Freight train suspension leads to port congestion

SIFAYET ULLAH, Ctg

The freight train service suspension, which began on August 3, has created a container congestion at Chattogram port.

The port's dedicated space to store containers to be transported through freight trains now has 2,470 TEUs (Twenty-foot equivalent units) containers, which is nearly three times higher than its capacity of 876 TEUs.

The Chittagong Goods Port Yard which is another designated spot for such containers normally releases around 200 TEUs from Chattogram port to the Kamalapur Inland Container Depots every day.

Bangladesh Railway suspended freight train services amid students' countrywide government job quota movement on August 3 for security concerns and since then no container was transported through trains.

As of yesterday, six trains with around 150 TEUs containers each got stuck at the yard.

Bangladesh Railway suspended freight train services on August 3 amid students' quota reform movement

The state agency primarily transports raw materials, marble and stone, food grain, fertiliser through freight trains.

"The situation is out of control and not a single container can be stored at the port yard now," said Abdul Malek, master of the Chittagong Goods Port Yard.

Meanwhile, the Chattogram Port Authority (CPA) has sent a letter to Bangladesh Railway seeking quick resumption of the freight train services.

Businesses prefer freight trains to transport raw materials, which cost much less than the other ways of transportation, importers said.

A maximum of Tk 16,100 is needed to ship 20 TEUs of containers on the Dhaka-Chattogram route by freight trains, compared to up to Tk 26,000 when using roadways.

Imran Jahid, a businessman from Dhaka's Keraniganj area, said he is yet to get four TEUs of containers of imported steel raw materials, which reached Chattogram port on July 15.

"I had to stop production in my steel factory due to the shortage of raw materials," he said.

Paint industry investing in eco-friendly products

But sales growth slows for various crises, says Berger's chief operating officer

JAGARAN CHAKMA

Paint companies are increasingly investing in developing new products, particularly those with a low environmental impact, according to Mohsin Habib Chowdhury, the chief operating officer of Berger Paints Bangladesh Limited.

For example, they are developing paints that are lead-free and low in volatile organic compounds as such products contribute to reducing air pollution, he told The Daily Star in a recent interview.

But like other sectors, the paint industry is being impacted by various adversities stemming from the ongoing economic slowdown.

Pointing to rising US dollar prices, Chowdhury said it has become a significant challenge for paint companies that rely on imported raw materials.

The seasoned professional with more than 29 years of experience in the paint industry has maintained a good track record in various senior leadership roles.

Throughout his career, Chowdhury proved to be highly capable in negotiations, developing new businesses, and crafting effective business strategies.

Regarding the industry's current ailments, he said the Red Sea conflict has disrupted the global logistics systems, causing longer lead times.

Like Bangladesh, the global economy is suffering from an economic downturn, leading to a surge in China's exports to Western nations.

So, there is now a shortage of shipping vessels in South Asia.

Considering all these factors, companies like Berger that rely on imported raw materials are facing a complex situation, Chowdhury added.


Mohsin Habib Chowdhury

Against this backdrop, he said regulatory intervention is needed to alleviate their sufferings, which are major hurdles for maintaining growth in the current economic climate.

The government has been charging supplementary duty equal to 5 percent of the value of each paint product since 2010.

Besides, a provision to impose the same tax on primers was included in the national budget for the ongoing fiscal year even though it is not a luxury product.

Citing that paint goes beyond mere aesthetics by protecting infrastructure from corrosion and erosion, Chowdhury said policymakers should revisit such policies to boost the industry.

Asked for an estimate on the current market size of paint products, he said overall sales are expected to exceed Tk 6,000 crore this year.

"We are optimistic about the industry's future as projections indicate it will enjoy steady annual growth of up to 4 percent from 2024 to 2028," he added.

He said the domestic paint market is expanding due to several factors, including economic development amid rapid urbanisation and technological advancements in the country.

Also, consumption is increasing in line with rising disposable incomes.

By aligning with these industry drivers and educating consumers about the benefits of different coatings, paint companies like Berger are well-positioned to help the market exceed its expectations.

