Ctg port choked by Kamalapur ICD-bound containers

MOHAMMAD SUMAN, *Chattogram*

The Chattogram Port is now facing a congestion of containers bound for Kamalapur Inland Container Depot (ICD) because of the suspension of transport through railway wagons since July 18 for countrywide violence and curfew centring the government job quota reform movement.

The port's yard is currently grappling with 2,346 TEUs (Twenty-foot equivalent units) of Kamalapur ICD-bound containers, much higher from its capacity of 876 TEUs, the port officials said.

The congestion is not only causing financial losses for the importers, but also disrupting the port's regular operations, they said.

Meanwhile, Bangladesh Railway began transport through railway wagons on a limited scale on August 2, but the port authorities and importers said this would not be enough to ease the congestion.

The port's yard is grappling with 2,346 containers bound for Kamalapur ICD, much higher than its capacity of 876 TEUs

On the same day, the port authorities wrote a letter to the railway authorities with the request to increase the number of wagons and ensure container transport under police protocol, Chattogram Port Secretary Omar Farque told The Daily Star.

Demands were also placed to make sure at least 200 TEUs of containers—up from the existing 80-100 TEUs—are transported daily from the port, the number of railway engines are increased and wagons designed for transporting containers are added.

The containers destined for Dhaka ICD are first stored at the port's ICD yard before being transported to the Kamalapur ICD by railway wagons, the letter read.

It is impossible now to bring new containers to the port because of the yard's limited storage capacity, it said.

"Wagon services commenced on a limited scale last Friday and we are now working to expand them gradually. I am hopeful that this situation will improve within a few days," said Shahidul Islam, chief operating superintendent of Bangladesh Railway (east).

PHOTO: ANISUR RAHMAN

Rising house rent piles pressure on low-income people

MD ASADUZ ZAMAN *and* SUKANTA HALDER

Accommodation costs in Bangladesh have risen further amid persistently high inflation during the April-June period this year, placing an additional burden on many of the country's middle and lower-income people.

The House Rent Index (HRI), which measures house rent growth on a quarterly basis, rose to 5.88 percent in the last three months of fiscal 2023-24, up by 0.04 percentage points from the January-March period.

Compiled by the Bangladesh Bureau of Statistics (BBS), the HRI takes into account the cost of rent across three categories of households, namely concrete (pucca), corrugated iron sheet (semi-pucca) and mud houses (katcha and jhupri).

The concrete house category saw the highest rent growth during this year's April-June period, with its related index number rising by 5.51 percent year-on-year to 113.63, as per HRI data.

Similarly, the corrugated iron sheet segment saw its index number rise 6.48 percent year-on-year to 116.14 at the same time.

House rent is included in the non-food category of the consumer price index, according to the BBS.

But with commodity prices also spiralling upwards, the growing house rent is putting pressure on low and fixed-income groups that are already grappling with inflationary pressure.

Momota Rani, a resident of Mirpur in Dhaka, said her rent was hiked by Tk 1,700 per month in April.

"But our income hasn't increased in line with the growth of grocery and other household expenses amid high inflation over the past year," she added.

Against this backdrop, Momota said the hike in house rent came as an extra burden that forced her to slash her family's Tk 8,000 monthly grocery budget by Tk 1,000.

"I am now very careful with other expenses," Momota added.

Momota also informed that as per the agreement with her landlord, the rent was not supposed to be increased until April 2025.

"But he already increased the rent citing the persisting high inflation," Momota said while adding that renters are often asked to vacate their houses if unable to meet the rent.

"Our income hasn't increased in line with the growth of grocery and other household expenses amid high inflation over the past year," says Momota Rani, a resident of Mirpur

"And even if you want to leave, it is difficult to find suitable housing in Dhaka," she told The Daily Star.

Khalid Hasan, a graduate of the Bangladesh University of Engineering and Technology residing in Dhaka's Lalbagh, said he and his roommates had to pay Tk 21,600 per month to rent a three-room flat in 2023.

But after the rent was hiked by Tk 2,000 in January this year, Khalid and his roommates were forced to leave and rent a smaller apartment that suited their financial capacity.

"I have to live on the money I earn from providing private tuition. So, the higher cost of daily essentials and rent forced us to cut our expenses," he said.

