

BNP To Boycott Upazila Elections: What's Next?

Fortnightly Magazine

Business Outlook

www.businessoutlookbd.com

13th Year of Publication

16 April 2024

Price: Tk 30



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Business Outlook

From the Editor

National Budget: Social And Education Sector Must Not Be Affected

After the agreement with the International Monetary Fund to receive 4.7 billion in loan from the Washington-based lender, it was much expected that the government has to fulfill its conditions. As part of the deal, the government already raised power and energy prices through administration order and also introducing automatic fuel price adjustment formula. The main target was to reduce the government subsidy to the energy sector to decrease the continuous losses. The other condition was to prepare a non-expansionary national budget for the upcoming 2025 fiscal year because of its shortage of resources. The government has set the overall expenditure outlay at Tk 7,97,000 crore for FY25. The provisional amount is only 4.6 per cent higher than the original outlay of Tk 7,61,785 crore in the outgoing FY24. Generally, the size of national budget becomes at least 10 percent larger than the original one from the immediate previous financial year. But the ministry of finance is going to break the traditional style for the first time in at least one and a half decades because of the resource shortage. The annual development programme, one of the major components of the national budget, is going to see a minor increase to Tk 2,65,000 crore from the original Tk 2,63,000 crore in the outgoing FY24. Keeping budget deficit below 5 percent is also a condition of the IMF. Under the agreement with IMF, the government has to keep the budget deficit below 5 percent of the gross domestic product under the program period between January 2023 and May 2026. The government agreed to take the IMF program to tackle the shortage of foreign currency leading the country to face one of the worst macro-economic crises in the country's history. The government needs to show more commitments towards the loan program in the remaining period. The finance division has set the budget deficit at 4.5 percent of GDP for the upcoming national budget to appease the IMF. Such a budget deficit means that the government will not need to borrow much from external and internal sources. Besides, emphases will be given more on revenue to maintain the fiscal management. The economists have been suggesting a comprehensive budget for long but without any major attention from the government. But now it has to listen to the IMF for the dollars it needs badly to keep the balance of payment.

We're not against such a strategy to prepare a non-expansionary national budget. But one thing must be kept in mind that such strategy will not impede the development projects in social and education sector. These two are vital for the nation in any consideration. ■



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Published by the Editor

From

Zahan Plaza (3rd floor), 42/1-Ka,
Segun Baghicha, Dhaka-1000.

Printed from

Shariatpur Printing Press,
234 Fakirapul, Dhaka-1000.

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Issue-07, 16 - 30 April 2024

Released on 15 April 2024



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WB Highlights Challenges In BD's Monetary Policy Transmission

The World Bank's latest report highlights challenges in Bangladesh's monetary policy transmission, attributing hindrances to the Smart lending rate cap imposed by the Bangladesh Bank (BB). Implemented in July 2023, the Six-Months Moving Average Rate of Treasury (Smart) bills, replaced the previous fixed lending cap of 9%. Despite further tightening of monetary policy in FY24 by the Bangladesh Bank, the report notes a sluggish transmission due to Smart's mechanism, particularly its use of a moving average. The repo rate has climbed by 325 basis points since May 2022, reaching 8% by March 2024. Liquidity conditions have significantly tightened owing to unsterilized US dollar sales, tepid deposit growth, and a surge in non-performing loans. Interbank call money rates rose to 8.7% by March 2024 from 6% a year earlier. The World Bank notes that using treasury bills as reference rates complicates the



pass-through process, keeping real policy rates and deposit rates in the negative territory. However, the real interest rate on new lending, closely tied to the Smart rate plus the maximum margin interest, has turned positive. These findings highlight the need for careful adjustments in Bangladesh's monetary policy framework to ensure more effective transmission mechanisms. ■

Cumin Prices Fall By Tk550 Per Kg

The festive season ahead of Eid-ul-Fitr has helped boost Indian cumin imports through the Hili land port in Dinajpur, and consequently pushed down prices by Tk550 per kilogram. Prices have fallen to Tk600-640 per kilogram, as of Monday, but averaged at Tk1,150 per kilogram only in December. The prices are set to fall further in the coming weeks as imports from India have moved into a higher gear since the beginning of the year. Harun-ur-Rashid, president of the trade association at Hili land port, said that due to increased Indian imports this year, prices have fallen gradually in the space of three months. The Ramadan and Eid have further boosted the pace of Indian imports. The dollar crisis, import levies and other issues contributed to a rise in cumin prices to Tk1,200 per kg in December from just Tk400 in April last year. ■



Relocate Chemical Businesses From Old Dhaka Immediately



If chemical traders refuse to relocate from Old Dhaka to Shyampur immediately, the Dhaka South City Corporation (DSCC) will initiate a combing operation after Eid-ul-Fitr, said Sheikh Fazle Noor Taposh, the mayor of DSCC. "We will no longer allow flammable chemical businesses in Old Dhaka," he said, adding that the DSCC has already provided land to them in the city's Shyampur area. He made the remarks during a discussion titled "The Effect of Traffic Congestion on Trade and Commerce in Old Dhaka and Identifying Means of Passage," organised by the Dhaka Chamber of Commerce and Industry. Taposh said 1,924 chemical traders are running businesses in Old Dhaka, posing a threat to the lives of the residents. "We will disconnect the utility services, including electricity and gas, of chemical businesses." He advised the traders to shift as soon as possible. The mayor described battery-run rickshaws as risky and suggested passengers avoid them. ■

Form A Cell To Fix Prices Of Construction Materials

The Real Estate and Housing Association of Bangladesh (REHAB) has demanded the formation of a "monitoring cell" to determine the prices of construction materials and ensure the quality of products. REHAB leaders made the demand at a view exchange meeting with State Minister for Commerce Ahasanul Islam Titu at the secretariat in Dhaka on April 2. The real estate sector has been facing a deep crisis due to the increasing prices of construction materials, including rods, cement, and cables, they said. "The price of flats in Dhaka has been out of the reach of common people due to the sharp rise in the price of construction materials and some other reasons, putting the housing sector on the verge of destruction," REHAB said in a press release. REHAB President Md Wahiduzzaman, Senior Vice-President Liaquat Ali Bhuiyan, and Vice-Presidents M Ashraf Islam, Md Awal, Mohammad Akhter Biswas, and Abdur Razzak were present at the meeting. ■



Inflation To Push Half A Million Bangladeshis Into Poverty



An estimated 500,000 people in Bangladesh are likely to be pushed down the poverty line in two years due to inflation, according to the World Bank's report. The moderate poverty rate (at \$3.65) may also increase to 29.4% from 29.3% to stand at 0.84 million, reports the Washington-based lender. As consumption growth slows and population increases, almost half a million Bangladeshis are projected to fall into extreme poverty (at \$2.15) between FY23 and FY24, read the Macro Poverty Outlook (MPO) 2023. On a broader spectrum of macroeconomic conditions the WB said that elevated inflation will weigh on consumption, while private investment will remain constrained by foreign-exchange rationing. The inflationary pressure is maintaining a higher trajectory over the last few months as point-to-point inflation has not been falling even below the 9% rate. According to a Bangladesh Bureau of Statistics (BBS) report, the country's poverty rate declined to 18.7% and extreme poverty to 5.6% in 2022. ■

After Banks, Now NBFIs Told To Set Up Willful Defaulter Units

Following similar action taken against the banking industry last month, the Bangladesh Bank (BB) has now instructed non-banking financial institutions (NBFIs) to set up willful defaulter identification units by the end of April. The circular instructed NBFIs to set up the identification units led by officials two levels below the managing director and chief executive officer (CEO) of the finance company. The management must carry out all related activities throughout the unit. In a circular on April 4, the central bank said a willful defaulter is defined as someone who fails to repay a loan, advance, investment or any other financial benefit taken by themselves, their family members or their institutions, despite having the ability to do so. The unit will be responsible for identifying whether defaulting borrowers (individuals and institutions) qualify as willful defaulters, according to



the central bank notice. The identification process must begin within 30 days of a borrower defaulting. This timeframe can be extended by a further 30 days with justification. If a borrower is classified as a willful defaulter according to the Finance Companies Act 2023, they will be granted 14 working days to respond to the accusation, says the circular. ■



Election Commissioner Brig General (Retd) Md Ahsan Habib Khan on April 3 said the Election Commission is working tirelessly to present a free, fair and festive upazila election across the country

BNP To Boycott Upazila Elections: What's Next?

Business Outlook Report

Bangladesh Nationalist Party (BNP) has finally decided to boycott the upcoming upazila elections in continuation of the previous stance to boycott all elections under the Awami League government. The decision came at the last moment after the nomination papers submission time was over. The election commission has already announced to hold the elections to 481 upazila parishad in four phases to elect the elected body to run this level of local government. The government decided to hold the elections on a non-partisan basis and no political party will use its party symbol at the polls. The nomination submission to 151 upazila parishad election was April 15. But BNP leaders and activists didn't know

whether they would participate in it or not. On the other hand, the Awami League has a clear line about the election that it will hold and its leaders and activists were asked to participate in it. So, its leaders and activists were taking full preparations to participate in the polls. It has always been a major problem for the leadership of the BNP that it cannot take a clear decision on any issue ahead of the last minute. It always remains confused in every issue. It always tried to depend on others to achieve its political target. As a result, in the last 17 years after it lost power in 2007 through "one-eleven" political turmoil, it always failed to take the right decision at the right time on the right issues. Many political analysts believe that in 2008, when everything was against

the wave, the BNP participated in the general election by the influence of its political ally Jamaat-e-Islami and obtained only 31 seats in 300 seats of parliament. In 2014, when everything including vast public support was in favour of BNP, it boycotted the election and mostly depended on Jamaat to succeed the anti-government movement. Many analysts believe it was a great mistake by the BNP leadership to boycott the election. In 2018, again BNP made another mistake to believe Awami League and participate in elections under the leadership of Dr Kamal Hossain, who was once a vital leader of Awami League and a big follower of its founder Sheikh Mujibur Rahman. In 2024, again BNP made another big mistake to believe in the USA and its

European allies that they would support them in establishing democracy in Bangladesh. Finally, neither the USA, nor its European allies supported BNP's movement for establishing democracy and human rights in Bangladesh. Rather, they totally kept mum and ultimately supported Awami League to remain in power with the direct support of India. India openly took a side of Awami League in keeping power by any means which ultimately went

submission. BNP standing committee member Amir Khasru Mahmud Chowdhury said "We have not made any decision regarding the upazila elections. The issue may be discussed in the next meeting of the standing committee.

BNP Decided To Boycott The Upazila Elections Too

In the end, BNP decided not to participate in the upazila elections. However, the party took this

grassroots leaders were unclear about the party's position on this local government election until the last moment. Because, the BNP leadership could not make a decision for so long. In the meantime, about 45 BNP leaders have submitted nomination papers as independent



Greeting the people on the eve of Pohela Boishakh, the Bengali new year, Prime Minister Sheikh Hasina

against the values of democracy and human rights. It's clear that no foreign power, whether it is USA or any other country, counts anything but their own interest to support any democratic movement. It means that BNP should not depend on any foreign power to carry out its democratic movement. Rather, it should build up its own strength and go ahead with its own decision without being influenced by any political party or country. The Standing Committee of the BNP sat in a meeting to discuss the issue of the upazila election. But the meeting ended inconclusively. Many leaders and activists at the grassroots level of the party believe participation in the upazila election will be helpful for the party to survive in the current situation. So they want to wait till the last day of the nomination paper

decision last night after the deadline for submission of nomination papers for the first phase of 150 upazila elections.

The Standing Committee of the BNP's policy-making council held a meeting on Monday night and decided to boycott the upazila elections in continuation of the boycott of the 12th national parliament elections under the current government.

BNP Senior Joint Secretary General Ruhul Kabir Rizvi sent a press release to the media on Apr 15 about the decision of the party's standing committee meeting last night. It has been said that BNP does not want to be a part of the election-farce. For that reason, it has decided to boycott the upazila parishad elections that started on May 8. However, BNP's

Let's leave behind all the failures, sorrows and pains of the past and work together to build a beautiful future in the New Year

Prime Minister Sheikh Hasina

candidates in the first phase of 150 upazila parishad elections. The discussion has now come forward as to how strict the BNP can be on those who have stepped outside the party's position.

However, several members of the BNP Standing Committee said that disciplinary action will be taken against the grassroots leaders who are running as candidates in the upazila elections in violation of the party's decision. However, the time for withdrawal of nomination papers will end on April 22.

Questions are also being raised about how much the party's message

will affect the grassroots leaders who are interested in the polls. Jamaat-e-Islami also decided to boycott the upazila elections and already instructed its leaders and activists to pull out from the election race. Initially Jamaat had decided to participate in the election and finally after Eid-ul-Fitr, the party gave instructions to change their decision at the field level. Earlier, at least 22 leaders of Jamaat have submitted their nomination papers as independent candidates in the first phase of the elections. The leaders of the party say that they will withdraw their candidature.

Leaders at the policy-making level of BNP also say that instructions will be sent to the party's candidates to withdraw their candidatures who submitted their nomination papers. The logic behind the BNP's decision to boycott upazila election is that this election of the local government under the Awami League government will also be held in a controlled environment. If the BNP participates in it, it will politically benefit the ruling party.

BNP Standing Committee member Gayeshwar Chandra Roy said that not participating in any election under the Awami League government is an old position of his party. The party decided to stick to that position.

However, BNP believes that the number of 45 BNP leaders who have submitted their nomination papers in the first phase of upazila elections is not a higher number. Gayeshwar Roy said, they have reviewed and found that there is no interest in upazila elections among the grassroots workers.

