Losses of state enterprises may rise fivefold in FY25

AM JAHID

The overall losses of state-owned enterprises in Bangladesh may rise by nearly five times in the current fiscal year compared to the previous year, according to a projection by the government.

A monitoring cell of the finance division under the finance ministry conducted a budgetary analysis of 50 entities under seven sectors.

Of them, six entities fall under the industrial sector, six under power, gas and water, eight transport and communication, three commercial, two agriculture and fisheries, six construction and 18 under the service sector.

The entities will end up making an overall loss of Tk 28,047.97 crore in fiscal year 2024-25, which started off this month.

This is 4.68 times higher than the total loss of Tk 5,989.87 crore incurred in FY24.

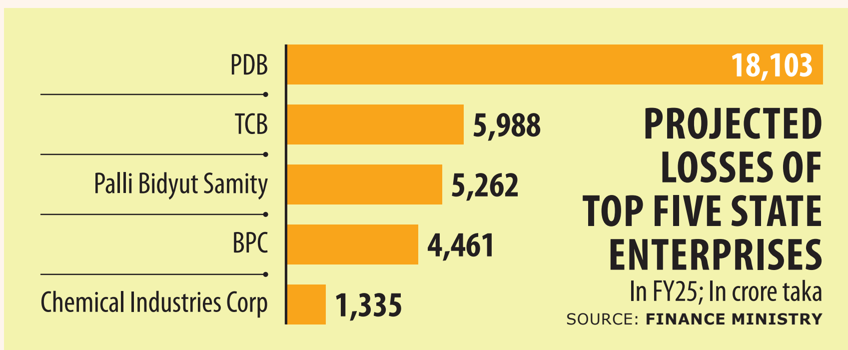
In FY25, the total earnings of the enterprises are estimated to be Tk 401,689.01 crore while the overall expense has been projected at Tk 429,736.98 crore.

The enterprises earned Tk 369,800.73 crore while they spent Tk 375,790.60 crore in the last fiscal year, according to the data from the Finance Division of the finance ministry.

The net loss of the state-owned enterprises was Tk 138.04 crore in fiscal year 2022-23.

Although most of the companies are making a profit their successes are being eclipsed by the performance of only 13 enterprises, including Bangladesh Power Development Board (BPDB) and the Trading Corporation of Bangladesh (TCB), according to the finance division's data.

The total loss of the 13 enterprises is projected to stand at Tk 36,144.93 crore in the current fiscal year.



Although the government has taken different austerity measures since the Covid-19 pandemic, the expenditures of the state-owned companies have been spiralling over the years.

The sharp rise in the losses of the state-owned companies has raised concerns among experts as a lingering macroeconomic crisis has gravely impacted people from all walks of life.

This is especially significant for the low and middle-income groups, who make up the major portion of the country's population of 170 million.

A better picture could be gleaned if the figures of profit and loss of the state-owned entities are audited by audit firms of an international standard, Golam Moazzem, research director of the Centre for Policy Dialogue, told The Daily Star.

Because in the past, it has been observed that there is a huge gap in the estimation and realisation of profit or loss of various organisations, he said.

"Besides, many of the entities are service providers who have no competitor in the market. They are making a profit due to their advantageous position as they are the single company in the market," he said.

"So, questions remain about how much profit they would have had under a competitive market mechanism," he said.

He said the loss of the service providing enterprises, such as the TCB, are understandable because they provide essential food commodities at subsidised prices specifically to low-income people.

However, losses of entities like the Power Development Board year after year are resulting from poor planning and policy decisions, Moazzem said.

Moreover, alternative modes of operations could be adopted for some of the manufacturing entities rather than keeping them afloat by bearing the losses, he added.

The BPDB is expected to incur the biggest loss. The board is likely to incur a loss of Tk 18,103.60 crore alone in FY25.

The board's loss will be almost three times higher in the current fiscal year than the loss it incurred last fiscal year.

In FY24, its loss amounted to Tk 6,117.19 crore, according to the finance ministry's budget documents.

The TCB is likely to incur the second biggest loss in FY25.

