

Businesspeople in Bangladesh are becoming interested in sabotage and terrorism insurance following incidents of arson and vandalism



Story on B4

## Industrial output growth slows to four-year low

MD ASADUZ ZAMAN

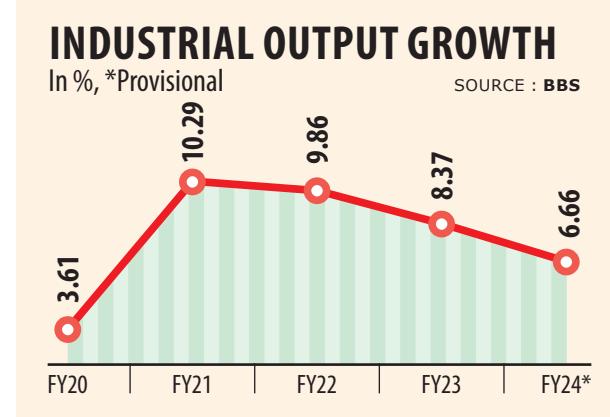
Industrial output in Bangladesh grew at its slowest pace since the Covid-19 pandemic, hitting 6.66 percent last fiscal year owing to declining exports, import restrictions and a slowdown in domestic demand due to persistent inflation.

According to entrepreneurs and analysts, soaring gas and power prices, alongside shortages in the supply of gas to production units, exacerbated the situation.

Factory output grew 8.37 percent in FY23, according to data published by the Bangladesh Bureau of Statistics (BBS).

### INDUSTRIAL OUTPUT GROWTH

In %, \*Provisional



The data was revealed two months into the current fiscal year, which has been marred by a significant slump in industrial production amid mass protests since July.

The protests, which led the government to issue nationwide curfews, disrupted the transportation of goods and culminated in Sheikh Hasina's resignation from her post as prime minister on August 5. However, industrial establishments have been victims of arson and vandalism since, causing further production shocks.

An interim government has already been sworn in, but business activities are yet to return to normal.

After recording 3.61 percent growth in FY20, the lowest since FY97 when it stood at 6.39 percent, industrial output expectedly increased in FY21.

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REJAUL KARIM BYRON

The interim government is planning to revise the national budget for the current fiscal year urgently and cut "wasteful expenditures" in order to alleviate the pressure on the foreign currency reserves and tame persistent inflation.

A finance ministry official said last week that formal discussions in this regard may start in September, adding that there is scope to cut the budget by more than Tk 100,000 crore.

The official said that most cutbacks would relate to the annual development programme (ADP) since there is little scope to trim the revenue budget.

The official added that most ministries and divisions usually do not spend large portions of their budgetary allocations each year.

The Awami League government, which was ousted on August 5 by a mass uprising, formulated a Tk 797,000 crore budget for the current fiscal year, with an ADP size of Tk 265,000 crore.

According to finance division statistics, the national budget for FY23 was Tk 678,064 crore, of which Tk 563,921 crore was spent.

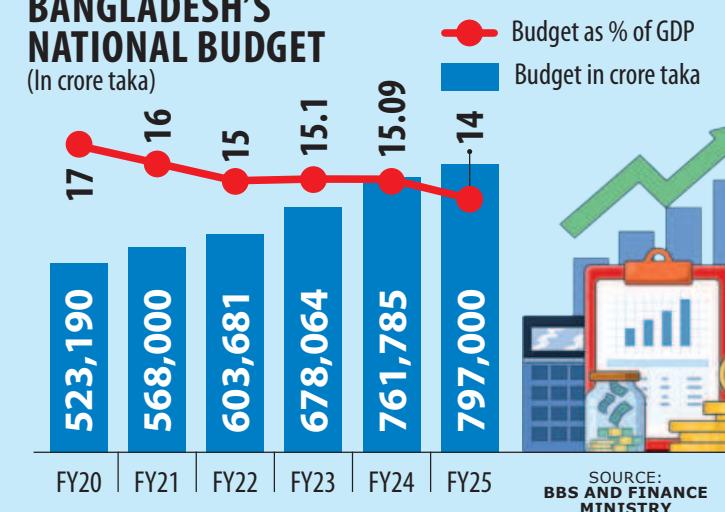
Since taking charge, the interim government has been planning to take numerous measures to curb wasteful and unnecessary government expenses.

The finance ministry official said the finance adviser and planning adviser both verbally asked them to be cautious about unnecessary spending.

Usually, the government revises the national budget in the second half of the fiscal year, reporters.

### BANGLADESH'S NATIONAL BUDGET

(In crore taka)



#### KEY POINTS

Budget to be revised to minimise wasteful expenditures

There is scope to cut the budget by more than Tk 100,000cr

The size of ADP will also be lowered

Govt will extensively scrutinise both ongoing and new projects

Budget size now: Tk 797,000cr

ADP size now: Tk 265,000cr

specifically in March. However, as the interim government is planning to revise it earlier, the finance ministry and planning ministry have already started internal exercises to identify sectors where the budget may be trimmed.

