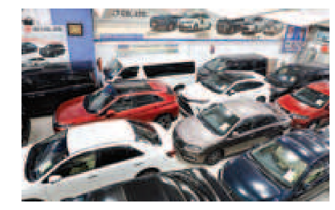
DHAKA FRIDAY SEPTEMBER 27, 2024, ASHWIN 12, 1431 BS ● starbusiness@thedailystar.net

Star BUSINESS

Automobile sales have dropped substantially since July this year amidst the economic downturn and political turmoil



Story on B4

Apparel exporters go into overdrive to meet deadlines

REFAYET ULLAH MIRDHA

Garment exporters have gone into manufacturing overdrive to recover from continual production disruptions over the past three months due to nationwide protests and curfews, the fallout from the ouster of the previous government, and the recent spell of labour unrest at major industrial belts.

Factories are now operating around the clock to make up for the time lost in July, August and September -- the peak months for shipping Western orders centring Christmas and securing bookings for the upcoming autumn and winter seasons.

Besides, local exporters are turning to subcontractors and requesting extensions from international retailers to maintain long-standing business relationships.

According to Indian rating agency CareEdge Ratings, if the crisis continues for more than a quarter or two, nearly 10 percent of Bangladesh's ready-made garment (RMG) export orders could shift to market rivals like India and Vietnam.

At present, many exporters fear that they will have to provide big discounts or opt for expensive air shipments due to production delays while some may face order cancellations.

According to apparel makers, shipping one kilogramme (kg) of dry cargo from Dhaka to Europe by air can cost over $4 while the same can be transported by sea for less than 10 cents.

Exporters said if international retailers and brands allow extensions to lead times considering the labour unrest and political changeover, they may be able to avoid adverse impacts.

"I have already requested extensions from the retailers and brands that I work with, explaining the recent labour unrest and political changes in the country," said AK Azad, chairman and managing director of Ha-Meem Group.

Many factories are now operating around the clock to make up for the time lost in July, August and September.

"I am hopeful that they will approve extensions if the current state of normalcy continues in the factories," he added.

Moreover, Azad is seeking subcontractors to ensure the timely production and shipment of goods.

Following the ouster of the Sheikh Hasina-led Awami League government on August 5 by a mass uprising, labour agitation in major garment industrial hubs flared up.

Their 18-point charter of demands included increased attendance bonuses and tiffin allowances.

After lengthy consultations with union leaders and the authorities during tripartite meetings, factory owners agreed to all 18 demands made by the workers and issued a joint statement on September 24.

Azad said all of Ha-Meem Group's factories are now operating at full capacity as normalcy is returning to industrial belts.

