Prices of garments exported to the US fall

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The prices of major garment items exported to the US declined year-on-year in the January-October period this year as American consumers are yet to recover from heightened inflationary pressures.

During the 10 months, the price of men's cotton woven trousers declined by 7.7 percent, according to data from the US Office of Textiles and Apparel (OETXA).

Meanwhile, prices of women's cotton woven trousers declined by 4.4 percent, men's cotton woven shirt by 3.8 percent, cotton knitted sweater by 7 percent and cotton knitted t-shirt by 3.9 percent.

This resulted in 3.33 percent decline in garment shipments from Bangladesh to the US, hitting $6.14 billion.

The US's overall global apparel imports fell 0.33 percent to $67.04 billion in the same period.

China ranked first in apparel shipments to the US while Vietnam took second place.

Bangladesh retained its position as the third-largest garment exporter to the US.

Both the prices and volume of garment export to the US, Bangladesh's single largest export destination, declined as the world's largest economy slowly recovers from persistent inflation, with retail sales growth increasing gradually.

Additionally, due to some domestic problems, the export prices of the

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garment items declined.

For instance, the garment sector faced massive spates of labour unrest in recent months, meaning many factories could not ship goods on time. So, they had to provide big discounts, reduce prices, or face work order cancellations.

Faruque Hassan, former president of the Bangladesh Garment Manufacturers and Exporters Association, added that the negative import growth of clothing items by US retailers and brands also impacted the volume and value of Bangladeshi garments.

"But on the bright side, the US market is rebounding gradually. Shipments have been showing a bit of an upward trend," Hassan told The Daily Star over the phone.

The garment and textile sectors must be supplied with adequate gas and power so that those can run at full capacity, recover their exports and ensure timely shipments, he added.

The taka's sharp depreciation against the US dollar is another reason, with the per unit price of local garment items falling. The taka has lost 36 percent of its value against the greenback since January 2022.

Another reason outlined by the former BGMEA chief is that local manufacturers are now booking work orders at lower prices to keep factories running since they have to incur big losses if machines remain idle.

Local garment factories have been facing challenges such as massive labour unrest and factory closures following the deferral in timely production and shipment.

Very often, factories were shut down in major industrial zones like Ashulia, Savar, Zirani and Zirabo because of the labour unrest, which affected the production and shipment of goods, exporters said.

Dollar set for best week in a month on cautious Fed outlook for 2025

REUTERS, *New York*

The dollar headed for its best weekly performance in a month on Friday, as investors priced in the possibility of the Federal Reserve cutting rates more slowly next year, while sterling fell after a surprise contraction in UK economic activity.

The US currency also rose against the yen after reports that the Bank of Japan could forgo a rate hike at its meeting next week. The dollar index , which measures the currency against six others, was up 0.037 percent at 107, set for a weekly gain of nearly 1 percent, its biggest in a month.

US data on Thursday showed the job market is gradually cooling in line with expectations, while producer price inflation helped reinforce the market's current scenario of a Fed cut on Dec. 18, but a slower pace of reductions in 2025.

Markets fully expect a cut at the upcoming meeting, but only price a roughly 24 percent chance of another one in January, with March the most likely point for another move, according to CME's FedWatch tool.

"I think there will likely be a long pause, perhaps for all of the first quarter of the year from the Fed and then maybe just an incremental interest rate cut here and there as the central bank tries to refine its policy," said Matt Weller, head of market research at StoneX.

San Francisco Fed President Mary Daly, for example, said this month that she was comfortable cutting rates in December, but advocated "a more thoughtful and cautious approach" on further reductions.

Is cooling red-hot inflation to 7% by June possible?

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Hasan's frustration mirrors the sentiments of millions of Bangladeshis as inflation remains stubbornly high, with food inflation crossing into double digits.

Inflation hit a four-month high of 11.38 percent in November, while food inflation soared to 13.80 percent from 12.66 percent in October, according to data from the Bangladesh Bureau of Statistics.

The 12-month average inflation stood at 10.22 percent in November, up from 10.05 percent in October.

This leaves the Bangladesh Bank and economists disputing where to target to blunt the price curve: the supply side or the demand.

In its latest outlook, the World Bank stated that inflation might moderate by fiscal year 2024-25, but it is expected to remain near 9 percent, far above the target of 7 percent by mid-2025.

The IMF has projected average inflation of 10.7 percent for this fiscal year owing to political turbulence and major floods in August and September.

Besides, the multilateral lender also noted supply chain disruption and rising input costs due to currency depreciation as factors contributing to elevated inflation.

The Asian Development Bank (ADB) also projects double-digit inflation in the fiscal year 2024-25, citing similar reasons to the IMF.

However, the Bangladesh Bank, in its mission to cool inflation, has largely targeted the demand side.

IS DAMPING DEMAND THE SOLUTION?

In recent months, what the central bank has been trying to accomplish is to limit the flow of money in the market and thus control demand.

After assuming office in the second week of August this year, Mansur raised the policy rate three times, taking the total number of tightening measures to five this year, to 10 percent.

The policy rate is the rate at which commercial banks borrow from the central bank.

Recently, a high-powered committee of the Bangladesh Bank, chaired by the central bank governor, decided to maintain the rate until the desired level of inflation is achieved.

If that doesn't work, Mansur hinted at further tightening at a programme last week.

Apart from the tightening measures, other issues such as the country's dollar stock and bringing discipline to the financial sector have come under the spotlight as economists argue over the course of the battle against inflation.

WHAT ABOUT SUPPLY-SIDE CAUSES?