Hinting at a possible ADP revision, Planning Adviser Wahiduddin Mahmud said the interim government would extensively scrutinise both ongoing and new projects under the ADP to cut back on "wasteful" initiatives.

The Planning Commission, Finance Division and Economic Relations Division will jointly scrutinise the budget and place a report during a meeting of the Executive Committee of the National Economic Council (Ecnec), Wahiduddin said on August 19.

"They have to do it in the shortest possible time," he told reporters.

There are 1,326 projects under the ADP for the ongoing fiscal year, many of which were included in 2023 but have not seen any expenditure yet.

For example, a total of 102 projects under the Ministry of Local Government, Rural Development and Co-operatives received allocations amounting to Tk 17,500 crore in the ongoing fiscal year. Of those, 30 projects are new and have not seen any expenditure till now.

Moreover, separate block allocations have been kept in the ADP for many new projects that are awaiting Ecnec approval.

Several planning ministry officials told this newspaper last week that there were no new activities from their end regarding projects approved under the previous government.

Although they have received verbal guidelines, no written directive has yet been issued in this regard, they said while adding that they are waiting for the next Ecnec meeting.

On August 19, Wahiduddin said government expenditures must be decreased in order to reduce inflation and bring stability to the economy.

He also mentioned the scope to reduce the development budget at the time.

"At this moment, indiscipline in government projects is rife. There are some projects which haven't started, some are in the middle stages and some are about to be completed," he said.

He further said many projects were undertaken in different constituencies based on political considerations.

Of the new projects awaiting Ecnec approval, the less important ones will be scrapped. Even ongoing projects that are not crucial will be ended regardless of whether money has been spent on those, he added.

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## What investors want as new BSEC chief takes over



AHSAN HABIB

Stock investors and analysts are hoping for the Bangladesh Securities and Exchange Commission (BSEC), led by its new Chairman Khondoker Rashed Maqsood, to focus on its prime tasks of proper monitoring and ensuring good governance in the share market.

These duties were neglected over the past 15 years or so, for which the regulator now has to lay emphasis on protecting investors by ending price manipulation and ensuring that all intermediaries play their due roles, they said.

These require, among others, changes to the current bookbuilding method, which seeks bids from institutional investors to determine the price at which to sell shares in initial public offerings (IPOs).

The method stipulates that the bidders use very conservative calculations, for which the prices are failing to be lucrative enough to pique the interests of companies with good performance records to get listed in the first place.

The commission also does not need to worry about the index as it will automatically turn vibrant if it fulfills its basic tasks, according to the stock investors and analysts.

The past chairmen of the commission were fixated on getting the index to rise, for which the market was sometimes not allowed to run its course due to repeated intervention, they said.

In the process, the regulator had imposed floor prices, directed



Rashed Maqsood

#### TO-DO LIST FOR BSEC under new leadership (Suggested by experts)

- Probe alleged involvement of officials in manipulation
- Monitor the secondary market properly
- Let stock exchanges give IPO approvals
- Strengthen monitoring of intermediaries
- Review book building method
- Ensure that floor price does not return
- Delist the companies whose factories are closed
- Make sure that all stakeholders comply with rules and regulations

By standard and definition, this cannot be a good stock market as it only has 80 to 90 investable stocks at best, said Saiful Islam, president of DSE Brokers Association.

Besides, considering the size of the economy, the stock market is small and plagued with manipulation. If changes do not come about, high-net-worth individuals and foreign investors will never be interested to get involved in the market.

The regulator can sit with market intermediaries to identify problems in drawing in good companies, which will be able to create reasonable yields. If merchant banks can bring good stocks, investors will come on their own, he added.

Islam, also a director of BRAC EPL Stock Brokerage, further said there should be easy "entry and exit" regulations for the companies.

There are many listed companies that are being traded at the stock exchanges, but their factories are not in operation.

"So, in a way, this [the stock market] is a casino," he lamented.

The regulator should delist them forcefully, Islam said, adding that there is no logic for allowing these types of stocks to remain in the market.

If the stock market index remains low even after the BSEC enhances good governance, institutional investors will still be happy to invest, he added.

Asif Khan, president of the CFA Society Bangladesh, thanked the new commission for undertaking an investigation into allegations of the involvement of its officials in corruption and price manipulation.

This will help prevent the recurrence of such malpractices and

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brokers and asset managers to invest and even turned a blind eye to price manipulations.

This ultimately prompted institutional and foreign investors to withdraw to the sidelines and the market subsequently became a haven for manipulators, they added.

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