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Inflation outpaces wage growth for 34 months straight

MD ASADUZ ZAMAN

Many low-income and unskilled workers in Bangladesh's agriculture, industrial and service sectors are being compelled to reduce consumption as rising inflation eroded their real incomes over the past three years.

According to the Bangladesh Bureau of Statistics (BBS), inflation had outpaced wage growth for 34 months up till this November in spite of the latter increasing slowly since January 2021.

The wage growth rate was 8.10 percent in November, which was 3.28 percentage points below the inflation rate of 11.38 percent that month, showed the Wage Rate Index (WRI) of the BBS.

This gap was the second highest in at least a decade. The highest gap between the inflation and wage growth rates was 3.73 percentage points, coming about in July this year.

This widening gap is forcing low-income and unskilled workers to cut consumption amid falling real incomes, according to analysts.

"The gap has been persistently pushing low and limited-income groups to the extreme for years," said Mustafa K Mujeri, executive director of the Institute for Inclusive Finance and Development.

"When high inflation persists for a long time, it will definitely impact peoples' purchasing power and food intake habits," he added.

High inflation, particularly food inflation, has affected the purchasing power of low-income people and forced them to cut back on nutritional foods, he said.

Mujeri expressed concern about the status of nutritional food intake by children and women.

"Due to the economic hardships of low-income groups, children and women become the worst victims," he said.

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16419

UCB PERSONAL LOAN

A rush to heal exposed banking wounds

MAJOR DEVELOPMENTS IN 2024

2024 started with high inflation, forex volatility

BB injected fresh funds mainly into weak banks despite inflationary pressure

Faulty merger decision intensified liquidity crisis at weak banks

Market based interest rate was introduced after four years amid IMF push

Crawling peg exchange rate was launched

Bad loans reached new record at Tk 284,977 cr

Internet banking and remittance earning disrupted in July

Actual financial health of banks came to light after Hasina's fall

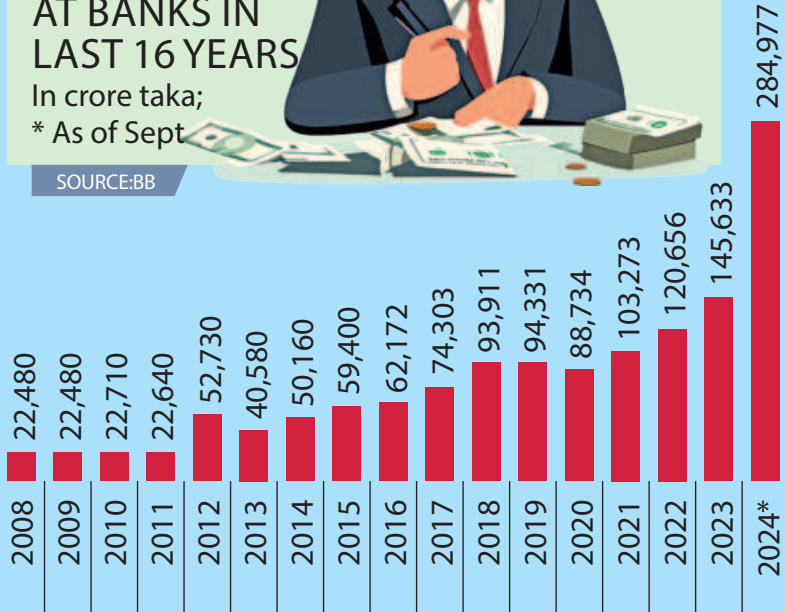
Record 11 banks' board of directors were restructured

Investigation began against influential borrowers

DEFAULT LOANS AT BANKS IN LAST 16 YEARS

In crore taka;
* As of Sept

SOURCE: BB



MD MEHEDI HASAN

In October, a video on social media showed the manager of Social Islami Bank's Agargaon branch breaking down in tears after enduring harsh verbal abuse from frustrated customers seeking to withdraw cash.

It didn't take long to go viral. The severe cash crunch at Social Islami Bank was far from an isolated incident. Throughout October and November, protests erupted inside the branches of several banks, with angry clients blocking branch

managers to recover their money.

The social media footage itself was a testament to the fragile state of the banking sector — a system teetering under the weight of corruption, mismanagement and a crisis of confidence.

At the heart of the turmoil were several Shariah-based banks heavily controlled by S Alam Group, a controversial business conglomerate whose governance failures and financial irregularities cast a shadow over the entire sector.

For years, the true state of Bangladesh's

banking system remained obscured by political interference and flawed policies during Sheikh Hasina's 15-year rule.

After her fall in early August, the extent of the dysfunction became painfully clear.

