BB reduces repo auctions to one day a week

STAR BUSINESS REPORT

The Bangladesh Bank has further reduced the number of its repo auctions for banks to one day per week in a bid to improve the implementation of the monetary policy.

The new measure will come into effect from November 1, the central bank said in a circular issued yesterday.

The Bangladesh Bank had cut the number of its repo auctions to two days a week from the previously daily basis to meet a condition for a $4.7 billion loan from the International Monetary Fund.

Husne Ara Shikha, executive director and spokesperson of the central bank, said the repo auctions have been reduced for better implementation of the monetary policy.

As per the decision, the Bangladesh Bank will now lend to banks against government securities for tenures of seven days, 14 days and 28 days.

"This will enable the banks to plan well," she added.

Under the repo auction, banks can borrow from the central bank against government securities with the condition that they will buy the instruments back at a specific date, usually for higher prices. By doing so, the banks can avail funds and meet their liquidity requirements.

Cargo movement halts at Ctg port

Drivers and helpers of prime movers call 48hr strike

STAR BUSINESS REPORT

The transportation of export-import laden containers to and from Chattogram Port has been halted since yesterday morning due to a 48-hour strike enforced by prime mover drivers and their helpers.

The strike, called by the Chattogram District Prime Mover Trailer, Concrete Mixer, Flatbed, Dump Truck Workers Union, began at 6:00am yesterday and will continue until 6:00am on Wednesday.

The workers are pressing for several demands, including the issuance of appointment letters and identity cards, which they claim have long been denied by prime mover owners.

The union's president, Md Selim Khan, said that despite repeated requests, the owners have failed to address these issues. Additional demands include the implementation of fixed work hours and a minimum wage, reports our local correspondent.

Drivers and helpers of prime movers demand issuance of appointment letters and identity cards.

PHOTO: RAJIB RAIHAN

As a result of the strike, cargo transport between private inland container depots (ICDs) and Chattogram port has been suspended.

Ruhul Amin Sikder, secretary general of the Bangladesh Inland Container Depots Association, confirmed that prime mover drivers and helpers have ceased operations at all 20 ICDs since the strike began.

However, Abu Bakar Siddique, executive president of the Prime Mover Owners Association, dismissed the demand for appointment letters as "illogical", saying that the workers operate on a "no work, no pay" basis.

He added that the owners' association is meeting to address the situation and resume operations.

Over 10,000 prime movers are involved in cargo transport across the country, with around 4,000 responsible for moving containers to and from Chattogram port.

High inflation a concern for stability

Selim Raihan, executive director of Sanem, tells The Daily Star

FEDA AL HOSSAIN

Bangladesh has been grappling with elevated inflation for the past two and a half years, significantly straining the daily lives of its population.

Despite expectations that the country's political shift on August 5 would alleviate the situation, inflation has continued to rise to what many now consider intolerable levels, according to economist Selim Raihan.

In an interview with The Daily Star, Selim Raihan, the executive director of the South Asian Network on Economic Modeling (Sanem), said that the high inflation has raised concerns about its potential impact on the country's economic and political stability.

Raihan, also an economics professor at Dhaka University, identified six major factors driving inflation in the country.

"The first and most critical is a supply crisis, where essential goods are not adequately available in the market. This shortage has created a supply-demand imbalance, driving prices higher across the board," he said.

The economist pointed out that a key challenge in this regard is the lack of accurate data on supply and demand, which makes it difficult to address these imbalances.

Besides, the credibility of government data is also in question as a whole, further complicating the fight against inflation.

Another contributing factor is the lack of market competition, with certain traders exploiting the situation by hoarding goods and creating artificial shortages to manipulate prices.

This practice has worsened under the current inflationary pressures, said the Sanem executive director.

"The absence of timely and appropriate monetary and fiscal policies has also exacerbated the problem," Raihan said. "The coordination between key institutions, such as the Bangladesh Bank and the National Board of Revenue (NBR), has been insufficient, hindering effective inflation control."

The devaluation of the local currency Taka over the past two years is another significant factor.

The sharp depreciation increased the cost of imports, particularly that of essential commodities, and is thereby contributing to the inflationary pinch. Although adjustments in import duties could have mitigated these effects, no such measures were taken, he said.

Additionally, the rising fuel prices have increased the cost of production, transportation and distribution, further intensifying inflationary pressures, he added.

Raihan emphasised that addressing this prolonged inflation crisis requires coordinated efforts across different government sectors.