The loss is likely to amount to Tk 5,988.47 crore, which is 0.74 percent lower than its last year's loss of Tk 6,033.60 crore.

Palli Bidyut Samity under Bangladesh Rural Electrification Board is projected to take the third spot in terms of the amount of loss incurred in FY25 followed by Bangladesh Petroleum Corporation (BPC) and Bangladesh Chemical Industries Corporation (BCIC).

The loss of Palli Bidyut Samity is likely to be Tk 5,262.42 crore this fiscal year, which is 4.5 percent higher than its previous year's loss of Tk 5,035.48 crore.

The BPC's loss has been projected at Tk 4,461.68 crore, down from last year's loss of Tk 4,875.40 crore while the BCIC is likely to incur a loss of Tk 1,335.42 crore in FY25, which is lower than the previous year's loss of Tk 1,509.44 crore.

Making value chains sustainable

ARIJIT CHAKRABORTI

The EU has enacted new rules on corporate sustainability reporting. On January 5, 2023, the Corporate Sustainability Reporting Directive (CSRD) entered into force. This directive requires a broader set of large, small and medium companies, as well as foreign companies with significant revenue from the EU markets to report a wide range of environmental and social parameters.

According to an estimate by PwC, CSRD will apply to about 50,000 businesses within and outside the EU geographic region. As the data and insights pertaining to sustainability become increasingly important for stakeholders – i.e. customers, employees, investors and regulators – this directive is expected to modernise and strengthen the reporting standards. Companies have to apply the new rules from 2024 and their first reports will get published in 2025.

The key objective of the CSRD is not to address the areas within each company, but to bring their entire value chain under itself. As the companies within and outside Europe have been spread across international borders, their value chains have also become global. As a result, many overseas companies, who are suppliers to the European companies or cater to the EU markets are subject to this compliance requirement.

CSRD is expected to impact many organisations in Bangladesh too as they belong to the value chain of many European companies. This is likely to cause a visible change in the readymade garment (RMG) sector, since this sector supplies a significant proportion of manufactured goods from Bangladesh to the EU region. Moreover, some EU-based buying houses have already started rolling out such requirements to their suppliers gradually.

According to PwC's Global CSRD Survey 2024, most companies in the EU region are confident that they will be ready to report under the CSRD. In April-May 2024, PwC surveyed 547 executives and senior professionals across more than 30 countries and territories and prepared this survey report. According to this report, 97 percent of respondents have stated that they are confident about their reporting in 2025.

The survey also revealed that more than half of the respondents who are going to publish their reports in 2025 believe that the CSRD will be instrumental in achieving better environmental performance (57 percent), improved engagement with external and internal stakeholders (52 percent), risk mitigation (51 percent) and better social performance (50 percent).

Therefore, it can be inferred that the organisations in Bangladesh which get covered by these reporting requirements directly or indirectly, will also have to demonstrate good progress in environmental and social sustainability. Not only will they have to report various environmental and social parameters frequently and reliably, they will also have to invest in technology to obtain accurate and frequent data collection and reporting. It should be noted that 59 percent of the respondents of PwC's survey identified data availability and quality as the biggest obstacles in complying with the CSRD requirements.

Most of this data doesn't exist today in the enterprise resource planning (ERP) systems of these companies in Europe, or in the systems of their suppliers who are operating from Bangladesh. As many companies in Bangladesh have been implementing their ERP systems or upgrading their existing ones, it is imperative that they assess their compliance requirements with respect to the CSRD and take affirmative actions. Thereafter, the fundamentals of their strategy on sustainability data – how those will get defined, sourced, governed and processed – must get addressed to maximise their compliance benefits.

In conclusion, organisations in Bangladesh must assess their value chains with respect to the CSRD in order to remain relevant for the EU market. Therefore, it is high time that organisations performed these assessments proactively and recalibrated their strategy.

The writer is a partner with PwC. The views expressed here is his own.

Gold ticks higher

REUTERS

Gold prices eked out gains on Tuesday despite a stronger dollar and higher bond yields, as investors looked forward to the US June inflation data due later this week for more clarity on the US interest rate path.