As an argument for such a statement, Gayeshwar Roy said that millions of their leaders and workers across the country are burdened with lawsuits based on the long anti-government movement and the January 7 elections. More than 27,000 BNP leaders and activists were impris-

oned. As a result, grassroots workers do not want to face new cases or torture. This situation has been considered in deciding to boycott upazila elections. However, those who already submitted nomination papers, many of them are not satisfied with the party's decision taken at the last moment.

Interest In Grassroots Level, But Fear As Well

BNP participated in the Upazila Parishad elections after boycotting the 5th January 2014 parliamentary elections. Even after the 2018 parliamentary elections, it participated in local government elections for the first time. Later, the party decided to boycott the upazila, municipal and union council elections.

It is BNP's old position not to participate in any election under the Awami League government. BNP

this year's upazila parishad elections. The ruling party Awami League has taken the strategy of not giving the party symbol or not holding this election on a party basis. As a result, there is no candidate for the 'boat' symbol. Such a strategy of the ruling party seems to be a great opportunity for the grass-root level leaders and activists of the BNP. Many of the grassroots leaders of the party are interested in contesting as independent candidates in the upazila elections. But there is a fear of facing the organisation's punitive action if they participate in an election without the party's decision.

BNP Vice President Izadur Rahman wants to contest as an independent candidate in Gazipur Sadar Upazila near Dhaka. He said he would wait for the party's decision till April 15, the last day for filing nomination papers. He said if he does not get any



Awami League General Secretary Obaidul Quader

boycotted the National Parliamentary Election on January 7 due to the anti-government movement. After the failure of that movement, the old position in the top leadership of the party became stronger. The leaders of BNP have been talking about the position of not participating in any other elections of the local government system including upazila.

But the situation is different with

decision from the party, he will discuss with the people of the area and decide on the question of participating in the election.

Apart from this, similar statements were found from the BNP leaders in six other districts including Brahmanbaria, Jessore, Dinajpur. These grassroots leaders feel that since the boat symbol of Awami League is not there and many leaders of the party

are running as independent candidates everywhere, BNP should allow its leaders and activists to take the chance to contest in the election.

Many BNP leaders at the grassroots think that their party will not participate in the upazila elections as a party due to its old position. In that case, BNP leaders should contest separately as a different strategy.

Two expelled leaders of BNP contested in the by-election for the post of Mayor of Comilla City

symbols. So, it's a great victory for the BNP.

Awami League, however, has also cited increasing voter turnout as one of the reasons behind not giving the party symbol. Since there is no 'boat' symbol in the upazila elections, some of the BNP policy makers are also in favor of contesting party leaders individually.

A leader at the policy-making level of BNP said that the party is also discussing the question of how

youth leader named Akram and his family in Hariपुर of Thakurgaon on April 12.

By using the police force and state apparatus, this terrible and occupying government has subjugated the entire country, said the BNP leader. "This Awami League could never be elected by the people's vote. They have always kept their power through intimidation and deception, misleading people. Today we have become exiles in our own country."

He claimed that Akram was picked up by the police without any reason and beaten to death in custody. "It is a matter of concern about the present condition of the country, where the police torture and kill people in custody. Those who are the protectors have become the guzzlers today." Fakhruul also said that this is not the only incident. During the anti-government movement before the election, 30 leaders and activists were killed, and false cases were filed against six million leaders and activists.

"Besides, around 700-800 leaders and activists became victims of forced disappearance. Around 27,000 of our leaders and workers were detained and arrested after October 28," said the BNP leader. Mentioning that he was arrested and spent three and a half months in prison, the former state minister said: "This government was not elected by the people's vote. So, they have turned the country into a torture camp.

"A country cannot run like this. We want peace; we want a peaceful and fair election. We want to form a government that will listen to the people of the country."

Rizvi: Families Of BNP Leaders, Activists Celebrating Eid With Tears

BNP Senior Joint Secretary General Ruhul Kabir Rizvi has said that the people of the country are going to celebrate Eid-ul-Fitr on April 11 in a



BNP Secretary General Mirza Fakhruul Islam Alamgir

Corporation held on March 9. Although they were expelled from the party long ago, the local BNP leaders and workers participated in the election activities on behalf of both of them. No organisational measures were taken against them. This incident was also cited as an example by some of the grassroots leaders of the BNP.

The Leadership In Dilemma

BNP leaders feel that the low voter turnout in the January 7 general election was a result of their call to boycott the election and considering that situation, Awami League is not giving party symbols in upazila elections in order to increase voter turnout. That's why Awami League is pursuing the strategy to hold the upazila election without party

much it will be possible to retain the grassroots representative leaders of BNP. Considering the reality of the field, the leadership of BNP is in a quandary in taking the final decision on the upazila elections. For that the top leadership is taking time to decide.

Fakhruul: Awami League Turning Country Into A Police State

BNP Secretary General Mirza Fakhruul Islam Alamgir has alleged that the Awami League has turned the country into a police state. "Now everything is determined by the police. Even they (police) say they have brought the Awami League to power. The Awami League is longer in character. They are now the Police League," Fakhruul said after visiting the grave of the murdered

festive mood, but there is no joy in the families of BNP leaders and activists. A sad ambience is prevailing in these families as someone has lost a leg while someone has lost an eye after torture by law enforcement agencies, Rizvi alleged during an Eid gift distribution program organized by the BNP's Kafrul Thana unit in the city on Wednesday. "When we visit the house of a BNP leader or activist, we see that the person has been missing for a long time or was subjected to an extrajudicial killing," he said. These families are celebrating Eid with tears for their son, brother, father, husband, and so on, he said.

On one hand, the ruling party is driving a steam roller on the BNP, and on the other hand, Prime Minister Sheikh Hasina's close aide was placed on Forbes Magazine's Top 20 richest list by looting the country's poor people's money, he claimed. "In the name of development like Padma Bridge, metro rail, and quick rental, Sheikh Hasina's looters made Begum Para in Canada, Gulshan 3 in Dubai, and a second home in Malaysia by looting poor people's money." This is not a fairy tale; it is real, Rizvi said. Regarding the Forbes list, Rizvi wrongly referred to Summit Group Chairman Muhammed Aziz Khan, who ranked 2,545th out of 2,781 billionaires across the world in the Forbes World's Billionaires List 2024, with a net worth of \$1.1 billion. He is also the 41st, the same as last year, among the 50 richest individuals in Singapore.

Rizvi said: "Not only the BNP men but also the mass people are suffering due to AL misrule," said Rizvi, further adding that a father sold his son after failing to pay the treatment bill in the hospital and mother sold her child due to extreme poverty."

PM Hasina Greets People On Pohela Boishakh, Urges Unity

Greeting the people on the eve of Pohela Boishakh, the Bengali new

year, Prime Minister Sheikh Hasina has called for working together to build a beautiful future, forgetting past failures. "Assalamualaikum, the New Year has again come within us in this round of the year. I wish all the brothers and sisters staying at home and abroad greetings for the New Bangla Year 1431. Shuvo Noboborsho," she said in a video message on April 12. "Let's leave behind all the failures, sorrows and pains of the past and work together to build a beautiful future in the

remark while addressing the inaugural function of a colourful rally and discussion held at Bahadur Shah Park in Dhaka marking the Bangla New Year. The program was organised by Dhaka South Awami League on April 14. Terming BNP the "communal evil force", the ruling party leader said: "It is clear who are really against the spirit of Boishakh ...they wanted to stop the procession led by then opposition leader Sheikh Hasina at Suhrawardy Uddyan...that evil forces remain on the soil of this coun-



BNP Senior Joint Secretary General Ruhul Kabir Rizvi

New Year," she said.

The prime minister ended her message by quoting a few lines from poet Sufia Kamal, calling for letting go of the old days and welcoming the new dawn in the new year.

Quader Calls BNP The Real Source Of Communalism

Awami League General Secretary Obaidul Quader has said BNP cannot tolerate Bangalis' culture as the party is the real source of communalism and also a patron of militancy.

"BNP is inherently pro-Pakistan...Pakistan remains deep in their hearts. These communal evil forces are actually in opposition to the spirit of Bangla and the spirit of Bangladesh," Quader, also the road transport and bridges minister, made this

try." The minister, however, emphasized preserving the historic Bahadur Shah Park saying the authorities must protect this historic place. "We have to protect our culture for the survival of Bangladesh under the dynamic leadership of Sheikh Hasina," he added. Terming BNP the enemy of Bengali culture, the state and the spirit of the Liberation War, the minister called upon the people to prevent and defeat this enemy and march towards victory.

Later, a colourful rally paraded in front of Bahadur Shah Park and ended in front of the Awami League central office on Bangabandhu Avenue.

Leaders and activists of different ruling party front organizations also took part in the rally. ■

Preparation Underway For Bank Reform Commission



Business Outlook Report

The government is going to form the banking sector reform commission, the revenue reform commission, and the public expenditure reform commission, said Finance Minister Abul Hassan Mahmood Ali on March 31. He, however, could not say immediately when exactly the commissions will be constituted.

Mahmood Ali was speaking to a group of members of the Economic Reporters' Forum (ERF) during a pre-budget meeting at his secretariat office in Dhaka. Experts have long calling for initiating drastic steps aimed at restoring discipline in the banking

sector and bringing down bad loans, and reforming the revenue sector. Bangladesh has one of the lowest tax-to-GDP ratios in the world. Rationalising public expenditures is another demand as taxpayers' funds reportedly see leakage through subsidies, incentives and cost over-runs of projects.

The finance minister also dispelled rumours that the economy is facing any major challenge. The opposition parties used to say that the economy would experience the volatility as seen by Sri Lanka, he said. "However, it did not happen." He said the economy is on track despite facing several challenges. "The prepara-

tion to formulate the national budget for the fiscal 2024-25 is underway." The minister said the country is doing well and essentials goods are available in the local markets.

He said inflation was now in a stable position. "One of the major challenges is now lowering the inflation."

BB Asks Banks To Prepare For Harsh Reforms

The overall inflation in Bangladesh slid 19 basis points to 9.67 percent in February. It, however, has stayed above 9 percent since March last year. The Consumer Price Index surged to a 12-year high

of 9.02 percent in the previous financial year, both for external and internal factors. According to the minister, Bangladesh is following austerity measures and the next budget would be prepared in line with the same policies.

When drawn his attention to the United States Trade Representative's report on trade and investment environment in Bangladesh, Mahmood Ali declined to comment.

The report from the American government's chief trade negotiating body cited corruption and bribery as major barriers to trade and investment in the country. ■



Digital currency Is It The Future Of Money?

Business Outlook Report

The government should proactively explore how the adoption of a digital currency can add value to the economy while maintaining coherence with Bangladesh's social and political climate, experts said on March 31.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, said the widespread adoption of central bank digital currencies (CBDCs) represents a significant evolution in the monetary system. CBDCs are a form of digital currency regulated by a country's central bank. They are similar to cryptocurrencies, but their value is fixed by the central bank. "We have to show more

excitement for a CBDC. It doesn't mean that we will do it now. We should identify its limitations and advantages so that we can do it better even if we are late in implementation compared to other countries," he said. "We have taken a stand on cryptocurrencies by banning them... but for the CBDC we have to take decisions more proactively," he added.

"I am not sympathetic towards cryptocurrencies as they are not backed by central banks and vulnerability and volatility are associated with them," he said. He said Bangladesh was in a state of inertia regarding the CBDC, adding that the country must strive to digitalise transactions no matter what, even if it

does not adopt a digital currency. He was speaking at a roundtable titled "Future of Money: Central Bank's Digital Currency", jointly organised by the PRI and The Daily Star at the Azimur Rahman Conference Hall at The Daily Star Centre. "Our digital infrastructure has to develop more, and our digital outreach and inclusiveness must broaden so that the next generation can carry out digital transactions," he added.

He said the introduction of the CBDCs was being witnessed across the globe. "We must look at what other central banks are doing. We must explore why India is moving fast for a CBDC while China is reluctant and the USA is not

proactive," he said. "There are some tacit reasons and if we could understand and analyse these reasons, we can devise our strategy," he said. Mohammad Abdur Razaque, research director at the PRI, presented the keynote at the roundtable. He said the potential benefits of the CBDCs include improved transaction efficiency, reduced costs of printing money, enhanced security against counterfeiting, and the promotion of a cashless economy to combat financial crimes. Former finance minister Mustafa Kamal had made a remark about conducting a feasibility study on the adoption of a CBDC. However, there are no notable updates regarding this issue, said Razaque.

He said people mistakenly believe that the CBDCs are the same as existing cryptocurrencies. However, unlike cryptocurrencies, the CBDCs are backed by the country's financial system and are considered legal tender, he said. Contrary to cryptocurrencies, the acceptance of CBDCs for transactions is mandatory, akin to traditional fiat money, which is a type of currency that is not backed by a precious metal, such as gold or silver. Implementing the CBDCs will require a transaction record system, accessible service interface, reliable ledger, and secure storage solutions. In a global survey conducted in 2020, 86 percent of central banks were actively exploring the CBDCs, a significant increase from the 65 percent reported in 2017. In another study, the Bank for International Settlements said 15 retail and 9 wholesale CBDCs could be in operation by 2030. Jamaica, Zimbabwe, Nigeria, and the Bahamas have officially launched CBDCs while numerous others are either researching, developing, or piloting similar programmes.

