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Star BUSINESS

IMF team due in Dec to review fourth tranche of $4.7b loan

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The International Monetary Fund (IMF) is sending a team within the first week of December to review whether Bangladesh qualifies for the fourth tranche of a $4.7 billion loan programme.

The IMF delegation, led by mission chief Chris Papadakis, will also suggest potential reforms required for securing an additional $3 billion loan, which was sought by the interim government to improve the country's forex reserve.

Officials of the multilateral lender informed Finance Adviser Salehuddin Ahmed about these decisions during a meeting at the IMF headquarters in Washington last week.

A delegation from Bangladesh, led by Ahmed, is currently visiting the US to participate in the annual meetings of the IMF and The World Bank.

The IMF delegation will also suggest potential reforms required for securing an additional $3 billion loan

"Bangladesh is making good progress on the $4.7 billion loan programme. So, discussions are ongoing for the next review," said Krishna Srinivasan, director of the IMF's regional office for Asia and the Pacific.

She was addressing a press conference on October 24 on the economic outlook of Asia and the Pacific in Washington, DC.

"We had discussions in Dhaka and discussions are ongoing in Washington on how to move forward in terms of financing. All those will be part of the upcoming discussions," she added.

The IMF mission will review whether Bangladesh has met seven conditions for the fourth tranche of the $4.7 billion loan as of June this year.

Bangladesh has fulfilled all of these conditions, except the one regarding tax collection targets.

As per the IMF target, the government was supposed to collect Tk 394,530 crore in taxes by June.

Data from the Finance Division showed that the government collected Tk 369,209 crore by June, meaning that it fell Tk 25,321 crore behind the IMF target.

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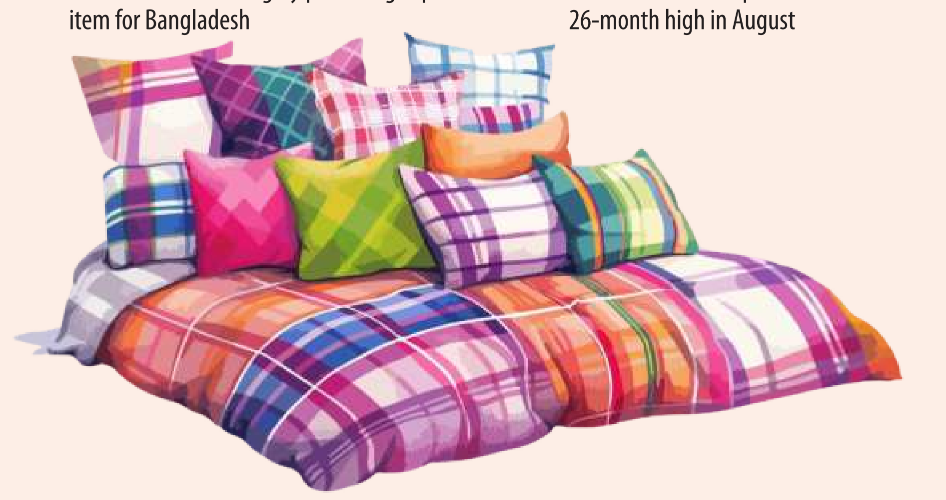
Bangladesh losing out to Pakistan in home textile exports

Local manufacturers hamstrung by gas price hike

TAKEAWAYS

- Bangladesh's home textile export recovery slow
- A lot of work orders shifted from Bangladesh to Pakistan
- Home textile was a highly promising export item for Bangladesh
- Export crossed $1b in fiscal 2021
- Bangladesh meets 98% of its cotton demand through import
- Pakistan's textile export rose to a 26-month high in August



WHY WORK ORDERS SHIFTED

Gas price hike in Bangladesh and higher devaluation of Pakistani rupee were the major reasons

Pakistan has adequate raw materials and GSP Plus benefit in the EU

WAY OUT

Adequate supply of gas can bring back work orders of home textile

REFAYET ULLAH MIRDHA

Bangladesh has been struggling to recover lost work orders in the home textile segment, a significant volume of which shifted to Pakistan nearly two years ago.

