DHAKA SUNDAY MAY 22, 2022, JAISHTHA 8, 1429 BS • starbusiness@thedailystar.net

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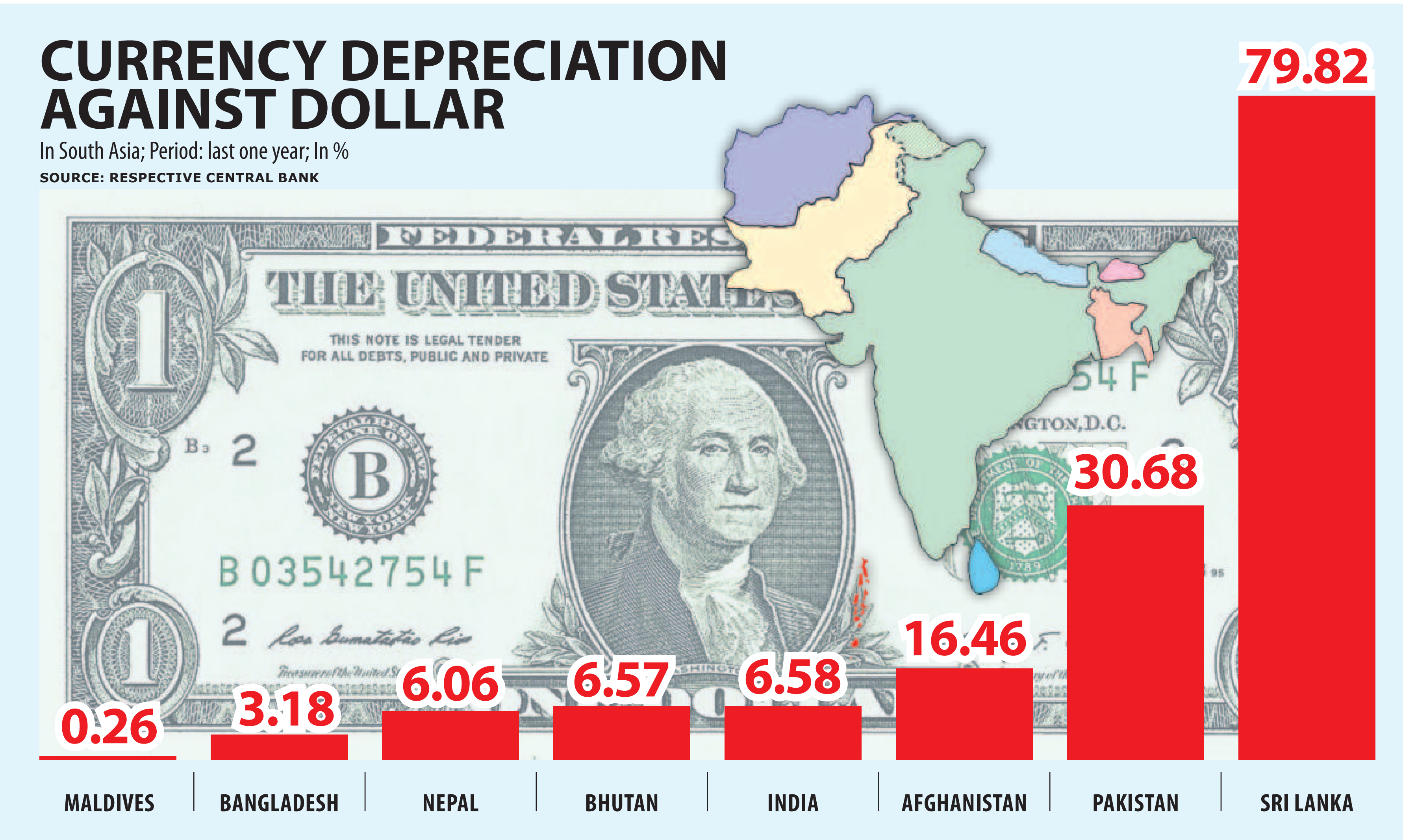

Is Bangladesh paying the price of administered forex regime?

AKM ZAMIR UDDIN

The taka faced less depreciation against the US dollar compared to other South Asian currencies in the last one year, eroding the export competitiveness of Bangladesh against its peers.

This seems that Bangladesh has been trying to tackle the ongoing global economic crisis by strengthening its currency artificially but it may leave an adverse impact on the macroeconomy, experts warned.

The currencies of South Asian countries except the Maldives experienced a devaluation between 6.06 per cent and 79.82 per cent in the past one year whereas the taka weakened by 3.18 per cent, data from the central banks in the countries showed.

All currencies in South Asia, which consists of Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan, and Sri Lanka, are now under pressure like other currencies in the rest of the world due to the global supply chain disruptions and pent-up demand.

The coronavirus pandemic has spawned the crisis and it has now been exacerbated by Russia's invasion of Ukraine.