However, there are concerns about Bangladesh's digital preparedness which need to be addressed for successful implementation, Razaque said. "Bangladesh has marginally improved in global digital rankings, specific areas like network readiness, cybersecurity, and online services. However, digital

literacy is still low, with over half of households unaware of the use of the internet and a significant portion lacking basic digital skills." There are significant challenges in terms of cybersecurity, evidenced by past incidents like the Bangladesh Bank reserve heist. Compromised databases and instances of hacks raise privacy concerns and security regarding the CBDCs while widespread internet usage amplifies worries about personal and financial data security.

The possible features for the CBDC design can be categorised into three main groups: instrument, system, and institutional features. It is crucial to adhere to the desired features to achieve the expected outcomes, Razaque



suggested. He warned that any challenges impeding citizens' accessibility to the CBDC could exacerbate the digital divide. He recommended setting realistic goals, with the existing cash-dependent economy in mind, for enhanced benefits. "It's crucial to recognise the additional benefits of a CBDC beyond simply promoting a cashless economy," Razaque said. Policymakers should also consider other critical functions of a CBDC, such as improving financial efficiency and transparency, facilitating and implementing a more effective monetary policy, providing social protection allowance more efficiently, and fostering the development of a digital financial ecosystem.

Formulating and updating digital infrastructure and institutional regulato-

ry frameworks and improving mass digital literacy, fintech knowledge, addressing the digital divide, and data security are also important. Jamaluddin Ahmed, board member of bKash, said Bangladesh first needs to shift from the current analogous bureaucratic system to a digital one to implement the CBDC. "We are already lagging behind as Bangladesh is not among the 108 countries who are in the pilot stage for CBDC implementation," he said.

"We need to make gradual progress. It cannot happen overnight." Ashikur Rahman, a senior economist of the PRI, suggested doing a meta-analysis on the lessons learned from global pilot studies. "We can take lessons from China and India and start a pilot programme with a

new design in Bangladesh," he said. "We are still doing homework," he added. Although the country's mobile financial services are faring well, a significant portion of transactions are still done in cash, said Mohammad Aminul Haque, additional managing director of Nagad. "Although it will be difficult to eliminate cash, the country should optimise digital transactions to their fullest potential," he added, pointing out the lack of a skilled workforce. Arif Rahman, manager of MicroSave Consulting, said the focus must be on increasing technology adoption among citizens by providing more user-friendly technology.

Tanjim Ferdous, in-charge of NGOs and Foreign Missions at The Daily Star, moderated the event. ■

Traffic Congestion Costs Old Dhaka Its Title As Key Trading Hub



Business Outlook Report

Old Dhaka is increasingly losing its reputation as a key trading hub of Bangladesh as businessmen are moving to favourable locations due to lingering severe traffic congestion, speakers said.

"Due to travel delays caused by congestion, the older part of the capital is failing to retain its status," said Ashraf Ahmed, president of the Dhaka Chamber of Commerce and Industry (DCCI). "The transportation cost

of businesses has increased and life has become difficult for local residents."

He made the comments while presenting a keynote at a discussion titled "The Effect of Traffic Congestion on Trade and Commerce in Old Dhaka and Identifying Means of Passage," organised by the chamber at its office in the capital. Referring to a study of the Bangladesh Institute of Development Studies, Ahmed said traffic congestion inflicted by

unplanned urbanisation and expansion reduces the country's overall GDP by 2.9 percent.

There are 10 lakh registered vehicles in Dhaka and the average speed of vehicles has dropped seven kilometres from 21 kms per hour. It is projected to decline to 4km by 2035, he said, citing figures from the World Bank and the Bangladesh Road Transport Authority. He blamed the illegal shops on the footpaths, narrow roads, absence of a proper

traffic system, illegal rickshaws and vans and hawkers for the almost unbearable traffic situation in Old Dhaka. The DCCI chief suggested a one-way traffic system to ease the pressure.

He recommended using Artificial Intelligence-based traffic signalling, administrative decentralisation, and a long-term urban development strategy. Old Dhaka is one of the largest trading hubs in Bangladesh and transactions

worth thousands of crores of taka take place there every day.

"However, due to severe traffic jams, many businesses are now trying to shift to other places. If the trend continues, the city will lose its reputation one day," Ahmed said. The traffic snarl-ups impose working hour losses worth about Tk 140

longer allow flammable chemical businesses in Old Dhaka," he said, adding that the DSCC has already provided land to them in the city's Shyampur area.

Taposh said 1,924 chemical traders are running businesses in Old Dhaka, posing a threat to the lives of the residents. "We have created this unplanned

problem and is now focusing on waterlogging."

The mayor said a new central business hub would be built in Kamrangirchar. No bus counters will be allowed outside the designated bus terminals, he said. Tapsoh requested shop owners not to allow vendors to set up makeshift shops in

needs to formulate an action plan or find out a strategic solution for the future.

She called for better coordination among government agencies. Md Munibur Rahman, additional police commissioner (Traffic) of the Dhaka Metropolitan Police, said a city like Dhaka should dedicate at



crore daily, he said. Soon an eco-friendly and Internet of Things-based transportation system will be implemented in Dhaka, said Sheikh Fazole Noor Taposh, mayor of the Dhaka South City Corporation (DSCC).

He warned if chemical traders refuse to relocate from Old Dhaka to Shyampur immediately, the DSCC will initiate a combing operation after Eid-ul-Fitr. "We will no

urbanisation. We are all responsible for this," he said, adding that urban planning should be carried out by the city corporation.

He said the DSCC has been able to nearly double its revenue, from Tk 512 crore to Tk 1,031 crore, just by improving governance and reducing corruption and without increasing taxes. "The DSCC has successfully tackled the solid waste

front of their establishments. Mizanur Rahman, chief executive officer of the DSCC, said illegal street-based shops are one of the major reasons for the traffic jams in Old Dhaka.

He said the city corporation regularly conducts eviction drives against illegal hawkers. Neelima Akhter, executive director of the Dhaka Transport Coordination Authority (DTCA), said the city

least 30 percent of its areas to roads against 8 percent now. He made commitments to deploy traffic police in Old Dhaka as soon as possible.

Md Abdul Baquee Miah, director for planning and development at the Dhaka Mass Transit Company Limited, SM Salehuddin, a former executive director of the DTCA, and Abdus Salam, a former senior vice-president of the DCCI, also spoke. ■



Tenderers' Database To Help Increase Transparency In Public Procurement

Business Outlook Report

The Tenderers Database introduced by Bangladesh Public Procurement Authority (BPPA) in the electronic government procurement (e-GP) system will help increase transparency in public procurement process. Mohammed Shoheler Rahman Chowdhury, CEO of BPPA said this while speaking at a workshop for journalists on the establishment of BPPA and Sustainable Public Procurement at BPPA conference room on Tuesday in Dhaka.

Bangladesh Center for Communication Programs (BCCP) facilitated the event. As the chief guest at the workshop organized by BPPA, Abul Kashem Md. Mahiuddin, secretary, Implementation Monitoring and Evaluation Division (IMED) under the Planning Ministry, highlighted the importance of BPPA's role. The secretary informed that the government will soon expand IMED's jurisdiction nationwide to effectively monitor development activities.

Under IMED, a department will be established promptly to ensure effective supervision of project implementation under ADP. Md Mahfuzar Rahman, director (joint secretary) of BPPA, presented a detailed overview of BPPA's establishment, functions and SPP. The secretary mentioned that the Central Procurement Technical Unit (CPTU) was a small unit within IMED.

However, due to increasing operational challenges and the need to consider government procurement demands, it was not possible to enforce procurement laws nationwide. Therefore, establishing a government procurement authority with adequate staff was necessary. Journalists raised concerns about the transparency in awarding contracts and how e-GP ensures it, especially when certain companies win multiple contracts and others struggle to secure any. The BPPA CEO assured that the procurement rules would ensure the transparency of the awar-

ded contracts, and measures had been taken to address irregularities. Regarding this, Abul Kashem Md. Mahiuddin stated that since the issuance of a circular related to BPPA, procurement officers have become more vigilant. He expressed hope for further improvement in this regard over time. Md Mahfuzar Rahman emphasized that all information regarding contractors' work and received bills are stored in the e-GP database, ensuring transparency. Therefore, hiding any information about vendors is not possible, which will ultimately ensure greater transparency in public procurement processes.

The Tenderers Database was deployed in e-GP system in 2022. Developed and managed by Dohatec New Media as the lead of a joint venture with Beximco IT and GSS Infotech, the e-GP system of BPPA has been acclaimed at home and abroad. The former CPTU was transformed into BPPA on September 18, 2023. ■



Bangladesh's Exports Cross \$5bn In March

Business Outlook Report

The country's export earnings experienced a year-on-year (YoY) positive growth of 9.88% to \$5.10 billion in March of FY24, higher from \$4.64 billion in the same month of FY23.

Bangladesh bagged over \$5 billion worth of export earnings for four consecutive months in the ongoing FY24 in December, January, February, and March, according to the Export Promotion Bureau

(EPB) data published on April 2. The export earnings target for March this year was \$5.15 billion. Last month's earnings were 0.88% lower than the target. The RMG sector, the highest export earner of the country, bagged \$4.35 billion in March of FY24, fetching 11.71% growth from \$3.89 billion in March of FY23, EPB data stated.

According to the EPB data, the earnings in the first nine months (July-March) of the

current FY24 experienced a narrow YoY growth of 4.39% to \$43.55 billion, higher than \$41.72 billion in the mentioned period of the last FY23. However, the July-March export figure is 5.86% lower than the target of \$46.27 billion, EPB data stated.

During the first nine months of FY24, the RMG sector bagged \$37.20 billion, fetching a narrow YoY growth of 4.77% from \$35.25 billion in the same period of FY23. Among apparel

products, knitwear export reached \$21.01 billion, while export from woven items was \$16.20 billion with 9.59% and 0.47% positive growth respectively, compared to FY23. Industry insiders said that the increase in export earnings will boost the country's forex reserves and lessen volatility in the dollar market.

Except for a slim positive growth of the RMG sector, export earnings from all the major sectors witnessed negative

growth in the July-March period of FY24. Among other notable sectors, home textile marked a negative growth of 25.98% to \$636.53 million, down from \$859.94 million in the mentioned period of last fiscal.

Leather and leather goods also experienced a negative growth of 13.65% to \$794.19 million, which was \$919.73 million in the

\$659.54 million, down from \$698.7 million in July-March of FY23, EPB data stated. Another potential export sector, engineering products, again fetched a negative growth of 2.77% to \$389.18 million, down from \$389.18 million in the same period of last FY.

Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association

were also the reason for the increase in growth,” he added, saying that the apparel exporters will do better in the coming days, as most brands have already cleared their inventory.

He also explained that after a big jump in 2022, most of the brands and buyers had experienced a slowdown in their business due to high inflation in the Western

the last year, such as gas prices, wage hikes, and global slowdowns in apparel demand, he added that uninterrupted gas and electricity supply remains a challenge for apparel manufacturers.

BGMEA Director Mohiuddin Rubel also echoed similar sentiments. “However, the recent trade trend reflects a depressing retail business and economic scenario. For



first eight months of FY24. In the July-March period of FY24, the export earnings from agricultural products stood at \$715.84 million, fetching a positive growth of 5.60% from \$677.89 million in the same period of last fiscal.

Export receipts from jute and jute goods again experienced negative growth of 5.60% to

(BGMEA), said that since January, the apparel sector experienced growth in shipments that exceeded expectations.

He also said the apparel exporters have invested to produce high-value and new products with diversified fibre, which has helped increase exports. “Some new markets – Japan, Australia, South Korea and the Middle East

world, which affected the manufacturers.

“Inflation is already declining and some countries are also reducing their interest rates. The USA and Canada may also reduce their interest rates by May – June this year, which will help their customers to spend on apparel,” he hoped. The industry has overcome some challenges during

Bangladesh, the positive side is that we are being able to gradually diversify our products and move toward sophisticated items, which is reflected in the growth,” he added.

According to EPB data, Bangladesh bagged \$55.56 billion in export earnings in FY23, posting a narrow 6.67% year-on-year growth. ■

Dates Price Hike Dampens Ramadan Spirits



Apu Ahmed

The price hike of dates pushed the popular item beyond the purchasing capacity of many people.

Dates Price Hikes Manifold

The fixed and low-income group has felt the pinch in the recently-concluded Ramadan when dates, one of the main imported fruits consumed mostly during the breaking of fasting in the Muslim majority country, became dearer. But unlike previous years, the prices of all types of dates which are imported mostly from the Middle East soared manifold. Even the government fixed prices of low-grade dates in the

backdrop of price hike. The Ministry of Commerce fixed the price range for low-grade dates at Tk 150 to Tk 165 per kilogram. Besides, the price of Zahidi dates has been between Tk 170 and Tk 180 per kilogram. But the variety which is mostly imported from Iraq in sacks and is popular among the low and the fixed-income group because of their cheap prices, was sold at Tk 300 to Tk 350 during Ramadan, compared to the half price in the past year. The same variety was sold for Tk 50-55 five years ago.

Dollar Shortage Hits

Dates have a special appeal in the

country since the majority of people consider it a holy item because of its religious link. Besides, a growing number of people prefer its food values. The average annual demand for dates in the country is as much as 90,000 tonnes. Almost half the consumption is reported during Ramadan because of its high demand. According to official estimates, around 88,567 tonnes of dates were imported in 2022 and 68,515 tonnes in 2023. It is reported that 10,000 tonnes of dates were imported in the first three months of the current year. One of the major reasons for less import is the crisis of dollars. According to

businessmen of the city's wholesale hub at Badamtoli, the number of small importers is decreasing since the dollar shortage hit the country in 2022. Earlier, many small businessmen used to import dates because of the availability of dollars in the banking channel. But the dollar shortage forced Bangladesh Bank to discourage import of many items while commercial banks nowadays hardly support marginalised importers.

