic crisis due to escalated prices of global commodities since the country's foreign currency reserves depleted fast amid higher import bills.

The recent Middle East tension is also hurting the economy as the dollar crunch shows no signs of disappearing, forcing the Bangladesh Bank to maintain import restrictions, squeezing supply.

GDP growth projections for 2023-24

IMF	5.7%
World Bank	5.6%
ADB	6.1%
Govt	6.75%

The IMF report projected that Bangladesh's inflation will stay above 9.3 percent in the current fiscal year, which ends in June. The inflation may decelerate to 6.1 percent in FY25.

The 9-plus percent inflation in the last fiscal year as well as in the first nine months of FY24 means the buying power of a majority of the people in the low-middle-income nation and the overall demand have remained under pressure, handing a blow to the country's growth aspiration.

The WB said the relatively slower growth is driven by a modest recovery in private consumption supported by a moderation in inflation.

READ MORE ON B3

Baked by heat, Bangladesh expands AC production

JAGARAN CHAKMA

Companies have turned to local manufacturing and assembly of air conditioners (ACs) to cater to the rising demand for the home appliance as consumers are increasingly seeking respite from the soaring temperatures brought on by the impacts of climate change.

This has led the prices of ACs to decrease significantly, bringing it within the budget of more consumers and fuelling the growth of the market in a nation where per capita income has nearly quadrupled in the last 12 years.

Sales have grown exponentially, according to industry insiders, who also claimed that local manufacturers and assemblers now cater to more than 85 percent of demand.

There is no accurate market data on AC sales. Manufacturers and retailers estimate that 530,000 units were sold in 2023, increasing sharply from 330,000 units in 2022.

They attributed the increase to the impacts of global warming, substantial price reduction, and energy-efficient technology.

The year 2023 was confirmed as the warmest on record, driven by human-caused climate change and boosted by the natural El Niño weather event.

The trend has continued in 2024, with last month being the hottest March on record. Bangladesh also witnessed higher-than-usual temperatures in 2023.

According to industry people, ACs have become more affordable as most parts are now made locally.

With the exception of the main circuit and compressor, other components like plastic frames and copper cables are produced in Bangladesh. Parts such as internal wires are also sourced from local cable manufacturers.

However, raw materials and intermediate products need to be imported.

Around 20 local and multinational companies manufacture and assemble ACs in Bangladesh.

"ACs were considered a luxury item in Bangladesh before 2015. After that, the middle-income groups started buying the appliance whereas it could be seen in the high-income households alone in the past," said Syed Sabbir Zaman, head of product at Singer Bangladesh.

Before 2015, ACs were mainly imported while local assembly was only done on a limited scale, he noted.

Rifat Jahan, who lives in the capital's Mirpur, says her family bought an AC this time last year as temperatures seemed unbearable although their purchasing power has seen erosion owing to persisting higher inflation.

Her relatives in the small town in Jamalpur district have also purchased ACs, said the homemaker.

Zaman said multinational companies have started importing components and assembling ACs locally, buoyed by a significant reduction in import duty and tax holiday aimed at encouraging domestic production. Consequently, the market grew rapidly.

After 2020, local companies such as Walton, Minister, Jamuna, and Vision invested heavily in assembling and manufacturing ACs.

Zaman said the government has provided tax benefits to local AC manufacturers so local companies have entered the market on a larger scale.

In 2004, Electro Mart Limited, which produces ACs under a joint venture with Chinese home appliance manufacturer Gree, became the first company in Bangladesh to start assembling ACs although it was doing so on a limited scale after importing the necessary components.

At that time, the demand for ACs was 30,000 units at best, said Md Nurul Afser, deputy managing director of Electro Mart.

"Due to the growth of the market, we have evolved from an assembler to a manufacturer."

Electro Mart set up a full-fledged manufacturing plant in 2020 to make more environment-friendly and energy-efficient ACs. At present, it manufactures 80 models for both residential and commercial customers.

Its annual manufacturing capacity stands at 300,000 units per year.

Moztaba Nadim, brand manager of Elite AC, which makes and sells products of Midea, also a Chinese company, said the expanding middle-class population and fast urbanisation resulted in increased demand for ACs.

"The growing market demand has incentivised manufacturers to invest in production capabilities and innovation."

Nadim said the AC manufacturing sector has undergone significant improvements in terms of technology, quality, and efficiency, making it more competitive both domestically and internationally.

Walton, one of the largest AC manufacturers in Bangladesh, has a yearly production capacity of 200,000 units.

Salim Ullah Salim, director for marketing of Jamuna Electronics and Automobiles Ltd, said companies are increasingly investing in research and development to innovate and develop new technologies.

"Such initiatives have led to the production of ACs that consume less energy and have a reduced carbon footprint."

He credited the government for the flourishing of the sector by the way of offering incentives and subsidies and framing policies that promote industrial growth and competitiveness.

"Local manufacturers are adhering to international standards as they want to compete on the global market and ensure product reliability. This will boost consumer confidence."