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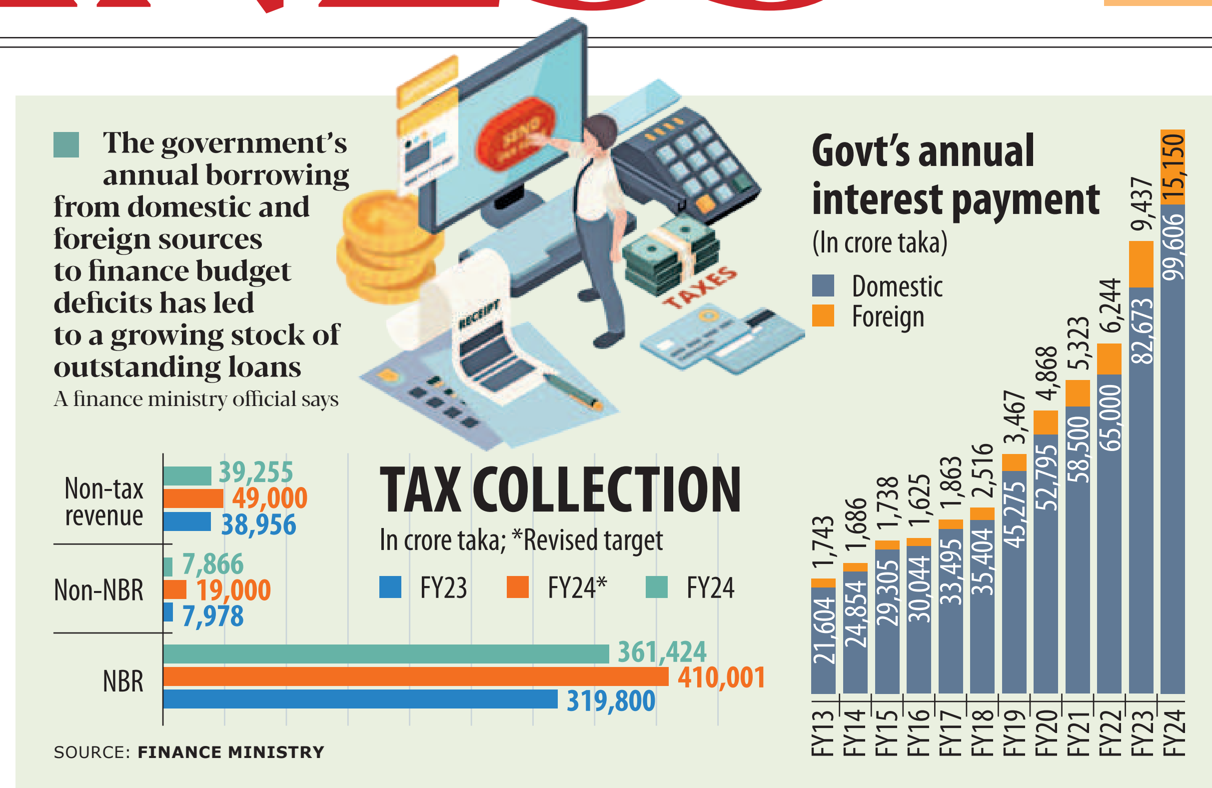

Interest payments surpass Tk 100,000cr for first time

REJAUL KARIM BYRON

The government's interest payments against loans surged 24.5 percent in fiscal year 2023-24, exceeding the Tk 100,000 crore mark for the first time in history, thanks to higher borrowing costs for loans from both domestic and foreign sources.

According to the finance ministry's fiscal report released yesterday, over Tk 114,000 crore was spent on interest payments in FY24, representing more than one-sixth of the national budget.

While spending on subsidies decreased slightly, the government missed the revenue targets set by the International Monetary Fund (IMF) for its ongoing $4.7 billion loan programme.

Initially, the government allocated Tk 94,376 crore for interest payments in FY24. However, this figure rose to over Tk 105,000 crore in the revised budget.

However, the actual figure even overshot the revised mark, indicating the government's dependence on borrowing to finance budget deficits.

Interest payments for foreign loans increased 60.53 percent to Tk 15,150 crore last year while rising 20.48 percent to Tk 99,606 crore for domestic loans.

In FY23, total interest payments amounted to Tk 92,110 crore.

A finance ministry official said the government's annual borrowing to finance budget deficits had led to a growing stock of outstanding loans.

As of March 2024, the government's total outstanding debt stood at Tk 1,697,415 crore, which is equivalent to 33.78 percent of the country's gross domestic product (GDP).

The Finance Division's Medium-Term Macroeconomic Policy Statement (MTMPS) said that interest payments would continue to rise gradually in the coming years.

The report mentioned that the proportion of external interest payments as a percentage of the national budget would rise to 2.6 percent in FY27 from 0.9 percent in FY22, reflecting the growing impact of external debt on the budget.

The report also said two major factors contributed to the increase in interest payments for foreign loans.

It further anticipated that reference rates in advanced economies, which serve as benchmarks for setting other interest rates, would remain elevated for some time.

Besides, Bangladesh's graduation from least developed country status in 2026 will gradually limit access to concessional loans from external sources, increasing borrowing pressure.

"This increase is attributed to a higher proportion of borrowing through floating and semi-concessional rates, which are more sensitive to market fluctuations compared to fixed-rate financing," said the report.

Moreover, the depreciation of the local currency taka against the US dollar has inflated the value of external debt when measured in terms of the local currency.

Regarding domestic borrowing, the banking sector has been the main source of funds. The Bangladesh Bank's recent policy rate increases have contributed to rising interest payments on domestic loans.