Minister's Comments Sparks Criticisms

The price hike of dates and its supply shortage had been criticised. The criticism became loud when industries minister Nurul Majid Mahmud Humayun said that fasting in the month of Ramadan should be broken with local fruits like jujubes and guavas instead of foreign fruits—dates and apples. 'Why dates, apples and grapes will be required to break fasting?' the minister said while talking to reporters after meeting with deputy commissioners in the capital in March. 'Have local fruits like jujube and guavas during the iftar,' he said. The industries minister noted that the plate should be decorated with local fruits since the government had limitations to import many items against the backdrop of the dollar shortage. The industries minister faced a lot of criticism for his remark and blamed the media for the allegedly misleading report.

Blame on Duty Increases

Traders at the capital's Badamtoli wholesale fruit market said an increased import duty was the main reason for the exorbitant prices. It is reported that the Customs authorities have taken a number of steps in the past one year to check duty evasion. Against the allegations of announcing lower prices in importing dates, the customs authorities have fixed the taxable price for regular, medium and premium dates. The first order was issued on

3 April, 2023 while on 29 November, 2023, the taxable price on date import was fixed for the second time in five categories. In the third step issued on January 18, 2023, the Customs changed the duty assessment system leading to an increase in overall duty to around 58 per cent from the previous 10 per cent. The taxable price of Ajwa, Maryam, Medjool and all other dates imported in frozen containers has been set at US\$ 4. Besides, taxable price for all dates coming in cartons has been set at \$2.75.

Maximising Profits Also Behind Price Hike

Maximising profits by the importers and traders against the demand should also be responsible for the price hikes of items in absence of

226. The traders claimed the cost to be Tk 240 per kg, including transport cost, loan interests, and some other costs. But the price reaches Tk 300 to Tk 350 when the fruit enters the retail markets through different intermediate phases. Traders attributed this discrepancy to incidental expenses such as transportation costs and interest on bank loans, which inflate the final retail price.

Price Hikes Continue

Not only dates, price hikes of many other items like meat, sugar, vegetable throughout the Ramadan put additional pressure on people. The issue is also noticeable in the monthly inflation update by the Bangladesh Bureau of Statistics. The headline inflation in March



proper monitoring. According to a report based on an analysis on imported documents at Chattogram customs and market prices revealed that the price was rising irrationally in the local market. The cost of shipping from Iraq for one tonne or 1,000 kilogram of Zahidi dates stood at US\$800. The National Board of Revenue collected Tk 130 in duty for each kg of dates, considering the procurement rate at \$2.5 per kg. The official cost for importing each kg of dates totals at Tk

made an upswing and stood at 9.81 per cent in March, compared to 9.67 per cent in the previous month. It recorded food inflation at 9.87 per cent and non-food inflation at 9.64 per cent. The update also showed that the 12-month average inflation between April 2023 and March 2024 was 9.69 per cent. The price hike of essentials has gone beyond control of the government whose failure dampened the spirit of Ramadan. ■



Finance Division, Ministry of Finance

Government of the People's Republic of Bangladesh

The Importance Of Balancing Recurrent And Capital Expenditure

Business Outlook Report

The Finance Ministry has highlighted the crucial need for a balanced approach to budgetary allocations between recurrent and capital expenditure, recognizing their collective impact on the country's growth prospects and social welfare. This perspective is outlined in the ministry's document, the 'Medium Term Macroeconomic Policy Statement (2023-24 to 2025-26)', which underscores the different priorities of developed and developing nations in terms of government spending.

Developed countries often prioritize transfers and subsidies, whereas developing economies are more inclined towards investing

in social and community services. Despite the positive outcomes from income transfers in enhancing citizens' lives, there is a pressing need to ramp up capital expenditure to cater to the increasing public investment demands and foster the creation of productive assets.

Budgetary classifications broadly categorize government spending into recurrent and capital expenditures. Recurrent expenditure encompasses wages, goods and services purchases, subsidies, transfer payments, and interest on loans. In contrast, capital expenditure is directed towards building and enhancing productive assets, including developments under the Annual Development

Program (ADP) and non-ADP initiatives.

The trend in capital expenditure, representing a portion of the total expenditure, has seen an upward trajectory, albeit with fluctuations, while recurrent expenditure has shown a gradual decrease. The revised budget for the fiscal year 2022-23 allocated 59.1 percent to recurrent expenditures, with projections indicating a slight reduction over the next three years. Meanwhile, capital expenditure is set to rise from 40.9 percent in the 2022-23 fiscal year to 41.3 percent by 2026, reflecting an ongoing commitment to bolstering public investment. The increase in recurrent expenditure from 56.7 percent in FY 2017-18 to 59.4 percent in

FY 2021-22 was influenced by various stimulus packages introduced to support vulnerable groups during the combined challenges of the COVID pandemic and the Russia-Ukraine conflict. Conversely, capital expenditure through the ADP, a critical component of the budget, has experienced modest growth from 4.5 percent of GDP in FY18 to an estimated 5.1 percent of GDP in FY 2022-23.

This strategic focus on balancing recurrent and capital expenditures aligns with the government's objectives to drive sustainable economic growth while ensuring the welfare of its citizens through prudent fiscal management. ■



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Growth Centric Budget Faces Setback

Apu Ahmed

It has already been decided that the new budget will be a non-expansionary one due to shortage of resources.

Budget Outline

A meeting of the coordination council headed by the finance minister on the budget, resources and macro-economy held on April 4, set the overall expenditure outlay at Tk 7,97,000 crore for FY25. The provisional amount is only 4.6 per cent higher than the original outlay of Tk 7,61,785 crore in the outgoing FY24. Generally, the size of national budget becomes at least 10 per cent larger than the original one from the immediate previous financial year. But the ministry of finance is going to break the traditional style for the first time in at least one and a half decades because of the resource shortage. The annual development programme, one of the major

components of the national budget, is going to see a minor increase to Tk 2,65,000 crore from original Tk 2,63,000 crore in the outgoing FY24.

IMF Conditions

Besides the resource shortage, the government cannot take an expansionary budget because of conditions from the International Monetary Fund. One of the major conditions of the Washington based multilateral lender is to keep the budget deficit below 5 per cent of the gross domestic product under the programme period between January 2023 and May 2026. The government agreed to take the IMF programme to tackle the shortage of foreign currency leading the country to face one of the worst macro-economic crises in the country's history. The current budget has also been incorporated under the

IMF programme. But the finance ministry led by previous finance minister AHM Mustafa Kamal was able to get some waivers from the IMF in preparing the FY 24 budget because of the initial stage of the \$4.7 billion loan programme in seven instalments.

Waivers

For example, the budget deficit in the outgoing financial year was initially set at 5.1 per cent which is higher than the IMF ceiling. The IMF has already disbursed \$1.1 billion— the first tranche of \$476 million in January 2023 and \$689 million as the second tranche in December 2023. It disbursed the first tranches once the government agreed to carry out necessary reforms as suggested the IMF. The IMF also disbursed the second tranche despite failure by the government to fulfil two major targets relating to the

forex reserves and the revenue incomes. However, the minimum net international reserve of \$26.81 billion for December, 2023 was revised downwards to \$17.78 billion and also for the minimum reserves of \$19.27 billion in March 2024 and \$20.11 billion in June 2024. The IMF also relaxed tax related targets following the negotiation with the government in October 2023.

BoP Crisis On

The government needs to show more commitments towards the loan programme in the remaining period. The finance division has set the budget deficit at 4.5 per cent of GDP for the upcoming national budget to appease the IMF. Such a budget deficit means that the government will not need to borrow much from external and internal sources. Besides, emphasises will be given more on revenue to maintain the fiscal management. The economists have been suggesting a comprehensive budget for long but without any major attention from the government. But now it has to listen to the IMF for the dollars it needs badly to keep the balance of payment. The country's financial account deficit soared to \$7.354 billion in July-January, the first seven months of the current financial year 2023-24. The deficit was \$2.14 billion in FY23, against a surplus of \$15.45 billion in FY22. The country's foreign exchange reserves, as per IMF guidelines, reached \$20 billion as of March 11.

Govt Goes For Costly Borrowing

Finance division officials expect that the IMF would disburse the next tranche under the loan programme by June. They also expect that disbursement of loans by other lenders under the current FY25 will be disbursed timely, as the shortage of dollars held back the government from clearing the payment for energy. The government has little option but to ignore the IMF conditions. It has decided to borrow

around \$2.4 billion at high interest rates, mainly for importing fuel oils and liquefied natural gas amid growing pressure on debt payments and the shortage of dollars. On March 31, the non-concessional loan committee, headed by finance minister Abul Hassan Mahmood Ali approved three proposals in this regard in a meeting. Of the amount, \$2.1 billion will be taken from the

reduce the growth prospect that has already been reflected by the target set at 6.7 per cent for FY 25. The new target is much lower than the original target of 7.5 per cent in the outgoing FY 24. However, In October, the World Bank lowered its growth projection for Bangladesh to 5.6 per cent and the International Monetary Fund projected 6 per cent growth in the current fiscal year.



International Islamic Trade Finance Corporation, a member of the Islamic Development Bank Group, for importing petroleum fuel oils and LNG for the upcoming financial year starting in July. The interest rate of the loan has been estimated at Secured Overnight Financing Rate plus 1.8 per cent for six months. Another loan worth \$100 million will be taken from the same ITFC, almost at the same interest rate and time frame. The loan will be co-financed by Bangladesh Bank. The SOFR is prevailing at 5.3 per cent, more than one percentage point higher than a year ago and almost double from 2022.

Growth To Be Compromised

The shortage of resources will restrict the government from a usual expansionary budget. However, it will not guarantee a balanced budget, the ultimate demand from the economists. There is no doubt that the contractionary budget will

Bangladesh scored 7.1 per cent growth in GDP in 2021-22 but saw the growth rate slowing down to 6.03 per cent in 2022-23.

A Balanced Budget Imperative

With the new budget making process, it is now almost clear that the growth centric model of the current political regime has already faced a setback due to shortage of resources. But it is difficult to say whether it will be a balanced one against the backdrop of poor allocation to education and health. Not only increasing allocation to education and health but the government needs measures to generate higher revenue from direct taxes to tackle dangerous-looking income inequality in the upcoming national budget. Checking inflation as well as capital flight should also get a focus from finance minister Abul Hassan Mahmood Ali to make the budget a comprehensive one. ■

More CEOs Expect Economic Improvement This Year



Business Outlook Report

A higher number of chief executive officers (CEOs) working in firms in Bangladesh expect that the economy is likely to improve in the next one year compared to that a year earlier, according to a survey by PwC Bangladesh released on March 31.

About 36 percent of the CEOs are expecting the economic growth rate to improve, compared to 31 percent in a similar survey conducted last year. The

optimism coincides with a myriad of challenges facing the economy such as high inflation, low foreign currency reserves and a sudden rise in energy prices.

The PwC surveyed 52 local CEOs as a part of its global survey among CEOs across 105 countries and territories from October 2 through November 10 of 2023. In the dynamic global business landscape, local CEOs are confronting an array of challenges and opportunities, the report

said. "Thriving in the era of continuous reinvention" reflects the sentiment of business leaders in Bangladesh amid ongoing economic changes, technological evolution, and environmental concerns.

The survey provides insights into CEOs' strategies for maintaining business relevance and operational efficiency against the backdrop of significant macroeconomic growth and emerging market pressures. According to

the findings of the survey, approximately 57 percent of CEOs in Bangladesh anticipate the necessity for substantial business model changes over the next decade, echoing global trends towards innovation and sustainability.

It also found that nearly half of them (47 percent) have adopted new technologies to create, deliver, or capture value for their business. Another 28 percent stated that they developed new technology in-house by forming their own teams. The

PwC said local CEOs have made good progress in driving decarbonisation initiatives for their companies. Around 72 percent stated that they made progress in their energy efficiency improvement programmes and expressed an optimistic view about the impact of artificial intelligence (AI) in their organisations.

Around 79 percent expect generative AI to increase efficiencies in their own work time, and 74 percent expect it to improve their employees' efficiency in the next 12 months, the report noted. Additionally, 57 percent expect an increase in revenue and 60 percent anticipate a rise in

profitability due to generative AI within the same period. "We see a rising number of CEOs in Bangladesh who are keen to critically assess their organization's long-term relevance with respect to global megatrends such as climate change and technological advancements," said Arijit Chakraborti, director and office managing partner at PwC Bangladesh.

This is indicated by the increasing number of CEOs estimating the relevance of their present business to be less than 10 years, he added. Mamun Rashid, country clients and markets leader, PwC Bangladesh, said: "CEOs in Bangladesh continue to

deal with short-term challenges and long-term opportunities for their business." He also said an increasing number of CEOs are leading the transformation of their organisations through technology adoption, driving impactful changes and delivering meaningful results for their stakeholders.

The findings from the survey underscore a critical juncture for business leaders in Bangladesh. The CEOs must champion transformative leadership, emphasising adaptability, innovation, and sustainability to navigate the evolving market dynamics, PwC suggested. It

further said investing in digital capabilities, fostering a culture of continuous learning, and embedding environmental considerations into core business strategies are pivotal.