Spot gold rose 0.2 percent to \$2,363.64 per ounce as of 14:35 p.m. ET (1835 GMT), after dropping more than 1 percent in the previous session. US gold futures settled about 0.2 percent higher to \$2,367.90.

The dollar was up about 0.2 percent against its rivals, making gold more expensive for other currency holders, while benchmark 10-year Treasury yields inched higher.

There's an expectation that the Federal Reserve is more likely to start cutting rates as early as September, which is contributing positively to current market conditions, said Bart Melek, head of commodity strategies at TD Securities.

Recent US economic data pointed to a slackening labour market, cementing expectations that the US central bank is on course to start cutting interest rates soon.

However, Fed Chair Jerome Powell said in congressional testimony on Tuesday that inflation remains above the Fed's 2 percent target, but has been improving in recent months and more good data would strengthen the case for central bank interest rate cuts.

Stocks fall after six days

STAR BUSINESS REPORT

Stocks in Bangladesh fell yesterday after a six-day gaining streak amid investors' bids to make a quick profit selling off their shares.

The DSEX, the benchmark index of Dhaka Stock Exchange (DSE), slipped 26.19 points, or 0.47 percent, from that on the day before to close the day at 5,568.45.

The DSES, the index that represents Shariah-based companies, dropped 3.85 points, or 0.31 percent, to 1,219.48.

Meanwhile, the DS30, the index that consists of blue-chip firms, edged down 6.40 points, or 0.31 percent, to 1,958.13.

The day's turnover, meaning the total value of shares that changed hands, decreased 5.09 percent to stand at Tk 967 crore.

Market capitalisation, meaning the total value of a company's shares at present, decreased for travel and leisure, paper and printing and life insurance scrips, according to the daily market update by Shanta Securities.

However, it rose for bank, financial institution and jute stocks.

Total block market turnover stood at Tk 44.3 crore, representing 4.6 percent of the day's total turnover.

Block trades refer to a high-volume transaction in a security that is privately negotiated and executed outside of the open market.

Beach Hatchery was the most traded share with a turnover of Tk 39.2 crore.

Of the issues traded on the prime bourse of the country, 98 went up, 266 closed lower and 30 did not see any price fluctuation.

In its daily market update, BRAC EPL Stock Brokerage said the market closed in the red due to a negative performance by sectors which account for large amounts in market capitalisation.

The DSEX, the benchmark index of Dhaka Stock Exchange, slipped 26.19 points, or 0.47 percent, while turnover decreased 5.09 percent to stand at Tk 967 crore

Engineering experienced the highest loss of 1.35 percent followed by telecommunication (0.56 percent), food and allied (0.56 percent), pharmaceuticals (0.39 percent), fuel and power (0.27 percent), banking (0.58 percent), and non-bank financial institutions (1.01 percent).

Shares of large-cap and blue-chip companies such as Beximco Pharmaceuticals, Olympic Industries, Al-Arafah Islami Bank, Intraco Refueling Station, United Commercial Bank, BRAC Bank, Heidelberg Materials Bangladesh, Southeast Bank, Square Pharmaceuticals and JMI Hospital Requisite Manufacturing displayed a sublime performance.

Renata, Best Holdings, BAT Bangladesh, Khan Brothers PP Woven Bag Industries, City Bank, Kohinoor Chemicals, Linde Bangladesh, Robi Axiata, GPH Ispat and Beacon Pharmaceuticals' shares suffered losses.

Renata, a pharmaceutical company in Bangladesh, logged a decline of 1.78 percent, followed by Best Holdings, BAT Bangladesh and City Bank with 1.52 percent, 1.38 percent and 1.29 percent, respectively, according to LankaBangla Financials.

GQ Ball Pen Industries topped the gainers' list with a hike of 9.97 percent.

Deshbandhu Polymer, Intraco Refueling Station, Global Heavy Chemicals, Bangladesh Industrial Finance Company, Bangladesh Finance and Gemini Sea Food were also on the gainers' chart.

Aramit shed the most, losing 2.99 percent.

Purabi General Insurance Company, Bangladesh Building Systems, Linde Bangladesh and IT Consultants lost more than two percent.