SUBSIDY EXPENDITURES DECLINE SLIGHTLY

The government has also been

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China wants to make solar panels in Bangladesh

DIPLOMATIC CORRESPONDENT

China, the world's largest solar power producer, wants to invest in the production of solar panels in Bangladesh, Chinese Foreign Minister Wang Yi told Prof Muhammad Yunus, chief adviser to the interim government, on Wednesday.

Meeting on the sideline of the UN General Assembly in New York, he said China would attach importance to Prof Yunus's call to Chinese solar panel manufacturers to set up factories in Bangladesh.

The chief adviser had urged this when the Chinese ambassador to Bangladesh paid a courtesy call on him last month.

Yunus told Wang Yi that Chinese solar companies could invest in a bigger way in Bangladesh, which enjoys preferable market access to many developed nations.

Currently, China has a total of 6,09,921 megawatts (MW) of installed solar power plants, which is the highest across the globe, according to data of International Renewable Energy Agency (IRENA).

Currently, China has a total of 609,921 megawatts of installed solar power plants, which is the highest across the globe

In contrast, Bangladesh installed 603MW solar plants so far, according to data of Bangladesh Power Development Board.

Bangladesh entered its renewable energy era in 2017 with the launch of a 3MW solar power plant in Jamalpur's Sharishabari. But since then, the progress in increasing renewable energy installations has been very slow.

Though the country has plans to meet around 30 percent of its power demand from clean energy by 2030 and 40 percent by 2040, the capacity is still at around 3 percent or 893MW, including energy generated from wind and hydroelectric power plants.

In Mujib Climate Prosperity Plan 2022-2041, submitted in the Conference of Parties (COP26), the renewable energy capacity target for 2030 had been set at 6,000MW-16,000MW.

This means, the country will have to generate about 5,100MW of electricity from renewable sources in the next six years to attain even the lowest committed amount.

Currently, the country has a capacity to produce around 27,000 MW of electricity mostly from fossil fuel-based plants, a key contributor of global warming.

GREATER TRADE TIES

Wang Yi said Beijing would also

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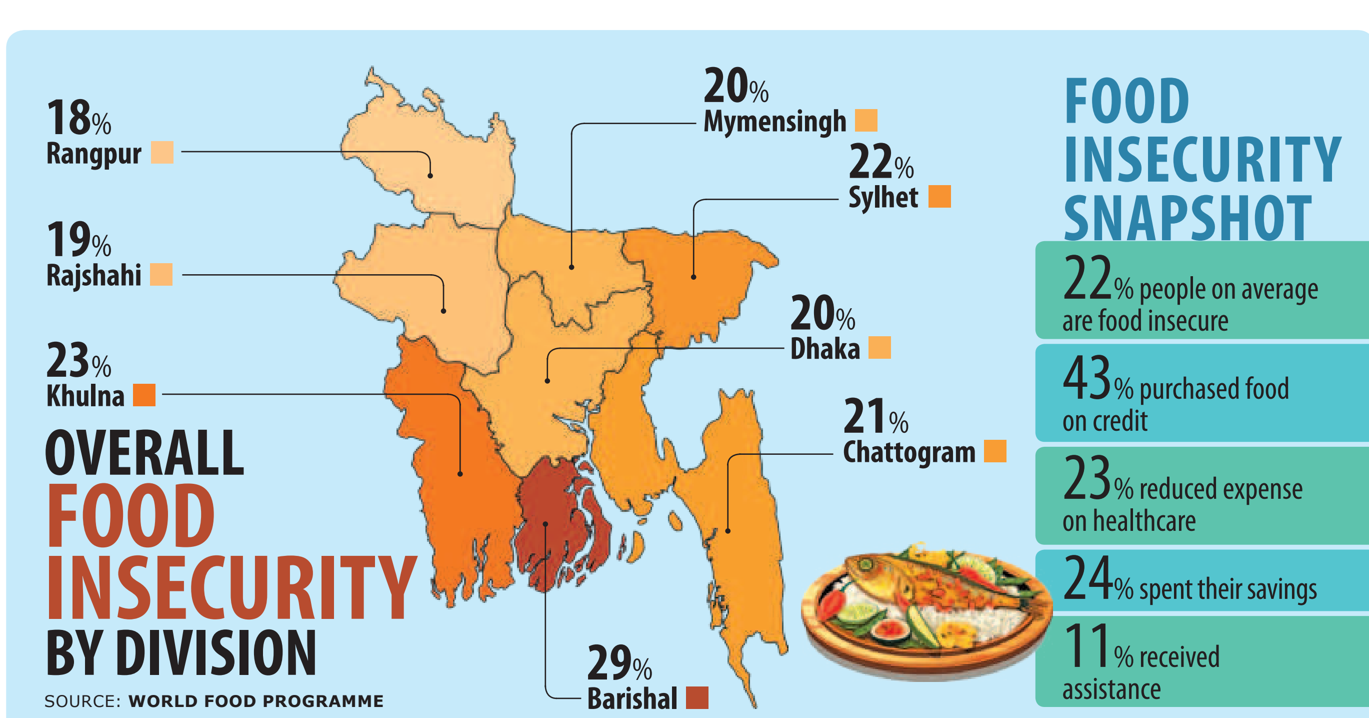
Six in ten low-income households struggle to meet nutritional needs