Additionally, aligning organisational objectives with changing consumer preferences and regulatory landscapes will be essential for sustained growth and competitiveness, PwC noted. Finally, the PwC said the drive towards digitalisation, coupled with a commitment to sustainable practices, indicates a strategic shift towards resilience and relevance in a rapidly changing world. ■

Conflicting Lighter Vessel Owners Reconcile



Following a dispute that led to a split and saw them operating separately for over three months, two rival organisations of lighter vessel owners have reconciled and announced they would jointly facilitate the transport of imported cargo from Chattogram port's outer anchorage to different parts of the country on inland

water routes. Former Mayor of Chattogram City Corporation (CCC) AJM Nasir Uddin, who played a pivotal role in the reconciliation, inaugurated the new initiative at a programme held at a local hotel on April 2. Nasir announced that three organisations of the lighter vessel owners would start giving serials and allocating

vessels from a single platform from March 23. The platform will have a new name and comprise of representatives from all stakeholders, he said. Director General (DG) Commodore Mohammad Maksud Alam was present as chief guest at the programme, where leaders of the three organisations also spoke. In 2004, three organisations -- the Bangladesh Cargo Vessel Owners Association (BCVOA), the Inland Vessel Owners Association of Chattogram (IVOAC), and the Coastal Ship Owners Association of Bangladesh (COAB) -- jointly formed a platform, named Water Transport Cell (WTC), to operate vessel for the transport of imported

cargo through inland waterways. But a conflict had been brewing among leaders of BCVOA and IVOAC for the past few years. Eventually, on December 19 last year, IVOAC leaders decided to split from the WTC and start operating vessels independently. The Department of Shipping took several steps to mediate the dispute between the two organisations but to no avail. Sources said leaders from both organisations sat in series of meetings since February before finally reaching an agreement. BCVOA leader Parvez Ahmed said the proposed name of the new platform is Bangladesh Water Transport Coordination Cell. ■



Ali Reza Mazid, Member (Investment Promotion) of BEPZA, and Li Yecai, Managing Director of Taisheng (Bangladesh) Webbing Co Ltd, signed an agreement on behalf of their respective organisations at the BEPZA Complex in the city recently in presence of Executive Chairman Major General Abul Kalam Mohammad Ziaur Rahman. ■



Users of MeghnaPay, digital banking wallet of Meghna Bank, will be able to add money to their wallet and transfer money to Visa, credit, and debit cards through EBL SKYPAY, the payment gateway of Eastern Bank (EBL). M. Khorshed Anowar, deputy managing director and head of retail and SME banking, EBL, and Md. Sadiqur Rahman, deputy managing director, Meghna Bank, signed an agreement at the EBL head office in the capital recently. ■



The 389th Board Meeting of Standard Bank PLC was held at the bank's Head Office in Dhaka. Chairman of the Board of Directors Kazi Akram Uddin Ahmed presided over the meeting. ■



Union Bank PLC has stepped into its 12th year. On the occasion, an anniversary celebration programme was held at its Head Office in Dhaka recently. ■



Southeast Bank distributed a special CSR fund to help farmers with cultivation and purchasing agri machinery. Nuruddin Md Sadeque Hossain, managing director of Southeast Bank, handed over financial assistance to grass-roots farmers at the bank's head office. ■



NCC Bank will provide financial assistance of Tk 9.5 million to a jute retting research project undertaken by the Department of Biochemistry & Molecular Biology of Dhaka University as part of its CSR programme in the farming sector. ■



Bangladesh Garment Manufacturers and Exporters Association (BGMEA) president Faruque Hassan paid a courtesy call on Monirul Islam, Ambassador of Bangladesh to Italy, at the embassy in Rome. ■



The 38th meeting of the risk management committee of the board of directors of Modhumoti Bank was held virtually on Wednesday. The meeting was presided over by Mostafa Kamal, chairman of the board's risk management committee of Modhumoti Bank. ■



Mercantile Bank has donated Tk 0.5 million to the Society for the Welfare of Autistic Children (SWAC). The bank's Company Secretary Abu Asghar G Haruni presented the cheque to SWAC Chairperson Subarna Chakma at SWAC's head office in the capital. ■



National Housing Finance, a company with over 25 years of experience in the housing finance sector, expanded its operations on Monday with the launch of a Sharia-based Islamic wing. The inaugural programme was attended by Mahbubur Rahman, chairman of the company, Md Fariduddin Ahmed, chairman of the Sharia Supervisory Committee, Mawlana Shah Mohammad Wali Ullah, member of the Sharia Supervisory Committee, and Mohammad Shamsul Islam, managing director of National Housing Finance. ■



The MTB Foundation recently held an event to commemorate World Autism Awareness Day 2024, which this year focused on the theme 'Awareness - Recognition - Valuation: Moving From Surviving to Thriving'. The event, held in partnership with PFDA - Vocational Training Centre Trust (PFDA-VTC), took place at the PFDA-VTC premises. ■



The 871st meeting of the Executive Committee (EC) of Shahjalal Islami Bank PLC (SJIB PLC) was held recently at the Corporate Head Office of the bank. The meeting was presided over by Akkas Uddin Mollah, Chairman of the Executive Committee (EC) of the bank. ■



Dhaka Traffic Jams Cutting GDP By Nearly 3%

Business Outlook Report

Severe traffic gridlocks in the capital are costing the country nearly Tk140 crore of working hours every day while slashing annual economic output by nearly 3%, the Dhaka Chamber of Commerce and Industry (DCCI) said at a discussion session on April 2. Dhaka South City Corporation (DSCC) Mayor Sheikh Fazole Noor Taposh said, “We, ourselves are responsible for the unplanned urbanisation of Dhaka,” that is now causing various problems including acute traffic congestions.

As the guarding of the capital’s southern part, DSCC would assume the responsibility of planning urbanisation here and has already taken a number of initiatives in this regard, Taposh said at the event. Traffic jams are gradually eroding the economic and commercial

importance of Old Dhaka, DCCI President Ashraf Ahmed said at the event held to discuss the ways to improve the traffic situation in the once prolific part of the capital city. The economy of Old Dhaka has a 20% share in the country’s GDP, but inadequate infrastructural facilities, inefficient traffic management system, unplanned road diggings, unlawful parking, occupation of pavements and gridlocks are impeding economic activities there, Ashraf observed.

Additional Police Commissioner Md Munibur Rahman of Dhaka Metropolitan Police’s traffic section said that usable roads only account for 5% of Dhaka city’s total area, and thus roads here have to contend with huge passenger and cargo pressures. The police are fast-tracking recruitment of sufficient number of traffic

police members for easing gridlocks in the Old Dhaka’s Chawkbazar, Chhoto Katra, Boro Katra, Patuatuli and other areas that are wholesale hotspots. He suggested introducing smart parking facilities for Old Dhaka’s wholesale markets, relocating the inter-district bus station from Gulistan area, building skywalks for accommodating street hawkers and in the meantime fixing time schedules for the hawkers.

Dhaka Transport Co-ordination Authority Executive Director Neelima Akhter urged drafting working plans in coordination with all the relevant authorities and implementing the final plan on a priority basis for easing the Dhaka traffic crisis, and consequently removing the additional burden on the country’s economic output. ■

Economy To Post Subdued Growth For At Least Three Years



Business Outlook Report

Bangladesh's economy is projected to grow at less than 6 percent for three consecutive years, including the current fiscal year, said the World Bank yesterday, a pace that is slower than the average expansion recorded in the pre-pandemic decade.

The Washington-based lender said the growth of gross domestic production (GDP)—the final value of goods and services produced in an economy for a certain period --

would remain subdued in the short-run with downside risks. "Elevated inflation, forex shortages, import restrictions and financial sector vulnerabilities weigh on the outlook," said Bernard James Haven, a senior economist of the World Bank, while presenting the key observations on Bangladesh's economy.

"So, the World Bank is forecasting subdued growth. However, with the right policies, the growth can reaccelerate," he said at a press briefing at

the WB's Dhaka office on April 2. The multilateral lender said the economy would grow at 5.6 percent in 2023-24, lower than the South Asian average of 6 percent for 2024. Annual GDP growth averaged 6.6 percent in the decade before the pandemic struck the world in 2020.

Slower growth is projected to persist in 2024-25, it said, forecasting a marginal increase to 5.7 percent, driven by a modest recovery in private consumption supported by a moderation in inflation. Once again,

the forecast for Bangladesh would be lower than its projection of 6.1 percent for South Asia in 2025 though it would grow at the second-highest pace in the region. The WB said Bangladesh's economy would improve in 2025-26 and register a 5.9 percent expansion.

Persistent inflation is expected to weigh on private consumption growth, and shortages of energy and imported inputs combined with rising interest rates and financial sector vulnerabili-

ties are expected to dampen investor sentiment. "Investment recovery will need support from improved implementation of large public investment projects," said the lender, adding that this will be reflected in higher industrial growth, even though services growth is expected to remain subdued.

The growth is forecast to increase gradually over the

exchange reserves and persistent inflationary pressure." Bangladesh's foreign exchange reserves have more than halved to \$19.46 billion on March 27 compared to the level seen in August 2021.

The report cautioned that the delay in exchange rate reforms can perpetuate forex shortages and import restrictions. Headline inflation is expected to

inflation and normalisation of imports will take place only gradually as the recent measures introduced by the central bank are expected to impact the real economy with a lag.

The inflation trajectory depends crucially on the extent of the transmission of the BB's contractionary monetary policy and the government's fiscal policy stance, it said. Fiscal risks

challenge of a gradual loss of preferential market access." In anticipation of the transition, it said, Bangladesh needs to adopt policies to boost trade competitiveness and broaden its participation in bilateral and multilateral free trade agreements.

The WB recommended reducing the excessive dependence on readymade garments by bolstering the



medium-term as monetary, exchange rate, financial and structural reforms are implemented. However, there are risks too. "Even though political uncertainty has diminished with a new cabinet taking oath after the national elections held in January 2024, downside risks to the outlook are significant," the WB said.

"Inadequate progress in monetary and exchange rate reforms may result in a further decline in foreign

remain elevated at 9.6 percent in 2023-24 before moderating to 8.6 percent in the next fiscal year. "The continued depreciation of the taka and curbs on the imports of consumer and capital goods due to persistent foreign exchange shortages will add to inflationary pressures," the WB said.

The lender cited the contractionary monetary policy initiated by the Bangladesh Bank and said a sustained moderation in

include a revenue shortfall, potential financial sector fiscal liabilities, and deficit monetisation, the WB said. Going forward, the multilateral lender suggested expediting structural reforms to address the complex set of challenges on its path to achieving upper-middle-income country status by 2031.

"As Bangladesh approaches its graduation from the UN's least-developed country classification in 2026, it will encounter the

technological and managerial capabilities of domestic firms to enable them to diversify into new areas. Garment accounted for 84.6 percent of exports in FY23, with a declining share of engineering, agriculture, jute, frozen food, and leather goods in recent years.

"Bolstering domestic revenue generation is critical to finance diverse investment needs in the long term," the WB added. ■



ICT Entrepreneurs Demand Extension Of Tax Exemptions

Business Outlook Report

With tax exemptions for the information technology (IT) and IT-enabled services sector ending after this fiscal year, ICT entrepreneurs are demanding the continuation of such incentives for seven more years to help build a 'Smart Bangladesh'. Entrepreneurs fear that suspension of the privilege would be a crushing blow to the industry, which has experienced some headwinds in recent months due to a slump in global demand.

The global economic slowdown has resulted in a 4.4 percent drop in Bangladesh's IT exports, which reached \$221.5 million in the first five months of the current fiscal year. "The tax exemptions are crucial for local IT entrepreneurs as the sector has all the potential for export diversification," said Russell T Ahmed, president of the Bangladesh Association of Software and Information

Services (BASIS). "Most importantly, the tax exemption has played a role in building a digital Bangladesh and the local IT industry was the architect of that." As the core vision of the government is to transform the country into a Smart Bangladesh, the continuation of the IT exemption is more important than ever before, he added.

He said BASIS had conveyed this message to senior government officials and hoped it would be considered. To transform into a Smart Bangladesh, all sectors will be required to strategically embrace ICT. Its implementation is pivotal and the transformative potential of technology is undeniable, Ahmed added. BASIS and other ICT trade bodies have already sent proposals to Finance Minister Abul Hassan Mahmood Ali, urging the government to extend tax exemptions till June 2031. The government has set

an aim to achieve its vision for a Smart Bangladesh by 2041. But if the tax exemption is not extended, it will seriously impact the overall goal since ICT will be the backbone of Smart Bangladesh, said Rashad Kabir, director of BASIS. "It will ultimately increase the cost of ICT-related products and people will be reluctant to buy digital products eventually," he said.

"Over the last couple of years, we have heard a number of commitments regarding the extension of tax exemptions from a number of ministers of the present government," Kabir added. "If it is not extended, it will be seriously frustrating news for the industry as there will be very little chance for further growth and the move would not match the manifesto of the government either." ■



Lending Rate Tops 13.55% In April

Business Outlook Report

The lending rate in the banking sector crossed 13.55% this April, as the Bangladesh Bank (BB) raised the benchmark rate, known as the Six-Month Moving Average Rate of Treasury Bill (SMART) for March. In January, the rate was 8.68%.

The benchmark interest rate at the end of March increased to 10.55% from February's 9.61%. Banks are allowed to add 3% to the SMART rate to determine their lending interest. Previously, banks were permitted to add 3.50%. However, on Sunday, BB issued a circular to decrease the interest rate. The new rate will take effect from today.