AC MARKET: TIMELINE

- Before 2015, the market was dependent on imports
- Price of ACs came down in 2015
- From 2015 to 2019, the market grew by **8**% to **9**%
- It expanded by **12**% during 2020-2021
- In 2021, Walton, Minister, Jamuna and Vision invested heavily in AC manufacturing

GROWTH, SALES

- The market grew **60**% last year as temperatures rose sharply
- AC sales reached **530,000** units in 2023 from **330,000** units in 2022
- Inverter ACs make up **70**% of the market

MAJOR PLAYERS

- Gree, Midea, Walton, Minister, Jamuna and Vision
- Around 20 local and multinational companies assemble and manufacture ACs in Bangladesh

BASIC Bank officials 'terrified' by impending merger

Send memorandum to BB governor

STAR BUSINESS REPORT

Officials and employees of state-run BASIC Bank are concerned about their future in the face of an impending merger, they said in a memorandum sent to the Bangladesh Bank governor yesterday.

However, Bangladesh Bank governor Abdur Rouf Talukder is now in the US to attend the spring meetings of the International Monetary Fund (IMF) and the World Bank Group (WBG).

About a week earlier, they submitted a separate memorandum in this regard to the finance minister as the scam-hit lender is likely to merge with City Bank, a private commercial bank.

In the memorandum, the officials and employees of BASIC Bank said they are 'terrified' over the merger news and, to avoid uncertainty, urged for a merger with a government bank instead.

As a state-run bank, BASIC Bank's officers and employees enjoy job security alongside various employee benefits -- including salaries, provident fund facilities, gratuity, retirement allowance -- which may differ from those offered at City Bank.

Once a well-run state bank, BASIC descended into a hotbed of irregularities after Sheikh Abdul Hye Bacchu was made its chairman in 2009 on political considerations.

On April 8, City Bank agreed to take over BASIC Bank following a meeting between the Bangladesh Bank governor and the managing director and chairman of City Bank.

Bangladesh Bank executive director and spokesperson Md Mezbaul Haque yesterday told journalists that the merger of weak banks with strong ones is a long process requiring several steps before finalisation.

He also informed that the merger process can be cancelled at any stage, in which case both banks will continue operations as usual.

READ MORE ON B2

Edible oil refiners seek to hike prices by Tk 10 per litre

Want to reinstate old prices for end of VAT cut facility

STAR BUSINESS REPORT

Edible oil refiners have sought to hike its retail price by Tk 10 per litre, citing that a value added tax (VAT) reduction, which they had been enjoying for the last two months, expired on Monday.

If this comes into effect, a one-litre bottle of soybean oil will cost Tk 173, a five-litre bottle Tk 845 whereas unpackaged palm oil Tk 132 a litre.

The Bangladesh Vegetable Oil Refiners' and Vanaspati Manufacturers' Association made the demand through a letter to the commerce ministry on Monday.

However, State Minister for Commerce Ahasanul Islam Titu at an event in Dhaka yesterday said there was no scope for increasing edible oil prices now but any such demand could be reviewed.

At a "Meet the Reporters" event organised by Dhaka Reporters Unity, Titu also said he was not aware of the demand.

Abu Bakar Siddique, an oil wholesaler in Karwan Bazar, one of the largest kitchen markets in Dhaka, yesterday said refiners had not informed of any price hike till date.

"We are selling edible oil at the old prices," he said.

If the prices are raised, a one-litre bottle of soybean oil will cost Tk 173 and a five-litre bottle Tk 845. PHOTO: PRABIR DAS

The same was stated by Nurul Alam Sikder, a retailer in Pallabi in the capital.

The refiners said the National Board of Revenue (NBR) cut VAT on the import of soybean and palm oil to 10 percent from 15 percent through a notification on February 7 this year.

It also fully withdrew the indirect tax at the production and trading stages to contain prices of the essential item ahead and during the month of Ramadan.

The facility was meant to stay in effect till April 15.

The temporary VAT facility had led to a reduction of Tk 10 at the retail level, Titu said.

In another letter on April 1, the Bangladesh Trade and Tariff Commission (BTTC) had recommended that the NBR extend the VAT facility until June 30 this year.

Non-refined soybean and palm oil had turned pricier by anywhere

READ MORE ON B3

Govt to continue incentives for exporters in post-LDC era

STAR BUSINESS REPORT

The government will provide incentives to exporters after Bangladesh graduates from least developed country (LDC) status in 2026 so that local exporters do not lose their competitiveness in the international markets.

The incentives will be given in different forms since it is not possible to pay direct cash subsidies on export receipts after graduating to a developing country, State Minister for Commerce Ahsanul Islam Titu said yesterday.

The state minister also said the subsidies would be given in line with the World Trade Organization's framework.

He added that export and import policies are being prepared to address challenges related to LDC graduation.

However, he declined to disclose the methods through which the subsidies would be provided.

Officials in the commerce ministry said subsidies may be provided on electricity bills, or in the form of technology upgradation funds and skills development funds.

The state minister also said China and India have been providing similar subsidies to exporters although they are developed and developing nations respectively.

Currently, the government provides subsidies to 43 sectors, annually paying nearly $1 billion as cash subsidies.

In order to combat the challenges after LDC graduation, the government has been negotiating trade agreements with major trading partners to retain duty benefits after LDC graduation.

The state minister added that the commerce ministry will identify the challenges that various sectors may face after LDC graduation and the ministries concerned will address those challenges so that local exporters and domestic industries do not lose their competitiveness. For instance, if the poultry sector is facing challenges, the fisheries and livestock ministry will take measures.

Titu said a high-powered committee has been working under the cabinet division to identify challenges and recommend remedies.