Besides, the higher house rent is forcing many limited and middle-income households to sublet their spare rooms and share costs.

According to the Bangladesh Sample Vital Statistics of the BBS, more than two lakh households across both city corporations of Dhaka were sublet in 2022.

Also, the annual report on demographic data compiled by the state-run statistical agency showed that 70,000 of these households were sublet for the first time.

As such, the number of subtenants in Dhaka rose by 2.73 percentage points to 7.64 percent of the city's population, indicating that more people were cutting their expenses to battle the inflationary pressure. Inflation in Bangladesh has hovered above 9 percent since March last year.

Likewise, the number of sublessors in Dhaka rose by 0.15 percentage points to 2.05 percent of the population, which stood at 1.02 crore in 27 lakh households, as per the Population and Housing Census 2022.

At the divisional level, Sylhet has the highest concentration of subtenants, with 6.8 percent of its population sharing their homes, while Dhaka and Barishal follow with 4.2 percent each.

The data also shows that the practice of subletting is highest in urban areas.

SM Nazar Hossain, vice-president of the Consumers Association of Bangladesh, said property owners are raising the house rent at will even in this time of high inflation.

Hossain said homeowners can take advantage of how the demand for houses in Dhaka exceeds supply to quote higher rent.

This is because although the Premises Rent Control Act was enacted three years ago, there is no implementation of the law.

"If the act is enforced, then rent costs could be somewhat controlled," he said, adding that the government should play an effective role in this regard.

How can we ensure discipline in banking sector?

MAMUN RASHID

My friend who is an apparel exporter received a call from his Spanish buyer over the weekend. He was told that the buyer who makes large-scale purchases is diverting 40 percent of the orders to Cambodia and Indonesia, showing the cause to be a possible production disruption and shipment delays in Bangladesh. The buyer also enquired how his bank was doing, whether he was able to timely open letters of credit for accessories and settle payments as well as get adequate liquidity support from his bank.

Over the last few years, the overall health of our banking sector deteriorated and there is a possible liquidity crunch in some banks which is leaving a bad impact on good, SME and new borrowers. There is a clear nepotism working in the banking sector -- the regulators supporting the weak and dicey banks more than the strong and reputed ones. Additional liquidity from the central bank is being diverted to the banks owned by specific family or interest group. Increasing bad or doubtful loans is heavily impacting banks' internal cash generation and curbing their ability to extend fresh loans to young or small entrepreneurs.

The World Bank's (WB) recent observation about non-performing loans (NPLs) and its connection to politically motivated lending in Bangladesh is not at all a surprise. Development partners and most stakeholders, have repeatedly warned about the risks of bending banking rules to lend to politically connected special interest groups, which has led to default loans soaring. Experts too have called attention to this issue over the years to no avail.

Consequently, there has been a 20.7 percent increase in NPLs from 2022 to 2023, amounting to a total NPL of Tk 145,633 crore in December 2023, with almost half belonging to state-owned banks. When the present government assumed office in 2009, the NPL figure was Tk 22,481 crore. Over the last one and a half decade, while private commercial banks mushroomed from 30 in 2008-2009 to 43 in 2024, NPLs grew by more than six times. Loans were extended without proper due diligence over risks, lending and recovery rules were bent or relaxed, and the independence of regulatory bodies further compromised all to favour certain politically linked borrowers, many of whom later became defaulters. Meanwhile, no big defaulter has been brought to book also.

A recent WB report rightly pointed out, honest borrowers and businesses are bearing the brunt of the NPL burden, as interest rates continue to rise and ailing banks face liquidity crisis. Despite repeated warnings, no effective measures have been taken to rectify the poor governance, weak market discipline and low capital buffers in the banking sector. Capital adequacy ratio in Bangladesh's banking sector is in fact one of the lowest in South Asia, which means that in the face of unexpected losses, many banks may not have adequate capital to meet their obligations to depositors and creditors. Recent Moody's and S&P downgrades possibly reflect the situation well.