The benchmark rate has increased 94 basis points in just one month, the highest in the past six months, making borrowing even costlier. According to the BB data, during the first two months of the current fiscal year – July and August, the interest rate was at 7.10% and 7.14% respectively.

Then in September and October, the rate again increased to 7.20% and 7.43%. In November and December, it was further raised to 7.72% and 8.14%. The central bank calculates the SMART rate by taking the six-month average of treasury bill interest rate into consideration. BB published the new rate on its website. On the advice of the

International Monetary Fund (IMF), the SMART rate corridor was introduced in July 2023, the first month of the current FY24 by lifting the 9% interest rate limit on bank loans. As per the rules, the central bank reveals the SMART interest rate at the beginning of every month. This rate will apply to new loans to be disbursed in that month.

The interest rate will be effective for six months for customers taking loans in a specific month. The central bank is taking steps to check inflation by raising interest rates. BB hopes that the rise in interest rates will make it easier to deal with inflation. After the introduction of the new rules,

many banks have started increasing the interest rates on deposits. As per the policy, the interest rate on agricultural and rural loans will be 1% lower than general ones. In that case, a maximum margin of 2% will be added to the SMART rate. The interest rate for loans in this sector will be a maximum of 12.55% for the next six months.

However, banks can add a 1% supervision charge in case of consumer loans like cottage, micro, small and medium enterprises (CMSME) sector, personal loans and car purchases. BB published the six-month average interest rate of 182-day treasury bills from January last year. ■



Celebrating Eid Getting Harder For The Vulnerable

Business Outlook Report

As middle and low-income segments of society struggle against the backdrop of a severe cost-of-living crisis, the surge in aggregate demand ahead of Eid-ul-Fitr poses a further hurdle for many striving to celebrate the festival.

The prices of almost every essential commodity usually increase during Ramadan since demand rockets while clothes, footwear products, and other accessories get costlier as consumers open up their wallets to make their holiday memorable.

On both occasions, fixed and low-income people come under stress since the cost of living goes up. The scenario is unlikely to be different for them this Eid. Rather, their struggle has intensified because of the record level of inflation for an unprecedented period. Kafil Uddin,

a medical assistant who provides primary treatment to workers at a garment factory, lives with his three children and wife in Savar's Ashulia area. He said they are not going to their village home during the holiday owing to financial constraints.

"We have not visited our village home for many months. Therefore, we had a plan to go during this Eid. But we have been compelled to discard the plan as I have no money to afford the travel and associated costs after meeting the regular expenses of the family."

Kafil is one of the millions of Bangladeshis who would struggle to buy new clothes and footwear items for their children and other family members and put delicious foods on the table, a tradition that has taken root in the Muslim-majority nation. It comes as Bangladesh is battling

record consumer prices. Inflation has stayed over 9.5 percent in the first eight months of the current fiscal year after a 12-year high of 9.02 percent in the previous financial year.

Around 5 lakh people in Bangladesh likely fell into extreme poverty between the fiscal years 2022-23 and 2023-2024 due to the erosion of purchasing power, said the World Bank. In addition, 8.4 lakh people are projected to join the ranks of the moderately poor.

Higher food prices particularly impacted poor households, which allocate over half of their budget towards food expenditures, the WB said. "For the people like us who are struggling to manage their expenses due to the abnormally high prices, Eid will be a stark reminder of our hardships instead of just joy," said an assistant teacher of a government

primary school. He draws a salary of about Tk 24,000 per month, but still he has not been able to buy anything for his wife, three children and parents, said the teacher with a tinge of sadness.

"My children are crying for new clothes, but I have nothing to do. My whole salary is divided between essentials, medicines, and house rent." Although consumption climbs for most products ahead of the biggest religious festival of the

country, there are products and businesses that witness an opposite trend. "The real estate business consistently witnesses a slump during Ramadan," said Khan Tanjeel Ahmed, general manager for product and growth at Bproperity, a real estate company.

Nurul Afsar, a managing partner of Broccoli Restaurant on the Sonargaon Janapath Road in the capital's Uttara, said although sales are low in the restaurant sector, staff will have

to be paid salaries and bonuses. "We don't lay off employees even though our business usually experiences slowdown during the fasting month. If a capable staff member leaves, it is difficult to find his replacement."

Proshanta Chowdhury, manager of Konika Colour Lab at Plaza AR in Dhanmondi, said the volume of work usually declines in the sector during Ramadan as fewer people take photos or require their services. ■

Mobile Internet Connections Rise To 11.74cr In Feb



The number of active mobile internet connections in the country increased by 0.11 lakh to 11.74 crore in February compared with that of 11.63 crore in January, according to the latest data published by the Bangladesh Telecommunication Regulatory Commission.

Prior to this uptick, the number of active mobile internet connections gradually decreased for

six months from August 2023 to January 2024. In the same period, however, the number of total mobile users in the country increased, reaching 19.04 crore in January 2024 from 18.86 crore in August 2023.

As of February, the total number of mobile users in the country increased by 90,000 to reach 19.13 crore, according to the BTRC data. According to the data, the number of

broadband internet connections remained unchanged in February compared with that in the previous month. The number of broadband connections stood at 1.28 crore in February, which was the same in the previous two months.

The last time the number of broadband connections increased was in December 2023, by 0.04 crore. Before December, the broadband connec-

tions maintained a steady figure of 1.24 crore from September to November of 2023. According to the BTRC data, Grameenphone, Robi, Banglalink and Teletalk – all four telecoms saw increase in their connections in February.

In February, Robi Axiata gained about 1,00,000 active mobile connections, reaching 5.83 crore from 5.82 crore in January. Banglalink also experienced a rise in February, gaining around 5,00,000 in active connections, raising the number to 4.39 crore in February.

Grameenphone recorded a rise, according to the BTRC data, by gaining 3,00,000 connections in February. The state-owned telecom operator Teletalk also experienced a slight growth with its active connections rising to 65 lakh in February compared with that of 64.8 lakh in January. ■

Worry About Economic Woes Over Now



Business Outlook Report

Concern about the country's economic condition is now all over, claimed the finance minister on March 31 and presented before journalists a brief account of the latest macroeconomic developments.

Mr Abul Hassan Mahmood Ali told the economic reporters that due to higher remittance inflow and an increase in export earnings, the dollar crisis eased significantly, leading to improvement in the country's overall the economic condition. The finance minister was speaking at a pre-budget discussion with a delegation of the Economic Reporters Forum at his secretariat office in the capital, Dhaka. The ERF team placed a number of

recommendations with the minister for consideration as the budget for the next fiscal year is on the anvil with inputs drawn from various quarters concerned. Mr Ali noted that some people were telling that the country was heading for an economic situation that Sri Lanka experienced-political upheavals triggered by an abrupt financial meltdown in the South Asian island nation. However, he said, that apprehension proved to be "wrong".

The new economic pointsman of the Awami League government pointed out some developments in the positive direction on the financial front. He said a delegation of the Asian Infrastructure Investment Bank (AIIB)

met him recently and assured him of extending financial support as much as needed. On getting such assurance he feels that there is "nothing to feel concerned about". "There is no crisis in the country," he said.

The minister thinks whatever needed people are getting those. But he agreed that there is some sort of dissatisfaction brewing over the commodity prices. "The country is running in line with the open-market-economy concept," he said. Finance Division secretary Dr Khairuzaman Mozumder said in the last one to two months the country's economy performed "very well". "Our export is rising continuously, remittance is also increasing. The

exchange rate has become somewhat stable." And the good news is the development partners are also telling that Bangladesh's economic condition is becoming stable, he said. In its proposal, the ERF, the apex body of Dhaka-based economic reporters, advocated for reduction in duty on import of some basic commodities to help lessen the impacts of high inflationary pressure on the consumers.

Also, the forum suggested raising agri-subsidy, lowering import duty on cattle, poultry, and fish feeds, incentives for cottage, micro, small, and medium enterprises, providing subsidy to the exporters in different names like technology-upgrading fund or skills-development fund after Bangladesh's graduation from the least-developed-country club, and ensuring gas and power supply in the industrial units at any cost.

The ERF-delegation members also urged the minister for creation of trustworthy environment in the banking system, ensuring transparency and accountability in the energy sector, stopping gold smuggling, allowing offshore investment by Bangladeshi large businesses, not taking any new mega-infrastructures in next three years, and steps for employment generation, among others. ■



New Budget To Set 10 Priorities To Steady Economy

Business Outlook Report

The government plans to design a Tk 7,96,900 crore outlay in the new budget with a focus on tight spending policy as economic headwinds are expected to persist in the next fiscal year.

The government set 10 priorities in the next budget and the battle against stubborn inflation comes on top. It will also try to ensure that every village gets the facilities found in urban areas. The draft outlays for the new budget were discussed on April 4 at a meeting of the Fiscal Coordination Council, chaired by Finance Minister Abul Hassan Mahmood Ali.

This was the first meeting of the council since the new government assumed office after the January 7 parliamentary elections. The draft

budget is only 4.6 percent bigger than the original budget of the current fiscal year. The marginal increase would be because of the government's austerity measures.

Usually, budgets swell by 12 to 13 percent every year. The budget for the current fiscal year is Tk 7,61,785 crore, a 12.35 percent increase from the previous year. A finance ministry official said, "A preliminary outline has been set. However, the figure could be changed slightly during finalisation before it is placed in parliament." The development budget is likely to remain almost the same as that of the current year's budget.

As part of the government's tightening of the belt, the annual development programme (ADP) for the next fiscal year would see only a 0.76

percent or Tk 2,000 crore increase to Tk 2,65,000 crore. A high official of the central bank told the meeting that the pressure on the economy would not ease in the first half of the next fiscal year. As a result, the government needs to continue the tight fiscal and monetary policy, said sources.

One of the priorities of the budget would be imposing slight contractionary policies, considering the global economic and domestic macroeconomic situations. Another key priority is keeping the budget deficit to a containable level so that macroeconomic balance is ensured and inflation is reduced.

The budget would provide sufficient allocation for implementing the government's "My village-my town" vision. Finishing fast-track

projects on time; ensuring sufficient allocation for fighting climate-change impacts; ensuring food security; and expanding social safety net programmes, digital education, healthcare, and agricultural mechanisation are among the priorities of the budget.

At the fiscal coordination council meeting, the current economic situation, inflation, and foreign currency reserves were discussed, sources said. The government aims to keep inflation at 6.5 percent in the next fiscal year. The original inflation target for the current fiscal year, 6 percent, might be missed and the World Bank has said inflation would be at 9.6 percent this June.

The government has revised the target to 7.5 percent. The council yesterday assumed that the inflation target could be achieved by implementing tight monetary and fiscal policies and improving the supply chain. It believed that it would not be possible to turn around the forex reserve situation unless the interest rates in foreign countries were cut.

A Bangladesh Bank official said the private sector would not be encouraged to take fresh loans from foreign sources if the interest rate does not go down. The council also set a budget deficit target of 4.7 percent of the GDP. This year's budget deficit target is 5.2 percent. While setting conditions for its \$4.7 billion

loan programme for Bangladesh, the International Monetary Fund set a limit of budget deficit to below 5 percent of the GDP to control higher inflation and ease forex pressure. The government's overall revenue collection target is about Tk 5,00,000 crore this fiscal year and it would be Tk 5,40,000 crore next year.

The revenue growth target will be 4.5 percent higher than that of the current fiscal year. The government aims to have its GDP growth at 6.75 percent next year. The economic growth goal is expected to be revised downwards to 6.5 percent from 7.5 percent. ■

Meet Forex Reserves Target To Get 3rd Tranche Of Loan



The International Monetary Fund (IMF) has emphasized meeting the target of the foreign exchange reserve set for March 2024 as a condition of \$4.7 billion in loan support for Bangladesh. The global lender upheld its stand during a meeting with Bangladesh Bank

officials on April 3. The IMF team was visiting Bangladesh to assess the financial outlook before releasing the third installment of the \$4.7 billion loan. As per the conditions of the loan from the IMF, it was set as a target to hold \$19.26 billion in reserves in March 2024.