SUKANTA HALDER



Around 38 percent of low-income households in Bangladesh were food insecure in August as essential commodity prices only dropped slightly after the interim government took office on August 8, according to the World Food Programme (WFP).

A WFP study, styled "Rapid Market Monitor", found that food inflation declined in the second week of August.

It had reached an all-time high of 14.1 percent due to disruptions in the supply chain as business activities were hampered in July amid a mass uprising that culminated in the ousting of the Sheikh Hasina-led Awami League government on August 5.

Additionally, food security deteriorated in August compared to July as floods affected the southeastern, northeastern and coastal regions of the country.

Another WFP report, styled "Food Security and Livelihoods Monitoring", found that close to three in every 10 households could not afford an adequate diet in August.

The number rises to six in every 10 households when considering the low-income segment. This is because the price of essential commodities has remained relatively high.

For example, the price of coarse rice peaked at Tk 57 per kilogramme in the last week of July before dropping to Tk 52 in the second week of August.

Still, the price remains 13 percent higher year-on-year and therefore continues to erode consumers' purchasing power.

Prices of other commodities, including wheat flour, lentils, eggs and soybean oil, showed similar trends between late July and early August, the report said.

Although food inflation eased following the regime change, it remains at more than 10 percent.

The consumer price index, which measures the weighted average market price of certain goods, fell to 10.49 percent in August from 11.66 percent the month prior, according to the Bangladesh Bureau of Statistics.

Furthermore, in August, overall inflation hovered above 9 percent for the 18th month straight.

Micronutrient-rich food consumption remains low across all income groups, with a significant portion of households having diets that are low in iron and protein.

The WFP report shows that most vulnerable households continued to rely on coping strategies to deal with food security, with about seven in every 10 selling assets to make do.

Many households that faced food shortages were forced to either rely on credit purchases or spend from their savings, thereby reducing the scope for spending on other essential issues like healthcare.

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BSEC forms panel to probe Rahima Food

STAR BUSINESS REPORT

The Bangladesh Securities and Exchange Commission (BSEC) has formed an investigation committee to determine whether the issued shares and paid-up capital of Rahima Food Corporation are accurate and relevant.

The stock market regulator formed the three-member committee yesterday and directed it to submit a report within 15 days.

Its members include Muhammad Ziaur Rahman, additional director of the BSEC, Md Rokibul Islam, manager of the Dhaka Stock Exchange (DSE), and Kazi Minhaz Uddin, assistant general manager of the Central Depository of Bangladesh Ltd (CDBL), according to a BSEC order.

The commission instructed the committee to investigate whether a consistency is there in the number of shares recorded in the CDBL, the company's registry, and the Office of the Registrar of Joint Stock Companies and Firms.

The committee has also been tasked with reviewing whether there are any discrepancies in the suspense account of its beneficiary owner's accounts.

Additionally, it will examine the current shareholding status of the board members and investigate whether any unauthorised shares were issued during the conversion of shares from paper to electronic format.

The BSEC also directed the committee to investigate why the company failed to address several allegations raised by investors.

Rahima Food Corporation, incorporated in 1990 as a private limited company, entered the stock market in 1997.

However, on July 19, 2018, the DSE delisted it due to prolonged inactivity.

The company was relisted in 2020 and share trading resumed under the "A" category, following its acquisition by the City Group.