Sonali Life Insurance Company, Tallu Spinning Mills, Zahintex Industries and Eastern Insurance Company were also on the list of those suffering losses.

Chittagong Stock Exchange (CSE) also witnessed a similar trend as the Caspi, the broad index of the premier bourse of the port city, shed 3.95 points to reach 15,885.66 points.

Global oil market will be in supply deficit next year: EIA

REUTERS, *New York*

Global oil demand will outpace supply next year, the US Energy Information Administration said on Tuesday, reversing a prior forecast for a surplus.

The change came after Opec and its allies, collectively known as Opec+, extended most of their deep oil output cuts into next year at a meeting last month. The producer group has been restricting output since late 2022 to shore up oil markets in the face of weakening demand growth, high interest rates and record US output.

If the market goes into a deficit, refiners will need to drain oil from inventories to meet demand.

The deficit will be smaller next year than this year, the EIA said. Global oil demand will average about 104.7 million barrels per day (bpd) next year, while supply will be around 104.6 million bpd, the EIA said in its monthly short-term energy outlook.

The EIA pegged global demand at around 104.5 million bpd and supply at 104.7 million bpd in its previous forecast.

Lower Opec+ output is also deepening the supply deficit through the rest of this year, EIA projections showed. World oil demand will exceed output by around 750,000 barrels per day in the second half of 2024, based on EIA's outlook.

Its earlier forecasts showed a smaller deficit of about 550,000 bpd in the second half this year.

Withdrawals from global inventories will push oil prices higher, EIA said. Global benchmark Brent crude prices will average \$89 a barrel in the second half this year, up from \$84 a barrel in the first half, it said. READ MORE ON B2

China's GDP recovery likely lost steam in Q2 as consumption sags: poll

REUTERS, *Beijing*

China's economy likely grew 5.1 percent in the second quarter from a year earlier, slowing from a strong start in the first three months due to sluggish consumer demand, keeping alive expectations Beijing will need to unleash more stimulus.

While that kind of growth would keep China's full-year target of around 5 percent in reach, policymakers still need to deal with a protracted property crisis, weak domestic demand, a sliding yuan and trade disputes with the West.

Gross domestic product (GDP) in the world's second-biggest economy is expected to expand 5 percent in 2024 year-on-year, according to the median forecast of 82 economists polled by Reuters. Analysts then tip slower growth of 4.5 percent for 2025.

A further slowdown in the second half of 2024 could prompt policymakers to ramp up economic support, which is now mostly reliant on overseas demand, analysts said.

Investors are watching next week's key party leaders gathering for hints on the policies to address these challenges that go beyond industrial upgrades.

The photo shows residential buildings under construction by Chinese real estate developer Vanke in Hangzhou, in eastern China's Zhejiang province. Despite the continued housing crisis, China's economy breathed a sigh of relief in the first half thanks to its robust exports. PHOTO: AFP/FILE

Policy advisers also believe China could unveil tax and fiscal reforms to allow debt-laden local governments to get more tax revenues to help ease pressures on local finances.

The projected second quarter growth would be slower than the first quarter's 5.3 percent growth and the weakest since the third quarter of 2023.

The Reuters poll expects GDP growth would slow further to 4.8 percent and 4.7 percent in the third and fourth quarters, respectively.

"Despite the continued housing crisis, China's economy breathed a sigh of relief in the first half thanks to its robust exports, which in turn were driven by some rebalancing forces and property-related policy measures," said Ting Lu, Nomura chief China economist, in a note on Wednesday.

However, he expected headline GDP growth may slow markedly to 4.2 percent year-on-year in the second half from around 5 percent in the first half, "unless Beijing ramps up stimulus by speeding up fund injections significantly for completing unfinished pre-sold homes."

Authorities in May allowed local state-owned enterprises to buy unsold completed homes, with the central bank setting up a 300 billion yuan (\$41.23 billion) relending loan facility for affordable housing. Analysts say markets now need to be more patient for additional property-supporting measures.

China's June consumer inflation missed expectations, official data showed on Wednesday, indicating deflationary risks persist.

Analysts polled by Reuters estimate a 0.6 percent rise in China's consumer READ MORE ON B2