Unfortunately, the effort spent to understate NPLs by using poor accounting and disclosure standards and regulatory forbearance, was absent in the government's initiative to properly address the vulnerabilities of the financial sector. Before we thrust ourselves to a point of no return, the government must heed expert advice and warnings by the WB and other international financial institutions like IMF and put an end to political consideration in lending and default loan recovery. Lastly, authorities must ensure the autonomy of the central bank, not only on paper but in actual terms, upgrade its supervisory and regulatory capacity to fix the problems of the banking sector, and ensure that banks in the country are adhering to internationally accepted prudential guidelines and banking standards.

Without ensuring minimum discipline in the banking sector, I don't think any country can make its growth journey sustainable and financing inclusive. Bangladesh can't be an exception.

The writer is the chairman of Financial Excellence.

US keeps Vietnam as non-market economy

REUTERS, *Washington/Hanoi*

The US Commerce Department announced on Friday it will continue to classify Vietnam as a non-market economy country, a decision disappointing to Hanoi, which the US has been wooing in its efforts to push back against China.

Vietnam has long sought an upgrade, which would have reduced the punitive anti-dumping duties levied on non-market economies marked by heavy state influence. Only 12 other economies are labeled as non-market by Washington, including China, Russia, North Korea and Azerbaijan.

A change in status has been opposed by US steelmakers, Gulf Coast shrimpers and honey farmers and members of the US Congress representing them, but backed by retailers and some other business groups.

"Today, the US Department of Commerce announced its determination that Vietnam will continue to be classified as a non-market economy country for purposes of calculating US antidumping duties on imports from Vietnam," the department said in a statement, after a year-long review.

"This finding means that the methodology used in calculating US antidumping duties on imports from Vietnam remains the same," it said.

Vietnam's Ministry of Industry and Trade said upgrading Vietnam would have been an objective and fair move.

"Vietnam regrets that despite several positive improvements in the Vietnamese economy recently, the US

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China's stuttering recovery darkens global corporate growth outlook

REUTERS

Global burger chains to car manufacturers are increasingly feeling the pinch from a faltering recovery in the world's No. 2 economy, China, and are strapping in for a bumpy ride ahead.

A protracted downturn in the property market and high levels of job insecurity have knocked the wind out of a fragile recovery in China, a global trading powerhouse, and the effects of its slowdown can be felt across borders.

Coffee chain Starbucks, carmaker General Motors and technology firms hurt by curbs on exports to China are among those that have sounded the alarm on weakness in the nation. The Chinese government's stimulus measures have so far failed to boost consumption, and the overleveraged property market has made consumers less likely to spend.

"It's a difficult market right now. And frankly, it's unsustainable, because the amount of companies losing money there cannot continue indefinitely," General Motors CEO Mary Barra said last week as the automaker's division in China shifted from being a profit engine to a drain on its finances.

China's $18.6 trillion economy grew more slowly than expected in the second quarter, and cautious households are building up savings and paying off debts. Retail sales growth sank to an 18-month low in June, and businesses cut prices on everything from cars to food to clothes.

In a bid to stem the rot, China outlined stimulus directed at consumers last month to support equipment upgrades and consumer goods trade-ins, but that has not allayed concerns.

US stocks plummeted for second straight session on Friday, and the Nasdaq confirmed it was in correction territory, after a soft jobs report stoked fears of an oncoming recession.

PHOTO: REUTERS/FILE

A woman leaves a cafe of Starbucks Coffee in Beijing, China. Coffee chain Starbucks, carmaker General Motors and technology firms hurt by curbs on exports to China are among those that have sounded the alarm on weakness in the nation.

Some analysts have warned that barring a structural shift that gives consumers a greater role in the economy, the current path fuels risks of a prolonged period of near-stagnation and persistent deflation threats.

"There is a deep concern that Beijing is not introducing the kind of stimulus that helps broaden the economic base," said Quincy Krosby, chief global strategist for LPL Financial.

"It's becoming more difficult for US companies to look to the Chinese market as a reliable partner."

China remained a drag on Apple last quarter. The iPhone maker's sales declined a much steeper-than-expected 6.5 percent in the country, which accounts for a fifth of its total revenue.

French cosmetics giant L'Oreal said the Chinese beauty market will remain slightly negative into the second half of 2024 with no visible improvement in sentiment.

Other consumer companies' sales have been hurt as well, including Starbucks , McDonald's and Procter & Gamble, while soft domestic travel demand prompted a revenue warning from Marriott.

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