However, such coordination has been lacking both under the previous government and the current interim administration. Against this backdrop, he outlined several areas that require immediate attention if inflation is to be brought under control.

"One of the most important steps is the collection and analysis of accurate market data," Raihan said.

"Reliable statistics on the demand and supply of essential commodities are crucial for understanding where shortages exist and for implementing corrective measures," he added.

Raihan stressed that government agencies must cooperate with experts to ensure effective data management. If shortages are identified, he suggested that the government should make arrangements for imports to prevent further price hikes.

Maintaining a stable supply of goods in the market was another key recommendation of the economist.

He said natural disasters, such as the recent floods, have disrupted food production in Bangladesh, leading to inflationary pressure on food prices.

Raihan advised that authorities should keep adequate stockpiles of essential goods and, when necessary, resort to imports to fill supply gaps.

He also recommended that special measures be taken to address crop losses during natural calamities.

Raihan further called for streamlining the import process for essential commodities. He argued that the government should plan imports well in advance of forecasted disasters to avoid shortages and ensure smooth operations without unnecessary bureaucratic delays.

This would help maintain price stability, he commented.

To enhance market stability, Raihan suggested the formation of an integrated platform under the leadership of the Ministry of Commerce. This platform would include the Bangladesh Bank, the revenue board, and other relevant ministries, such as the Ministry of Food and Ministry of Agriculture. Regular meetings would allow these bodies to assess market conditions and take required actions.

"Such coordination is essential for a unified response to inflation."

He also highlighted the need for better coordination between monetary and fiscal policies.

Raihan proposed that the Bangladesh Bank set clear monetary policies while the NBR develops fiscal policies that complement these efforts. This might involve adjusting interest rates or offering tax concessions to help control the price pressure.

Raihan underscored the importance of improving the country's law and order situation, particularly to curb extortion from essential-laden trucks, which have disrupted supply chains and raised transportation costs, adding to inflationary pressures.

With the August political changeover, Raihan said new extortion networks have emerged, further impeding efforts to stabilise the market.

As such, Raihan called for stringent measures for traders engaged in hoarding and market manipulation.

He urged the government to take strict action against those creating artificial shortages and monitor the market regularly.

He also recommended empowering the Bangladesh Competition Commission to effectively tackle market irregularities, ensuring that traders are held accountable.

Without these reforms, Raihan warned it would be difficult for the interim government to restore economic stability amid the ongoing inflation.

The rising fuel prices have increased the cost of production, transportation and distribution of agricultural and other products, further intensifying inflationary pressures.

PHOTO: RASHED SHUMON

Premier Cement made Tk 74.23cr profit in FY24

STAR BUSINESS REPORT

Premier Cement Mills PLC, one of Bangladesh's leading cement manufacturers, reported a profit of Tk 74.23 crore for the financial year ending on June 30, 2024.

This marked a significant turnaround from a Tk 84.23 crore loss in the previous year.

The cement producer also announced consolidated earnings per share of Tk 7.04, a sharp contrast to the loss per share of Tk 7.99 in the previous year, according to a disclosure on the website of the Dhaka Stock Exchange (DSE).

Premier's board has also recommended a 21.50 percent cash dividend, which is the highest payout in nine years. Premier Cement, which began operations in 2001, has steadily expanded its production capacity to 2.4 million tonnes annually, as per the data from its website.

A strategic partnership with FL Smidth-Denmark in 2017 further bolstered its output to 5.16 million tonnes, positioning it as a key player in the cement industry.

Shares of Premier Cement surged 4.52 percent to Tk 64.8 yesterday at the DSE.

Far East Knitting posts Tk 36cr profit

STAR BUSINESS REPORT

Far East Knitting & Dyeing Industries Ltd reported a profit of Tk 35.87 crore for the financial year ending on June 30, 2024, reflecting a 3.7 percent increase year-on-year.

The company also posted earnings per share of Tk 1.64, up from Tk 1.58 in the prior year, according to a disclosure on the Dhaka Stock Exchange (DSE) website.

Its net operating cash flow per share surged to Tk 6.36, which the company attributed to increased cash inflows from customers.

Far East's board has proposed a 14 percent cash dividend, marking its highest payout in 10 years.

Established in 1994, Far East Knitting has grown from a small garment operation into a major player in Bangladesh's textile sector, serving global brands like Zara and Mango, according to its website.

Its spinning mill in Habiganj produces 100 percent cotton and viscose yarn using advanced machinery from leading manufacturers.