This shift occurred mainly due to the sudden doubling of gas prices in Bangladesh and significant devaluation of the Pakistani rupee against the US dollar. More recently, labour unrest in industrial belts and months of political unrest in Bangladesh have contributed to lower receipts.

Moreover, Pakistan possesses some inherent advantages. For example, it is the world's seventh-largest producer of cotton, according to Statista.

Pakistan also enjoys benefits under the European Union's Generalised Scheme of Preferences Plus (GSP+), while Bangladesh only enjoys standard GSP facilities.

When Bangladesh's government suddenly hiked gas prices by 150.41 percent in February 2023, from Tk 11.98 per unit to Tk 30 per unit, major home textile exporters refrained from booking work orders due to the abnormal surge in expenses in production and a good volume of work orders shifted to Pakistan.

Khorshed Alam, chairman of Little Group, a textile miller, added that this move caused local home textile exporters to incur huge losses since work orders were based on lower prices before the hike in gas prices.

For instance, if a big local company paid Tk 68 crore in monthly gas bill prior to the hike, it would cost Tk 126 crore after, he added.

As a result, local millers did not book new work orders for some time.

"However, the export of home textile is gradually recovering," Alam said.

Another major advantage of Pakistan is that it has readily available cotton while Bangladesh relies on imports to meet more than 98 percent of the demand for cotton in the country.

Pakistan's performance in the home textiles segment is also noticeable in the country's export figures.

Pakistan's textile exports surged to a 26-month high in August, reaching $1.64 billion -- a 13 percent year-on-year increase -- due to government policies and facilitation by the Special Investment Facilitation Council (SIFC), according to a report by SAMAA TV, a private television channel.

According to the Pakistan Bureau of Statistics, textile exports stood at $1.46 billion last August.

Significant growth was recorded across various sectors, with knitwear and bedwear exports increasing by 15 percent, and ready-made garment exports up 28 percent compared to last year.

"Analysts attribute the rise to Pakistan's strategic positioning in the global textile market, especially in light

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Stocks plunge to 47-month low on sell-off

Panel formed to look into downtrend

STAR BUSINESS REPORT

The benchmark index of the Dhaka Stock Exchange (DSE) sank to a near four-year low yesterday as large investors continued selling amid fears of further erosion of their investments.

This prompted the stock regulator to form an inquiry committee yesterday. It will look into the recent downtrend of the DSEX, the prime index of the Dhaka bourse, and submit a report to the regulator within 10 working days.

Meanwhile, insiders and market experts said the intense political landscape and recent policy rate hike, along with lower-than-expected earnings disclosures of companies, played a catalytic role in the sharp decline.

This dampened investment sentiment and discouraged investors from pouring fresh funds into shares amid price fluctuations.

A huge forced sell also worsened the situation while buying appetite is low as investors cannot determine the bottom of the market fall.

Investors currently do not have any confidence in the market, said Saiful Islam, president of the DSE Brokers Association of Bangladesh.

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Edible oil prices rise despite VAT cut

STAR BUSINESS REPORT

Consumers in Bangladesh saw no drop in soybean and palm oil prices over the past week even though the National Board of Revenue (NBR) has reduced the import VAT from 15 percent to 10 percent.

On October 17, the NBR also exempted VAT at the production and trading stages of the commodity, which is mostly imported. It said the VAT benefit would remain effective until December 15 this year.

The move came at a time when inflation has been hovering over 9 percent since March 2023. Food inflation has remained above 10 percent since April this year.

Despite the VAT rate cut, prices of unpackaged palm oil, which is consumed the most, stood at Tk 148 to Tk 149 per litre yesterday, up 0.34 percent from a week ago.

Meanwhile, prices of unpackaged soybean oil rose 2 percent to Tk 155 to Tk 160 per litre at retail in Dhaka city, according to data of the Trading Corporation of Bangladesh.

The current prices are also higher from that a month and a year ago.

"The spiralling price of palm oil is driving the

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