The industry faced a setback last year as sales growth slowed by 7 percent amid the vulnerable macroeconomic situation.

Chowdhury said paint consumption per capita stands at just 1.4 kilogrammes (kgs) in Bangladesh while it is 3 kgs in both India and Sri Lanka.

The per capita consumption in ASEAN countries ranges from 7 to 10 kgs while it is 12 kgs in China.

"So, our per capita consumption is still far below that of neighbouring countries," he added, attributing this to a lack of awareness of the values of paint.

However, Chowdhury said this also means the local market still has huge scope for growth.

According to him, the industry is facing both internal and external challenges due to the persisting global and local economic crises, particularly the Russia-Ukraine war.

Other than disrupting global supply chains, the crises have created a US dollar shortage in the country and devalued the local currency.

In such a situation, many paint companies cannot import their raw materials because of difficulties in opening letters of credit due to the forex shortage.

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How do we increase inward remittance?

MAMUN RASHID

Bangladesh witnessed a threefold rise in human outflow over the past decade. Yet, remittance inflow has experienced relatively poor growth, rising from $15 billion to a maximum of $24 billion.

The gap between possible remittance and actual US dollars received widened, raising a loud question: where are the missing billions going?

The answer can be found in a recent World Bank study that said a 1 percent deviation between the formal and informal exchange rates is estimated to shift 3.6 percent of remittances from the formal to informal channel.

Considering the 2023 formal remittance inflow of $22 billion, such a 1 percent deviation between the exchange rates would create a shift of about $792 million outside the formal channel. Again, if that deviation was increased to 5 percent, the amount would be nearly $4 billion.

Despite rate hikes through the crawling peg system, a remittance receiver can get a maximum of Tk 117 per US dollar and the incentive from banks, whereas the domestic kerb market offers an exchange rate ranging from Tk 120 to Tk 125.

In 2022, former finance minister AHM Mustafa Kamal stated that just 51 percent of remittances to Bangladesh use formal channels.

There are reportedly more than 1 crore Bangladeshis working abroad.

Bangladeshis abroad continue to send money through informal channels, popularly known as hundi, allured by higher exchange rates and convenience. Even the government's 2.5 percent cash incentives prove lacking in adequate pull power.

In fact, cash incentives seemed to have widened the gap between the official and informal rates. The conventional view of the hundi business portrays migrant workers abroad as the primary drivers of demand. They seek hundi services to transfer their earnings back home. Hundi agents abroad and within the country are believed to control the supply side. At times, they also lend money in advance.

Remitters exchange their foreign currency with the hundi agent abroad, who subsequently instructs their agent in Bangladesh to pay the equivalent amount in Bangladeshi taka to local beneficiaries. The US dollars remain abroad.

The central bank has issued repeated instructions to banks, mandating remittance disbursement to beneficiaries within two days without imposing additional fees and fair pricing prioritising quick and cost-effective delivery.

A recent central bank monetary policy statement report outlines collaborative efforts between the Bangladesh Financial Intelligence Unit (BFIU) and other law enforcement agencies to identify individuals engaged in hundi activities and curb unofficial remittance channels.

The Probash pension scheme, designed to provide financial security for expatriates through long-term contributions, is reportedly on the wane. Low interest rates, the absence of a one-time payment facility, and the weakening value of the taka against the US dollar contributed to the scheme's attractiveness.

On the other hand, a praiseworthy policy is the tax remission on IT freelancers, who do not have to pay tax at source from IT freelancing jobs, encouraging growth in the digital economy.

While the government's initiatives exhibit positive steps towards enhancing the remittance landscape, addressing challenges such as hundi businesses and refining pension schemes would be crucial for sustaining long-term economic benefits.

However, the efficacy of these policies may go in vain if we fail to promptly stabilize the currency exchange rate through closing the gap between formal and informal markets.

Along with a rational exchange rate policy, whether floating or otherwise, and the encouraging behaviour of migrant workers, a strict mechanism to track money transfers from abroad is needed to check remittance leakage through hundi.