But actual reserves are less than \$16 billion. There is difficulty and uncertainty about the third installment of the IMF loan as the IMF has been somewhat strict in meeting the conditions, said an official of the central bank. He told UNB that the Bangladesh Bank officials

have given several points for causing the reserve shortage. He hoped the IMF would finally be convinced of Bangladesh's position in this regard. The government signed a \$4.7 billion loan deal with the IMF to solve the dollar crisis. A review mission of the IMF is visiting Bangladesh before the third installment of the loan is disbursed. Dr Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh (PRI), told UNB that despite the IMF easing the net reserve requirements, it is difficult for Bangladesh to meet the March target. He also said that the global lender may set a new standard of net reserves for Bangladesh or delay the disbursement of the third tranche of the \$4.7 billion loan. ■

WEEKLY SELECTED ECONOMIC INDICATORS

Chief Economist's Unit
(Policy Support Wing)
09 April 2024

	06 April 2023		30 June 2023		31 March 2024		08 April 2024	
1.	Foreign Exchange Reserve (in million US\$)	31198.25	31203.00	25220.33	25385.20	20105.83 (BPM6)		
2.	Interbank Taka-USD Exchange Rate (average)	106.8556	108.3576	110.0000	110.0000	110.0000		
3.	Call Money Rate	6.01	6.18	9.00	9.00	8.71		
	Weighted Average Rate (in Percent)							
	Broad/Overall Share Price Index	06 April 2023	26 June 2023	08 April 2024	Percentage change			
					From June, 2023	From June, 2022		
4.	a) Dhaka Stock Exchange (DSE) [®]	6214.20	6344.09	5860.23	-7.63	-2.55		
	b) Chittagong Stock Exchange (CSE)	18304.76	18702.20	16687.84	-10.77	-2.26		
		March, 2023	July-Mar., FY23	March, 2024 ^P	July-Mar., FY24 ^P	FY23		
5.	a) Wage Earners' Remittances (in million US\$)	2022.47	16035.08	1996.85	17074.24	21610.73		
	b) Annual Percentage Change	8.75	4.82	-1.27	6.48	2.75		
		February, 2023	July-Feb, FY23	February, 2024 ^P	July-Feb, FY24 ^P	FY23		
6.	a) Import (C&F) (in million US\$)	4624.00	52190.00	5247.00	44108.00	75061.60		
	b) Annual Percentage Change	-44.46	-11.20	13.47	-15.49	-15.81		
		February, 2023	July-Feb, FY23	February, 2024 ^P	July-Feb, FY24 ^P	FY23		
	a) Import (f.o.b) (in million US\$)	4282.00	48309.00	4863.00	40889.00	69495.00		
	b) Annual Percentage Change	-44.40	-11.16	13.57	-15.36	-15.76		
		March, 2023	July-Mar., FY23	March, 2024 ^P	July-Mar., FY24 ^P	FY23		
7.	a) Export (EPB) (in million US\$)*	4643.94	41721.62	5102.57	43554.78	55558.77		
	b) Annual Percentage Change	-2.49	8.07	9.88	4.39	6.67		
		July-February, FY23	July-February, FY23	July-February, FY24 ^P	July-February, FY24 ^P	FY23		
8.	Current Account Balance (in million US\$)	-3455.0		4762.0	-2665.0			
		February, 2023	July-Feb, FY23	February, 2024 ^P	July-Feb, FY24 ^P	FY23		
9.	a) Tax Revenue (NBR) (Tk. in crore)	23729.63	196039.85	28305.99	226586.56	331454.89		
	b) Annual Percentage Change	1.72	8.92	19.29	15.58	9.89		
	Investment in National Savings Certificates	February, 2023	July-Feb, FY23	February, 2024 ^P	July-Feb, FY24 ^P	FY23		
10.	a) Net sale	-440.08	-3509.51	-1541.44	-8891.77	-3295.94		
	b) Total Outstanding	360500.62	360500.62	358501.66	358501.66	360714.19		
		February, 2023	June, 2023 ^R	February, 2024 ^P	Percentage change			
					Feb'24 over Feb'23	Feb'23 over Jun'22		
11.	a) Reserve Money (RM) (Tk. in crore)	350346.90	383585.20	352858.30	0.72	10.49		
	b) Broad Money (M2) (Tk. in crore)	1763032.30	1887167.90	1919805.50	8.89	10.48		
		February, 2023	June, 2023 ^R	February, 2024 ^P	Feb'24 over Feb'23	Feb'23 over Jun'22		

12.	Total Domestic Credit (Tk. in crore) a) Net Credit to the Govt. Sector b) Credit to the Other Public Sector c) Credit to the Private Sector	July-February, FY23		July-February, FY24 ^P		Percentage change							
		Opening	Settlement	Opening	Settlement	June, 2023 [#]	September, 2023 [#]	December, 2023 [#]	January, 2024 [#]	June, 2023 [#]	September, 2023	December, 2023	January, 2024 [#]
		1787185.60	309866.60	1926770.70	2004108.70	12.14	4.01	6.91	15.25				
		309866.60	43249.70	387349.80	379502.40	22.47	-2.03	9.37	36.72				
		43249.70	1434069.30	45164.70	47669.90	10.22	5.55	16.27	21.41				
		1434069.30		1494256.20	1576936.40	9.96	5.53	6.13	10.58				
13.	L/C Opening and Settlement (in million US\$)												
	a) Consumer Goods	5505.34	5312.33	4515.23	4313.31	-17.98	-11.37	-18.81	-11.37				
	b) Capital Machinery	2185.94	2481.20	1768.10	1851.85	-19.11	-36.65	-25.36	-36.65				
	c) Intermediate Goods	3601.71	3627.48	2999.98	3307.57	-16.71	-23.67	-8.82	-23.67				
	d) Petroleum	6573.74	6613.48	5921.02	6117.08	-9.93	15.93	-7.51	15.93				
	e) Industrial Raw Materials	15857.85	19165.35	15208.78	14362.54	-4.09	-13.94	-25.06	-13.94				
	f) Others	12714.52	14289.47	14063.01	14366.03	10.61	-4.96	0.54	-4.96				
	Total	46439.10	51489.31	44476.12	44318.38	4.23	-13.93	-13.93	-12.38				
	Rate of Inflation on the basis of Consumer Price Index for National (Base:2005-06=100)	June, 2022	September, 2022	December, 2022	March, 2023	June, 2023 [#]	September, 2023 [#]	December, 2023 [#]	January, 2024 [#]	February, 2024 [#]			
	a) Twelve Month Average Basis	6.15	6.96	7.70	8.39	9.02	9.29	9.48	9.59	9.66			
	b) Point to Point Basis	7.56	9.10	8.71	9.33	9.74	9.63	9.41	9.86	9.67			
14.	Corresponding Period	June, 2021	September, 2021	December, 2021	March, 2022	June, 2022	September, 2022	December, 2022	January, 2023	February, 2023			
	a) Twelve Month Average Basis	5.56	5.50	5.55	5.75	6.15	6.96	7.70	7.92	8.14			
	b) Point to Point Basis	5.64	5.59	6.05	6.22	7.56	9.10	8.71	8.57	8.78			
	Classified Loan	June, 2021	December, 2021	June, 2022	September, 2022	December, 2022	March, 2023	June, 2023	September, 2023	December, 2023			
	a) Percentage Share of Classified Loan to Total Outstanding	8.18	7.93	8.96	9.36	8.16	8.80	10.11	9.93	9.00			
	b) Percentage Share of Net Classified Loan	-0.47	-0.43	0.49	0.90	-0.08	0.30	1.58	1.22	0.59			
	Agricultural and Non-farm Rural Credit (Tk. in crore)	January, 23	February, 23	July-February, FY23	January, 24 ^P	February, 24 ^P	July-February, FY24 ^P	FY23	FY22	FY21			
	a) Disbursement**	2014.22	2382.19	21066.51	2827.68	2536.90	23690.75	32829.89	28834.21	25511.35			
	b) Recovery	2016.74	2539.03	20985.53	2531.05	2351.12	22661.71	33010.09	27463.41	27123.90			
	c) Outstanding	51225.71	51234.84	51234.84	55634.92	55860.89	55860.89	52704.45	49802.28	45939.80			
17.	SME Loan (Tk. in crore)	Oct-Dec, FY22	Jan-Mar, FY22	Apr-Jun, FY22	Jul-Sept, FY23	Oct-Dec, FY23	Jan-Mar, FY23	Apr-Jun, FY23 ^P	FY23	FY22			
	a) Disbursement	57118.60	51716.69	56484.26	51676.81	60611.61	49068.40	62747.05	224103.87	207395.04			
	b) Outstanding	252082.09	259704.21	271448.58	273906.60	282896.54	283236.32	295842.02	295842.02	271448.58			
	Industrial Term Loan (Tk. in crore)	Oct-Dec FY22	Jan-Mar, FY22	Apr-Jun, FY22	Jul-Sept, FY23	Oct-Dec, FY23	Jan-Mar, FY23 ^P	Apr-Jun, FY23 ^P	FY23	FY22			
	a) Disbursement	18772.59	17340.49	21413.63	18562.45	29574.55	20907.66	26127.36	95172.03	72360.96			
	b) Recovery	18477.42	16572.97	16832.73	20610.17	50593.69	17899.35	17290.02	106393.23	64862.58			
	c) Outstanding	308918.45	310572.40	320410.22	328742.50	360051.14	383075.76	395317.82	395317.82	320410.22			
19.	GDP Growth Rate (in percent, Base: 2005-06=100)	FY15	FY16	FY17 ^N	FY18 ^N	FY19 ^N	FY20 ^N	FY21 ^N	FY22 ^N	FY23 ^{NR}			
		6.55	7.11	6.59	7.32	7.88	3.45	6.94	7.10	5.78			

Weekly basis commodity Statement of LCs Opened and Settleed for the month of August/2022

In million US \$(Provisional)

Sl. No.	Name Of The Commodity	First week		Second week		Third week		Fourth week		Fifth week		Total	
		Opened	Settled	Opened	Settled	Opened	Settled	Opened	Settled	Opened	Settled	Opened	Settled
1.	Rice	6.54	2.75	6.74	6.05	16.40	4.26	8.36	3.21	4.98	0.51	43.03	16.78
	i) Private Sector	6.52	2.75	6.74	6.05	16.37	4.26	8.36	3.21	4.98	0.51	42.97	16.78
	ii) Public Sector	0.02	0.00	0.00	0.00	0.04	0.00	0.00	0.00	0.00	0.00	0.06	0.00
2.	Wheat	35.70	11.42	0.91	12.04	0.68	6.45	18.73	10.57	119.26	3.62	175.29	44.10
	i) Private Sector	13.28	11.42	0.91	12.04	0.68	6.45	18.73	10.57	119.26	3.62	152.87	44.10
	ii) Public Sector	22.42	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	22.42	0.00
3.	Sugar	3.36	10.09	0.07	10.78	0.02	5.27	2.53	24.36	0.04	10.33	6.02	60.83
	a. Raw	0.00	5.09	0.04	5.78	0.02	5.27	2.53	14.36	0.00	10.28	2.59	40.78
	i) Private Sector	0.00	5.09	0.04	5.73	0.02	5.27	0.00	14.36	0.00	10.28	0.06	40.73
	ii) Public Sector	0.00	0.00	0.00	0.06	0.00	0.00	2.53	0.00	0.00	0.00	2.53	0.06
	b. Refined	3.36	5.00	0.03	5.00	0.00	0.00	0.00	10.00	0.04	0.06	3.43	20.04
	i) Private Sector	0.00	5.00	0.00	5.00	0.00	0.00	0.00	9.98	0.04	0.06	0.04	20.03
	ii) Public Sector	3.36	0.00	0.03	0.00	0.00	0.00	0.00	0.02	0.00	0.00	3.39	0.02
4.	Milk Food	10.02	10.82	3.15	6.34	1.93	1.75	4.01	8.15	0.09	0.53	19.21	27.60
5.	Edible Oil (Refined)	47.55	36.81	49.28	51.78	91.38	46.41	57.07	17.37	0.00	4.03	245.29	156.40
	a) Soyabean	2.93	18.50	14.18	0.00	4.81	2.49	0.00	8.66	0.00	0.00	21.92	29.65
	b) Palm Oil	4.77	13.76	0.01	28.85	19.57	16.25	57.07	4.86	0.00	4.03	81.42	67.75
	c) Others	39.85	4.55	35.09	22.93	67.00	27.67	0.00	3.85	0.00	0.00	141.95	59.00
6.	Edible Oil (Crude)	39.50	40.14	9.36	15.78	44.59	54.37	51.72	23.16	0.01	17.45	145.17	150.91
	a) Soyabean	10.23	13.30	6.52	10.69	17.56	45.18	21.30	22.74	0.00	11.50	55.60	103.41
	b) Palm Oil	0.00	0.00	0.00	5.10	0.00	9.17	30.40	0.37	0.00	0.00	30.40	14.63
	c) Others	29.27	26.84	2.84	0.00	27.04	0.02	0.02	0.05	0.01	5.95	59.17	32.86
7.	Dry Fruits	0.60	0.32	0.32	0.52	0.41	0.14	0.57	0.24	0.07	0.03	1.97	1.25
	a) Dates	0.09	0.06	0.11	0.29	0.22	0.03	0.40	0.06	0.04	0.01	0.86	0.45
	b) Others	0.50	0.26	0.21	0.24	0.19	0.10	0.17	0.18	0.03	0.03	1.10	0.80
8.	Pulses	0.57	0.82	1.27	0.71	1.06	15.39	8.53	7.58	2.06	2.56	13.49	27.05
	a) Masur Dal	0.44	0.70	1.14	0.71	1.01	15.06	8.43	7.14	2.02	0.58	13.03	24.19
	b) Chola Dal	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	c) Others	0.12	0.12	0.13	0.00	0.06	0.32	0.10	0.43	0.04	1.98	0.46	2.86
9.	Onion	3.46	3.32	3.30	3.86	2.78	2.19	3.44	3.55	0.87	0.65	13.85	13.58
10.	Ginger	0.16	0.44	0.64	0.51	0.26	0.21	0.18	0.50	0.03	0.07	1.27	1.73
11.	Drugs & Medicines	2.48	1.72	1.03	2.37	0.20	1.62	1.22	0.81	2.07	0.12	7.01	6.63
12.	Poultry Feeds	7.98	17.10	2.67	22.62	4.17	3.44	3.06	17.58	2.51	3.41	20.38	64.15
13.	Coal	14.98	2.96	13.32	0.59	8.39	0.16	0.45	0.28	0.11	0.21	37.25	4.19
14.	Cement	2.73	4.39	4.33	0.53	1.07	4.29	2.40	4.86	0.00	1.31	10.53	15.38
15.	Clinker	15.81	8.51	24.36	12.69	20.46	4.70	20.95	19.74	2.33	6.72	83.90	52.36
16.	B.P Sheet	2.64	1.11	3.42	1.41	0.29	0.81	0.92	0.57	0.70	0.35	7.98	4.25
17.	Scrap Vessels	12.06	8.88	22.93	2.72	0.00	3.31	1.66	6.09	0.00	11.82	36.66	32.82
18.	Paper	2.11	2.68	1.16	2.31	0.86	2.96	0.83	3.71	0.29	0.93	5.24	12.60
	i) Newsprint	0.01	0.24	0.00	0.09	0.54	0.15	0.00	0.06	0.00	0.00	0.55	0.55
	ii) Others	2.10	2.44	1.16	2.22	0.32	2.81	0.83	3.65	0.29	0.93	4.69	12.05
19.	Zinc Ingot	0.61	0.79	1.91	4.89	0.00	2.11	5.75	0.95	1.85	0.08	10.13	8.83
20.	Raw Cotton	38.87	70.33	42.74	65.53	27.12	63.07	33.07	74.82	6.44	22.88	148.24	296.63
21.	Synthetic/Mixed Yarn	21.65	24.52	13.22	26.10	17.13	20.06	12.57	22.86	3.38	6.47	67.95	100.00
22.	Cotton Yarn	27.29	50.04	29.08	53.21	22.55	42.60	27.32	52.75	7.26	12.68	113.49	211.29
23.	Textile Fabrics	25.43	18.18	23.03	19.82	15.03	16.66	16.59	23.26	1.53	4.19	81.62	82.12
24.	Textile Accessories	18.41	21.01	17.34	16.99	10.97	15.95	22.04	22.73	5.72	8.80	74.47	85.48
25.	Back-to-Back L/Cs	171.73	155.03	131.06	160.80	80.92	117.43	125.50	185.55	18.89	48.03	528.10	666.85
	a. Fabrics	124.44	108.31	89.84	110.88	55.79	81.34	92.85	132.42	11.86	35.42	374.78	468.38
	b. Accessories	42.05	42.33	38.36	42.70	22.42	33.74	31.09	49.26	6.71	11.38	140.64	179.41
	c. Others	5.23	4.39	2.86	7.22	2.71	2.35	1.56	3.87	0.32	1.23	12.68	19.06
26.	Pharmaceutical Raw Materials	19.59	17.20	12.10	12.53	11.21	13.11	14.78	18.77	1.99	3.77	59.67	65.37
27.	Chemicals & Chemical Products	65.36	22.53	78.18	109.53	34.82	54.94	19.88	198.75	3.89	18.13	202.12	403.88
	a. Chemical Fertilizer	39.74	6.19	20.47	88.18	23.53	40.30	3.22	179.42	0.48	3.46	87.43	317.55
	i) Urea	33.85	0.21	0.63	0.05	1.40	0.93	0.38	0.13	0.00	0.00	36.26	1.33
	ii) TSP	0.27	0.03	14.14	30.46	0.00	0.00	0.00	28.97	0.00	0.00	14.41	59.46
	iii) MOP	0.00	0.00	0.00	0.04	20.70	29.02	0.04	57.71	0.00	0.11	20.74	86.87
	iv) DAP	2.78	0.62	3.18	50.82	0.09	0.25	0.08	88.78	0.00	0.00	6.13	140.47
	v) Others	2.84	5.33	2.52	6.82	1.34	10.09	2.72	3.84	0.48	3.36	9.89	29.43
	b. Other Chemicals & Chemical Product	25.62	16.34	57.71	21.35	11.28	14.65	16.66	19.33	3.41	14.66	114.69	86.33
28.	P.O.L.	53.95	62.39	48.86	216.24	48.89	49.31	46.46	104.75	44.78	0.00	242.95	432.69
	i) Crude	2.50	0.09	0.04	0.00	0.01	0.12	0.06	0.20	0.00	0.00	2.62	0.41
	ii) Refined	51.45	62.30	48.81	216.24	48.88	49.19	46.40	104.55	44.78	0.00	240.33	432.28
29.	Capital Machinery	39.67	60.15	30.44	72.01	18.97	58.71	54.02	62.79	6.14	21.98	149.24	275.64
30.	Machinery For Mize Industries	40.80	38.27	36.40	26.25	33.05	46.50	40.34	48.12	10.81	12.19	161.40	171.34
31.	Motor Vehicle	9.83	15.82	4.24	16.59	1.19	7.30	7.55	9.67	1.18	4.16	23.99	53.54
32.	Computer, Its Accessories & Spares	4.49	4.33	1.11	5.08	3.04	5.07	3.14	2.92	0.06	0.90	11.85	18.29
33.	Medical, Surgical & Dental Equipments	1.62	2.12	2.18	2.20	1.07	2.10	2.28	3.90	0.77	0.57	7.92	10.90
34.	Others	391.39	369.18	331.13	427.49	255.00	403.68	326.46	452.04	76.18	150.14	1380.15	1802.54
	Grand Total	1138.93	1096.19	951.28	1388.85	775.92	1076.34	944.39	1436.97	326.30	379.63	4136.82	5377.98

