Star BUSINESS

Mercantile Bank plans to provide more loans to small and medium enterprises, retail and agriculture, said its top executive

Story on B4

RMG export prices fell up to 16% in last 8 months

BGMEA chief says

STAR BUSINESS REPORT

Export prices of locally made garment items have fallen by 8 percent to 16 percent year-on-year over the last eight months, according to data of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

International market prices declined mainly because of a fall in demand from end consumers suffering from high inflationary pressure due to the severe fallouts of Covid-19 and Russia-Ukraine war.

Moreover, the volume of garments exported from Bangladesh to major markets also exhibited a declining trend over the past 10 months.

For instance, the import of apparel from around the world by the US declined by 7 percent and by European Union (EU) by 13 percent in the July-April period of the current fiscal year.

Prices declined mainly because of a fall in demand from consumers amid high inflation

This was due to the fall in demand, the BGMEA said.

Although there was 4.97 percent growth in Bangladesh's garment exports during this period, it was far lower than the 9.09 percent rise recorded in the corresponding period of fiscal year 2022-23.

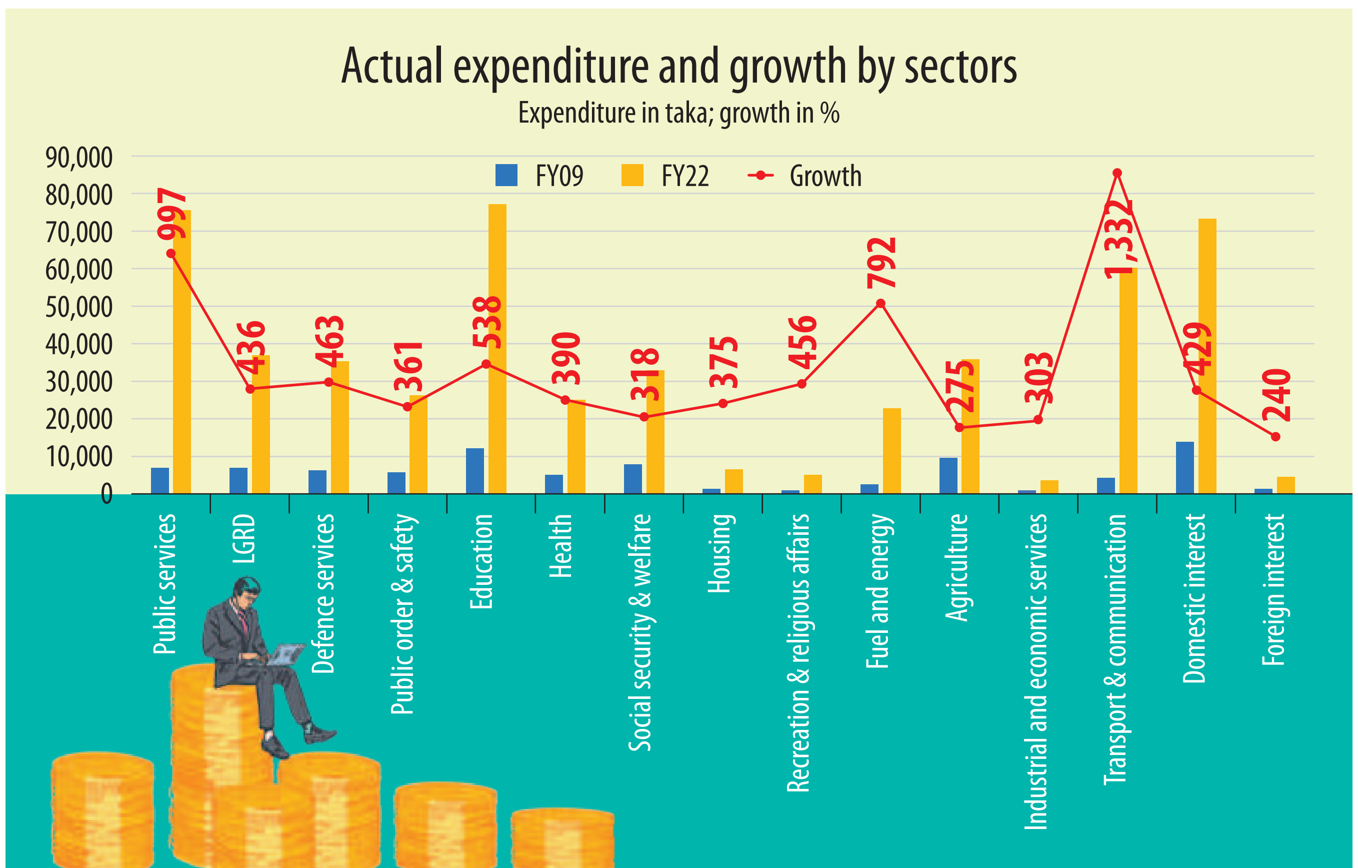
However, the bank interest rate rose by 15 percent and cost of production by 50 percent over the last five years, said BGMEA President SM Mannan Kochi yesterday.

The cost of production has increased because of a hike in gas and power prices and wages of workers, he told a views-exchange meeting with journalists at Pan Pacific Sonargaon Dhaka.

Kochi also said a recent government decision to not allow any investment to be made outside of export processing zones and special economic zones would have a negative effect on the inflow of such funds into the country.

READ MORE ON B3

Social spending gets less priority in lopsided budgets



MD ASADUZ ZAMAN

BUDGET REVIEW

The government has prioritised budgetary investments in three sectors, namely public services, transportation and communications, and energy, since the fiscal year of 2008-09. By contrast, actual spending witnessed a drop in vital sectors such as agriculture, social security, health, and education.