Expatriates should also be able to open bank accounts online. Also, the Expatriate Welfare Ministry's desk in our overseas missions should help Bangladeshis open bank accounts. If banks are kept off-limits, it cannot be expected that remittance earners will be encouraged and move from one city to another to find a bank branch.

Many professionals, who invested in a US dollar bond, find their foreign currency account in a bank dormant every six months. It requires repeated reactivation.

If banking services remain complex and exchange rates not encouraging, when we are aggressively looking for US dollar earning non-resident Bangladeshis, then they will look for easier and faster ways to send money home.

The author is chairman of Financial Excellence Ltd.

India asked to boost bank scrutiny for politicians

REUTERS, New Delhi

The Financial Action Task Force (FATF), the global anti-money laundering watchdog, has asked India to improve due diligence on the bank accounts of local politicians, government officials and their families, two government sources said.

The recommendation for tougher checks on the finances of politically exposed persons (PEPs) is part of a FATF review of India's anti-money laundering systems that began in 2023. The group is due to publish its final report soon.

Under global rules, politicians, their families, and close associates are subject to checks on their bank accounts due to their potential susceptibility to bribery and corruption.

A FATF report shared with the government recommended more rigorous monitoring of the source of funds in the accounts of domestic PEPs as well as requiring senior bank managers to approve any new accounts for them or their families.

India already implements strict banking checks on foreign political figures.

The sources, who have been briefed of the FATF's recommendations, could not be named because they were not authorised to speak to the media. The FATF did not respond to requests for comment.

"There are areas where we need to improve which we will," a senior finance ministry source said.

Last December, before general elections that brought Prime Minister Narendra Modi back to power, the

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Global oil demand needs to rise faster to absorb Opec+ hike

REUTERS, London

Global oil demand growth needs to accelerate in coming months or the market will struggle to absorb an increase in oil supply that Opec+ is planning to make from October, according to data, analysts and industry sources.

Oil demand growth in the first seven months of the year from top consumers the United States and China had failed to meet some expectations even before renewed fears of a US recession triggered a global stock and bond sell-off this week.

If the economy slows further, oil demand growth will likely slow with it. That will mean Opec+ would either have to delay plans to pump more oil or accept lower prices for higher supply, analysts said.

"In current circumstances of significant risk of recession, it is unlikely Opec+ would move forward with the planned October increases," said Gary Ross, CEO of Black Gold Investors and a veteran Opec watcher.

The price of oil has fallen below $80 per barrel in August – less than most members of Opec+, or the Organization of the Petroleum Exporting Countries and allies such as Russia, need to balance their budgets.

"Oil demand definitely has a downside risk," said Neil Atkinson, an independent analyst who previously worked at the International Energy Agency, citing concern about Chinese and US economies.

"It's very difficult to see how prices can rise significantly if demand is slower than we thought" he said, adding that he expected Opec+ to hit pause on its output increase.

For the first seven months of 2024, China's crude imports totalled 10.89 million barrels per day, down 2.4 percent on the year, official data showed on Wednesday.


An offshore oil platform is seen in Huntington Beach, California. Oil demand growth in the first seven months of the year from top consumers like the US and China had failed to meet expectations.

PHOTO: REUTERS/FILE

China's slumping consumption of diesel, as use of LNG-powered trucks grows, is weighing on domestic fuel demand, as is a sluggish economy hobbled by a prolonged crisis in the property sector.

In the United States, oil consumption through July has risen by 220,000 bpd on the year to average 20.25 million bpd, according to Reuters calculations based on government estimates. Demand will need to accelerate to reach the government's 2024 forecast of 20.5 million bpd.

Whether or not global demand hits the heights needed to absorb additional supplies this year is difficult to gauge because of a record variation in where the world's most respected oil demand analysts at Opec and the IEA measure demand to date.

There is a time lag on oil consumption data, and preliminary figures are often revised. That leaves forecasters including best estimates in some of their demand figures.

Opec pegs global demand growth at 2.15 million bpd in the first half of 2024, while the IEA estimates it was 735,000 bpd. The IEA advises industrialised countries on energy policy.

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