Shares of Far East Knitting soared 10.98 percent to Tk 18.2 yesterday at the DSE.

As poor nations' default wave peaks, cash shortage could take its place

REUTERS

The punishing post-Covid wave of sovereign defaults has finally crested, with the likes of Ghana, Sri Lanka and Zambia concluding years of painful debt reworks.

But the International Monetary Fund and others worry that a dangerous liquidity shortfall could take its place in many emerging economies - setting back development, stunting climate change mitigation and fuelling distrust in governments and Western institutions.

The issue, and what to do about it when western countries are increasingly loath to send money overseas, is a key topic at the IMF World Bank autumn meetings taking place in Washington, D.C. this week.

"It's a challenge in the sense that for many, debt service has grown, borrowing has become more expensive, and external sources (have become) less certain," said Christian Libralato, portfolio manager with RBC BlueBay.

The US Treasury's top economic diplomat has called for new ways to provide short-term liquidity support to low- and middle-income countries to head off debt crises.

The Global Sovereign Debt Roundtable - an initiative bringing together representatives from countries, private lenders, the World Bank and the G20 - has also tried to tackle the issue, and it will be on the agenda when they meet in Washington on Wednesday.

But with constrained budgets and crises around every corner, Vera Songwe, chair of the Liquidity and Sustainability Facility - a group that aims to lower debt costs for Africa - said current fixes lack the scale and the speed needed.

"Countries are avoiding... education, health and infrastructure expenditures to service their debt," Songwe said. "Even in the advanced economies...there are stresses in the system."

QUESTION OF CAPITAL

Data from non-profit advocacy group ONE Campaign shows that in 2022, 26 countries - including Angola, Brazil, Nigeria and Pakistan - paid more to service external debts than they received in new external finance.

Many first gained access to bond borrowing roughly a decade prior, meaning big payments came due just as global interest rates rose, putting affordable refinancing out of reach.

ONE estimates those flows turned net negative for developing countries on the whole in 2023, estimates backed by experts at the Finance for Development Lab.

"The IMF-led global social global financial safety net is simply not deep enough anymore," Ishak Diwan, research director at the Finance for Development Lab told Reuters.

Diwan, who spent two decades at the World Bank, said that while full official figures are not yet available, net negative transfers for 2023 and 2024 are likely worse. Fresh funding from the IMF, the World Bank and other multilaterals failed to compensate for the rising costs, he said.

World Bank and IMF officials seem to agree. The World Bank aims to boost lending capacity by $30 billion over 10 years. The IMF cut surcharges, lowering the cost for the most overstretched borrowers by $1.2 billion annually.

TIDE TURNING?

Bankers say many of the countries are now able to tap markets again, alleviating cash flow worries.

"I don't think there's a limitation on access," said Stefan Weiler, head of CEEMEA debt at JPMorgan. "The market is really wide open."

Weiler expects bond issuance in Europe, the Middle East and Africa to reach a record $275-$300 billion this year - with more countries, even Nigeria and Angola, possibly issuing bonds next year.

But the cost remains high. Kenya, scrambling to repay a maturing dollar-bond, borrowed at above 10 percent, a threshold seen widely as unsustainable.

Finance minister John Mbadi said Kenya cannot fund infrastructure investments through the budget.

"Kenyans keep on complaining about 'we don't have money in our pockets.' That in a sense is just saying that we have challenges with liquidity in the economy," Mbadi said during a news conference.

China's pull-back in lending has also hit emerging countries hard, turning what had become a large source of incoming cash into a net negative flow for those repaying old debts.

Traders sell products at Makola market in Accra, Ghana. The International Monetary Fund and others worry that a dangerous liquidity shortfall could occur in many emerging economies -- setting back development and stunting climate change mitigation.

PHOTO: REUTERS/FILE

SO WHAT?

Development banks are already scrambling to work together to maximise lending; the Inter-American Development Bank and the Africa Development Bank are in the midst of a global campaign to get countries to donate their IMF reserve assets, so-called "special drawing rights", which they say could turn every $1 donated into $8 in lending.

But the World Bank and others are still fighting to convince western countries to cough up more cash to supercharge their lending; debt-laden France plans to cut 1.3 billion euros of foreign aid, following cuts by the previous government in Britain.

A strong dollar means key donor Japan would have to significantly boost its contributions to keep at the same level.

The mix is toxic for developing nations.

"We see protests from Kenya to Nigeria to elsewhere. It's a very dangerous situation," Diwan said.

"We're losing the whole global south at this stage."