This implies that the government has given lower priority to these sectors although investments in education and health are necessary to build human capital and make the most of the demographic dividend.

Finance ministry data showed that the government spent Tk 6,881 crore, or 7.81 percent of the total actual budgetary expenditure, on public services in FY09.

However, actual expenditure on public services, which cover government employee pay and other spending for goods and services, soared more than 10-fold to Tk 75,511 crore in the 13 years to 2021-22.

In FY22, the spending on public services increased to 15 percent of the total actual expenditure, nearly double the rate in FY09. Similarly, spending on the transport and communication sector surged to 12 percent from 4.7 percent in FY09.

In taka terms, the outlay on transport and communication shot up by more than 14-fold to Tk 60,200 crore from Tk 4,205 crore.

The energy sector, which accounted for 2.9 percent of actual expenditure in FY09, saw its share rise to 4 percent in FY22.

On the other hand, spending on education declined from 13.48 percent to 12 percent during the 13-year period despite already being lower than the 15-20 percent that the United Nations recommends countries invest in education.

READ MORE ON B3

AkijBashir set to enter glass market, invests Tk 2,200cr

JAGARAN CHAKMA

AkijBashir Group is set to offer different types of high-end glass used in construction as it looks to grab a share of rising sales amounting to around Tk 2,600 crore annually.

Akij Glass Industries, a concern of the group, has invested around Tk 2,200 crore to set up a factory on over 125 acres of land in Madhabpur upazila of Habiganj, some 114 kilometres east of capital Dhaka.

"We already completed establishing the factory and trial production will start soon," said Abu Jubaid Mohammad Rassel, deputy general manager (marketing) of Akij Glass Industries.

A major part of the investment, which includes the price paid for purchasing the land, came from some local banks and financial institutions that found the initiative to be commercially viable, he said while talking to The Daily Star last week.

He said they have set a target to start marketing the products, categorised by safety, thermal performance and visual appearance, from the first week of July.

Initially, high-end float glass will be manufactured and the production capacity will be 600 tonnes per day, Rassel added.

The company has mobilised sophisticated machinery and equipment from Europe to ensure quality in the manufacturing process, he said.

READ MORE ON B2

STOCKS (WEEK-ON WEEK)

DSEX ▼	CASPI ▼
1.14%	2.15%
5,251.96	15,072.2

COMMODITIES (AS OF FRIDAY)

Gold ▼	Oil ▼
$2,327.36 (per ounce)	$77.16 (per barrel)

ASIAN MARKETS (FRIDAY CLOSINGS)

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.1%	▲ 1.14%	▲ 0.4%	▼ 0.16%
73,961.31	38,487.9	3,336.59	3,086.81

FDI inflow is shrinking. Here's why

AHSAN HABIB

Bangladesh has consistently received lower foreign direct investment (FDI) over the years despite witnessing handsome GDP growth, developing several special economic zones and adopting one-stop services.

Although such moves are designed to encourage FDI, Bangladesh Bank data shows that net FDI inflow fell to $3 billion in 2023, a decrease of 14 percent from $3.5 billion in 2022.

In their recently ended fiscal year, net FDI inflow stood above $40 billion in India and $15 billion in Vietnam.

Naturally, this raises questions about why FDI remains low in Bangladesh year after year.

One major reason is the huge gap between the thinking of policymakers and the actual problems that investors face. So far, the government has done little to solve these problems or address discrepancies.

However, if the sufferings of investors are elaborated precisely, perhaps the question should be why they should invest in the country, especially when they have better options in other countries.

Policymakers believe foreign investors will be attracted to Bangladesh because it has a huge pool of cheap labour and allows easy repatriation of capital. So, they opine, FDI will find its way to the country if they can prepare special zones for investors.

But is that enough? Not at all.

Policymakers should realise that attracting foreign investors by offering only cheap labour is losing its lustre. At present, technology is taking over the role played by labourers in many cases.

On the other hand, many other countries allow full repatriation of capital and also provide land to foreign investors.

Moreover, Bangladesh's port handling facilities are still not up to the mark. If Bangladesh engages in more international trade, handling facilities may face serious challenges.

Sustainable energy supply is also a concern as existing investors are already facing a challenging situation in getting uninterrupted energy supply for their units.

THE WEEKLY VIEW

Reasons behind low FDI

- Policy inconsistency
- Lack of good governance
- Inadequate energy
- High tax for companies

Another headache for investors is frequent policy changes, which ultimately impact their businesses.

Policy chopping and changing is common in the country but the more important aspect is that the government does not even speak with private sector stakeholders before altering them.

As a result, these frequent policy changes not only create unpredictability but also jeopardise profitability, affecting investors' decisions.

Similarly, foreign investors operating in Bangladesh have been demanding consistent and predictable tax rules and measures for several years. However, the government changes the tax policies in almost every fiscal year.

On top of all these factors, corruption plays another major role behind the low FDI. Although corruption is not uncommon in foreign countries, it has permeated every sphere of society in Bangladesh, which has a greater impact.

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WEEKLY INTERVIEW

Sumon Chowdhury

'Steel industry now a risky place for fresh investments'

JAGARAN CHAKMA

It has become extremely risky to invest in the steel industry of Bangladesh as the country is suffering from economic vulnerability amid sustained inflationary pressure.

Besides, the combined production capacity of local steelmakers already exceeds domestic consumption by around 41 percent, indicating an oversaturated market.

The steel industry's overall production capacity was about 1.10 crore tonnes last year against demand for 65 lakh tonnes, according to Sumon Chowdhury, secretary general of the Bangladesh Steel Manufacturers Association (BSMA).

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