The Bangladesh Bank has raised policy rates in an attempt to curb inflation, but this monetary tightening has its limitations, said Mustafa K Mujeri, a former chief economist of the central bank.

To battle inflation, he called for addressing supply-side deficiencies.

"It is not possible to reduce inflation solely by increasing the policy rate," said the economist.

"Other policies, such as market management, monitoring and eliminating unnecessary manipulation of commodity prices, are critical.

"Without these, there is no possibility of controlling inflation," he added.

Besides, the former chief economist of the central bank reminded that higher borrowing costs raise production costs for businesses, deter new investment and consumption, and potentially stall economic growth.

He said rising input costs, particularly for energy and raw materials, have constrained industrial output, especially for small and medium enterprises.

Many businesses are operating below capacity, reducing supply and ultimately driving up prices, the economist said.

This means over-tightening can harm the fight against price pressure, but determining the right point is not an easy task.

DOLLAR STOCK MATTERS TOO

Monzur Hossain, a research director at the Bangladesh Institute of Development Studies, said: "I don't think inflation will come down to 7 percent in the next five to six months. Key indicators – such as forex reserves and the exchange rate – do not support such an optimistic projection."

He said if foreign exchange reserves remain low, the financial sector does not function properly and the exchange rate is unstable, it will be difficult to reduce inflation soon.

In recent months, remittance inflows have continued to rise, providing a breather for a country facing multiple challenges.

Despite that, the US dollar has recently jumped further to Tk 125 against the taka after remaining stable at Tk 120 for months.

A pricier dollar makes imports more expensive, while dollar rate volatility complicates the inflationary outlook.

INFLATION COOLING NEEDS MORE TIME

At a programme on Thursday last week, Mansur admitted that inflation has not yet come down, although monetary policies have been tightened and fiscal measures implemented to control domestic borrowing.

"I think all the medications that could be applied have been applied in order to reduce inflation. We are waiting for the body to react to the medication. We are waiting for the economy to react to the doses of economic policy tightening," Mansur said.

Apart from tightening the monetary policy, Mansur said the government has also removed import duties on essential food items like onions, vegetable oil, and sugar to help ease inflationary pressures.

Jute millers struggling

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"We have fixed costs despite the decline in exports. Our current income is barely enough to cover interest payments on bank loans," said Abdul Barik Khan, secretary-general of the Bangladesh Jute Mills Association.

Besides, jute hoarders are driving up raw jute prices, making the situation complicated further.

Industry operators previously blamed a poor jute yield for higher prices.

Bangladesh's jute production fell 18 percent year-on-year to 75.65 lakh bales (one bale is around 182 kilogrammes) in FY25, according to the Department of Agricultural Extension (DAE).

Jute millers and spinners process nearly 80 percent of the natural fibre to produce sacks, bags, yarn and twine, mainly for export markets.

Helal Ahmed, chief operating officer of leading jute exporter Janata Sadat Jute Mills, said raw jute used for yarn production is selling for around Tk 4,000 per maund.

"However, export prices are declining. Demand for yarn from Turkey and Uzbekistan has decreased, as carpet makers there are exploring alternatives to jute yarn," he said.

"The overall jute industry is not in good shape," Ahmed said.

Helal said the demand for jute bags has increased in the domestic market recently following the government's move to discourage the use of plastic bags in shopping. But the government should come up with a solid plan to restrict the use of plastic bags, enabling local mills to be ready to meet the local demand.

"Many factories that once operated three shifts a day have reduced production to a single shift. We expect a positive outlook after the next harvest in August, as production is expected to increase," he added.

A depressing week

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falling trend to political uncertainty. Nationwide unrest in the July-August period and internet blackouts led to prolonged disruption of business activities, impacting listed companies.

According to data compiled by Sandhani Asset Management, listed companies saw their collective profit drop by more than 3 percent year-on-year in the July-September quarter.

Companies have been publishing earnings disclosures over the last couple of weeks, but there is a lack of buyers of their stocks as their performance was down. The DSE's daily average turnover dropped 27 percent to Tk 322 crore last week.

Among the scrips that changed hands, 76 advanced, 23 remained unchanged, 293 declined and 21 were not traded.

Among all major sectors, paper & printing, financial institutions and mutual funds dropped over 4 percent on average while banking sector declined around 3 percent.

Miracle Industries rose around 28 percent followed by HR Textiles and Associated Oxygen Ltd, which both increased 17 percent.

Food distribution falls

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"The government is probably facing a stock crisis," Asaduzzaman said.

Echoing those sentiments, Mohammad Yunus, a research director at the BIDS, said there is a close relationship between food procurement and distribution in Bangladesh.

"The government needs to emphasise the procurement process as well as timely imports," he said.

Usually, the authorities concerned cannot procure food grain timely, leading to low stocks.

"It seems officials cannot get the prices that they decide upon in procurement meetings," Yunus said.

He added that changing market dynamics also had an impact. "The market pattern has changed now. Earlier, farmers used to sell their grains immediately. Now they take time."

The government should take accurate and timely decisions to avoid any untoward situation, he added.

"To boost stocks, the government should focus on importing food grains when global prices are supposed to reduce," he said.

Claiming that the data was incomplete, Md Abdus Salam, director of Supply, Distribution and Marketing Department (Current Charge) at the Directorate of Food, said overall food distribution may increase when data is completely updated.

Following the mass uprising in July, many dealers of the Open Market Sales (OMS) programme went into hiding, hampering the initiative, he said.

About the FFW programme, Salam said it may have been hindered due to the disruption of local government protocols.

However, he claimed they had increased distribution programmes while focusing on flood-affected districts. "No channels were left out of operation. The distribution will increase this year," he said.