Data downloaded: on 31.08.22



BB's Feeble Fight Against Loan Defaulters

Business Outlook Report

The central bank has already unveiled a framework to address vulnerabilities in the banking sector, rein in non-performing loans (NPLs) and punish wilful defaulters. On the other hand, it has eased rules to allow companies to secure loans even if their sister concerns default on debt repayments.

The latest concession could raise questions about the Bangladesh Bank's intention to curb the NPLs, which have surged to a record level and show no signs of coming down. It's akin to taking one step forward, and two steps back in the fight against rogue defaulters. In December last year, the central bank issued the Prompt Corrective Action (PCA) framework to deal with weak

banks, effective from March 2025. Under the framework, banks will be categorised into four groups. In cases of non-compliance or non-achievement of targets, the weakest banks may be forced into mergers with stronger lenders. Some analysts praised the policy as a move in the right direction.

In March, the central bank issued a guideline to identify wilful defaulters, mentioning the punitive measures against the delinquent borrowers of public money. The guideline was based on the amended Bank Company Act passed by the Bangladesh parliament last year. The law defined wilful loan defaulters and incorporated a provision for punishment for them, a first initiative since the law was drafted three decades ago. All these new measures

were tied to loan conditions imposed by the International Monetary Fund and the World Bank. A wilful defaulter is someone who does not repay loans despite having the ability to furnish the sum. Before the new law came into effect, default loans had grown 31 times in absolute number though the amount declined in terms of percentage of total loans. But if the banking industry's distressed assets, including rescheduled and restructured loans, are taken into account, the amount stands at Tk 377,922 crore, according to data updated till 2022.

In a fresh notice on April 4, the central bank said if an entity under a group is not categorised as a wilful defaulter and there are logical reasons for its failure to repay loans, then other firms under the same

parent company will not be recognised as defaulters and they can be given loans following approval from the regulator.

However, if a company listed as a wilful defaulter appeals to the central bank against the classification, banks cannot apply to the BB to give loans to other companies of the group until the appeals are resolved. The defaulted firms will have to regularise their loans under the existing law within a year of the credit facility given under the new concession. If the loans are not regularised on time or the companies default again, no other companies from the group can be provided loan support, according to the notice.

The central bank in its directive in March mentioned various punitive measures against delinquent borrowers, including a ban on foreign travel, restriction on getting trade licences and new registration

for companies, and a bar on getting any recognition from the state. These steps are seemingly watered-down versions of what India has done.

The Reserve Bank of India asked banks to initiate auctions of residential or commercial properties to recover loans, Shah Md Ahsan Habib, a professor at the Bangladesh Institute of Bank Management (BIBM), wrote in a CPD working paper in 2019. He also cited the move by China against defaulters, which included restrictions on getting credit cards and staying in luxury hotels.

In the case of Bangladesh, Prof Habib said there are instances of securing legal protection by borrowers through filing writ petitions. Wilful defaulters must not be allowed to avail themselves of any such protection under the law, he said. Md Nehal Ahmed, a professor

at the BIBM, defended the central bank's latest concession to companies, saying if a firm owned by a business group becomes a defaulter for genuine reasons, other companies should not suffer. "From that perspective, it's a good move. If it can be implemented properly, default loans may decline."

Monzur Hossain, a research director of the Bangladesh Institute of Development Studies, also said loans to other firms of the group of companies could be extended if the sister concern defaults for genuine business reasons. "But it will not be easy to identify habitual defaulters because no one can be habitual defaulters without support from others. Several persons usually remain involved in it."

But no separate mechanism is needed to identify habitual defaulters if rules are implemented properly to bring down NPLs, Hossain said. ■

Money Outside Banks Balloons To Tk 2.58t Despite Rate Rise

Business Outlook Report

Money outside banks balloons to Tk 2.58 trillion despite a sharp rise in deposit rates as the bets cannot stem mattress-money accumulation, compelling liquidity-hungry bankers to borrow costly funds.

Banking sources have said mattress money or currency outside banks' vaults had begun returning with depositors' shaken trust

restored by bits after a previous crisis, but once again it began reversing the course.

Sources at Bangladesh Bank (BB) said the amount of deposit outflow from the banking system kept declining gradually since June 2023 through the first four months of the current fiscal year (FY'24) in a much-needed respite to the commercial lenders at a time when liquidity situation continues tight-

ening. But, since the month of November, it has gone into a reverse course with the volume of currency outside bank vaults having increased by around Tk 25 billion to Tk 2.48 trillion from October's count of Tk 2.45 trillion, according to the latest BB data.

The upward trend continued in December, January and February with the figures reaching Tk 2.55 trillion, Tk 2.57 trillion

and Tk 2.58 trillion respectively. As the demand for cash continues rising, bank borrowing through interbank sources keeps climbing at higher rates. Riding on the higher money demand, the call-money rate rose to 8.67 per cent on April 04, 2024 from 8.50 per cent a month ago.

Officials and money-market analysts cite factors like growing yield on government securities,

inflationary burden and the advent of season of festivals, wedding in particular, and pre-Eid seasons behind the surge in mattress money.

The sources said the deposit outflow from banks kept rising since September 2022 following reports of gross irregulari-

after the central bank tightened money supply to contain inflation, many institutional and individual depositors in banking industry started diverting their funds into the risk-free investment instruments.

Seeking anonymity, a BB official has said currency

deposits keeps rising too. Belying the bets, the volume of currency outside the banks has been on an upturn in recent months, the official said.

Managing director and CEO of Dhaka Bank Emranul Huq says because of higher returns, institutional and individual

businesses or personal purposes prior to Ramadan, the start of the Eid season. "It could be another reason," the bank's top executive adds.

Contacted, Policy Exchange of Bangladesh chairman Dr M Masrur Reaz said higher-inflation regime is another factor as



ties in some commercial banks. The amount rose to a record-high Tk 2.92 trillion in June 2023.

The BB-mandated new rate regime on the market-based reference rate, known as SMART (six-month moving average rate of treasury), later played a part in bank-deposit buoyancy. As the yield on government securities kept rising

outside the banks normally goes up a bit in the second quarter of a fiscal year. But there are some other factors, like election and inflationary pressure, which might cause the rise.

As the lending rate in the banking sector continues rising mainly because of the growing trend in the reference rate called SMART, the rate for

investors in banks have already started diverting their funds into government treasuries: treasury bills and bonds. "This could be a major reason behind the rise in currency outside the banks."

Simultaneously, the experienced banker says, there are many people, businesspeople in particular, who invested their deposited money in their

people have to count higher cost of living.

"Although the rate of inflation officially dropped to 9.67 per cent in February, but the price of commodities in the market does not indicate any fall. So, people might withdraw deposits for their living." ■

Tariff Commission For Exempting SD On Import Of Raw Materials For Cosmetics



Business Outlook Report

The Bangladesh Trade and Tariff Commission (BTTC) suggested exemption of supplementary duty (SD) on the import of raw materials for colour cosmetics and skin care items to help the budding local cosmetics industry prosper. It also recommended determining a specific duty on per kilogram of colour cosmetics.

The state agency recently submitted the recommendations to the Commerce Ministry regarding the issue. Currently, the local annual demand for color cosmetics and skin care items is of Tk13,000 crore and Tk21,000 crore respectively, according to the BTTC document. In case of the import of each lipstick, the net weight of each imported

lipstick is 3.5-4.0 gram. Accordingly, the number of lipsticks imported is 250 to 300 pieces. The tariff value of per-kilo lipsticks set by the government is \$10, meaning that producers have to pay \$10 for 250-300 lipsticks, read the document. According to price declaration and import prices of ordinary and premium-quality lipsticks, the amount of SD paid on commercially imported standard lipsticks is Tk2.90 apiece, while Tk18.68 for a locally made one.

Supplementary duty is Tk5.80 on each non-commercially imported high-quality lipsticks, while it is Tk82.71 on the locally produced ones. Besides, in case of the payment of VAT (value-added tax), the amount of VAT paid on imported

standard lipstick is Tk10.74 apiece. On the other hand, Tk30.82 has to be paid in case of each locally produced lipstick. Commercially imported high-quality lipsticks are subject to the payment of Tk44.16 in VAT, while it is Tk136.76 for locally produced ones. According to existing VAT and SD structure, local producers are paying VAT and SD at a rate higher than what importers pay.

The local infant industry will develop if the existing structure is modified and protection is provided through exemption of SD on local production for a specific period. Besides, as an import alternative, the amount of VAT that will come from the local production will be more than expected. ■

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- Liquefied Petroleum Gas (LPG) as a green & clean fuel
- Competitive energy solution
- Alternate energy solution to natural gas
- 24/7 secured supply of LPG across the country
- Flexible LPG storage set-up solutions
- Best technical service in the industry