In 2024, the banking sector faced a perfect storm of challenges: liquidity shortages in Shariah-based lenders, foreign exchange instability, soaring inflation, ill-conceived mergers and a seismic increase in non-performing loans.

As part of its \$4.7 billion loan programme for Bangladesh, the International Monetary Fund (IMF) made financial sector reforms a key condition.

While the previous government had resisted the demands for reform, the interim

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2024 THE YEAR THAT WAS

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Bottled soybean oil still in short supply

SUKANTA HALDER and MD NAZRUL ISLAM

Despite a decision by the interim government to hike soybean oil prices nearly three weeks back, many kitchen markets across Bangladesh, including the capital Dhaka, are missing an adequate supply of the key cooking ingredient.

On December 9, the government announced that soybean oil and palm oil prices would both be increased by Tk 8 per litre effective immediately as refiners demanded as much in face of mounting production costs.

And although the move showed promise, with retailers receiving fresh supplies of edible oil in the following days, the availability of bottled soybean oil has gradually declined to almost nil.

The supply chain for soybean oil has been disrupted by an ongoing nationwide strike called by water transport workers demanding a proper investigation of seven murders on a lighter vessel, according to refiners and retailers.

On the afternoon of December 23, seven crewmen of the MV Al-Bakhara were found dead under suspicious circumstances onboard the vessel after it had run aground on a char land alongside the Meghna river in Chandpur.

Following the price hike, the cost of bottled soybean oil was set at Tk 175 per litre while that of loose soybean oil and palm both rose to Tk 157.

The decision to increase these prices came amid a supply crunch for edible oil that stemmed from reduced imports and production despite recent tax cuts.

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Western Marine plans to export eight ships by 2025



A 69-metre-long landing craft named Rayan. It is one of eight vessels that shipbuilder Western Marine Shipyard Ltd is planning to export to a buyer of the UAE within the next year.

PHOTO: RAJIB RAIHAN

DWAIPAYAN BARUA, Ctg

After a pause of five years, shipbuilder Western Marine Shipyard Ltd is planning to export eight ships to a buyer of the United Arab Emirates (UAE) by next year.

It was in January 2020 that the shipbuilder last exported two large bulk carriers to Indian Jindal Steel Works.

It has faced a financial crunch since 2014 for a fall in the global market for shipbuilding and shipping business.

The situation had worsened for the company due to conflicts among its directors and a massive amount of debt accruing with banks and financial institutions following the Covid pandemic.

The shipbuilder is now hoping to make a comeback.

The company signed a deal worth

\$7.3 million in 2023 with the UAE-based buyer, Marwan Shipping Ltd, for the construction of four landing craft vessels, two tugboats and two oil tankers.

Out of the eight vessels, the shipbuilder has completed building a 69-metre-long landing craft, named Rayan, said Western Marine Managing Director Captain Sohail Hasan.

It will be handed over to the buyer by January, he told a press briefing on the Western Cruise ship anchored at Chattogram Boat Club yesterday.

Of the rest, two high-powered tugboats named Khalid and Ghaya would be exported by April, said Hasan, adding that the remaining five vessels would be delivered gradually within 2025.

"The UAE firm is supplying all the raw materials for building these ships and

only paying us the making charges," Captain Hasan told The Daily Star.

"It means the whole of this \$7.3 million of foreign currency can be retained within the country as we don't need to purchase anything from abroad," he added.

The MD said in 2017, Western Marine exported a similar landing craft vessel to the same UAE-based buyer.

The return of this buyer in search of a new vessel is a testament to the fact that it is satisfied with ships built in Bangladesh, he said.

Western Marine entered into shipbuilding in 2000 and earned good reputation internationally. But the situation started to turn bad since 2014 following cancellation of several orders from foreign buyers.

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Transport workers' strike hits importers hard

Work abstention ended last night

DWAIPAYAN BARUA, Ctg

Importers incurred massive losses as nearly 1.5 million tonnes of goods brought in from abroad had remained stuck at sea and river ports across the country for two days due to a water transport workers' strike that began at 12am on Friday.

Unloading of imported cargo at Chattogram port's outer anchorage and over 50 river points as well as countrywide transportation of cargo on inland water routes remained suspended for the second consecutive day yesterday.

Workers of lighter vessels, which carry 4.5 lakh tonnes of goods, refrained from unloading imported cargo from 20 bigger vessels at the outer anchorage of Chattogram port, according to shipping agents, ship handling operators and the Chittagong Port Authority (CPA).

However, the leaders of Bangladesh Water Transport Workers Federation (BWTWF) called off the work abstention after 45 hours following assurance from the government of meeting their demands.

Workers' leaders announced this at 9:20pm last night following a meeting between

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