Among the countries, Sri Lanka is facing an acute foreign exchange crisis, which has already forced its prime minister to step. Pakistan's foreign exchange regime is witnessing volatility as well.

Amid the volatile situation, the Bangladesh Bank is now giving all-out efforts to keep the foreign exchange market stable by weakening the local currency to some extent, ignoring the natural course of demand and supply.

The Daily Star spoke to five noted economists who suggested the central bank abandon its historic stance on the currency and devalue it.

The central bank has depreciated the taka five times this year, but the initiatives were not enough given the surging import payments, which have already generated a record trade deficit.

The interbank exchange rate was Tk 87.50 per USD on May 21, down 3.18 per cent year-on-year. The rate was Tk 81.84 a decade ago.

Before the outbreak of the latest financial crisis, the central bank had not depreciated the taka significantly. The rate stood at Tk 84.80 per USD in May last year.

Ahsan H Mansur, executive director of the Policy Research Institute (PRI), says the peer countries of Bangladesh have been devaluing their currencies gradually over the years, whereas the BB has not followed the same path.

For example, the dong, the currency of Vietnam, one of the strongest competitors of Bangladesh in the global export market, was devalued by 11.95 per cent to VND 23,145 in the last one decade in keeping with the global market trend, data from the central bank of the southeast Asian nation showed.

As a result, the dong has not come under any significant devaluation pressure in recent times.

"Bangladesh has tried to strengthen its currency artificially, so the ongoing global volatility has created an enormous pressure on the taka," said Mansur, a former official of the International Monetary Fund.

But the banking sector is now ignoring the central bank's BC (bills for collection) selling rate – the rate at which banks sell US dollars to businesses to settle imports – due to the shortage of the greenback in the market.

Importers now have to pay Tk 95-97 to purchase a dollar to settle import bills. Preventing the taka from following the usual course of devaluation entails a number of risks.

For example, exporters may opt for under-invoicing, while remittance flow through the official channel may drop further as the rate in the formal and informal markets of US dollars has widened to a large degree.

Traders in the open market are now charging Tk 95-97 for a USD whereas the BB rate is hovering around Tk 86.5-87.45 for remitters.

The taka is set to face more pressure in the coming days as the central bank of the United States is hiking its benchmark interest rate to rein in inflation, a phenomenon that would make American greenback dearer.

On May 12, the dollar climbed to a fresh 20-year high as concerns persisted that central bank actions to drive down high inflation would crimp global economic growth, boosting the currency's safe-haven appeal, reported Reuters. More interest rate hikes are expected this year.

Mustafizur Rahman, a distinguished fellow at the Centre for Policy Dialogue, urges the central bank to inject an adequate amount of dollars from its foreign exchange reserves into the market along with depreciating the local currency.

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BUDGET FOR FY23

Focus on fighting inflation, not higher GDP growth

Economists say

STAR BUSINESS REPORT

The upcoming budget for fiscal year 2022-23 should focus on checking inflation to give relief to the poor, lower middle and middle-income people, not on the higher gross domestic product (GDP) growth rate, said economists yesterday.

The government should shift its prime target of achieving higher GDP growth rates to rein in inflation, said Debapriya Bhattacharya, a distinguished fellow at the Centre for Policy Dialogue (CPD).

The poor and lower middle-income earners are facing problems for high market prices of essential commodities, he said.

The government should mainly focus on macroeconomic stability, even if it means accepting a trade-off, he said.

Among all the macroeconomic indicators, inflation alongside ways to control it should be the main target, especially food inflation, he said.

"The government should give a safeguard to the purchasing power of middle-income people," said Bhattacharya, also convener of the Citizen's Platform for SDGs, Bangladesh.

His comments came in a meeting on challenges of the economy and recommendations

READ MORE ON B3

WHEAT FLOUR

Retail prices recently shot up to a 15-year high amid concerns of supply shortage

STORY ON B3

STOCKS WEEK-ON WEEK

DSEX ▼	CASPI ▼
4.68%	4.20%
6,258.25	18,439.72

COMMODITIES AS OF FRIDAY

Gold ▲	Oil ▼
$1,846.53	$110.24
(per ounce)	(per barrel)

ASIAN MARKETS FRIDAY CLOSINGS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 2.91%	▲ 1.27%	▲ 1.56%	▲ 1.60%
54,326.39	26,739.03	3,240.58	3,146.57

Firms prefer to remain non-listed despite tax benefit

AHSAN HABIB

Although the corporate tax levied on listed firms is lower than that of their non-listed counterparts, many companies in Bangladesh lack interest in joining the stock market as they want to avoid the obligation of ensuring good corporate governance, regularly disclosing financial information and complying with other rules.

Besides, their tendency to evade taxes keeps many firms away from the stock market as their financial records would come under scrutiny once listed, according to market analysts and participants.

Without tightening tax rules and ensuring proper enforcement, only reducing corporate tax and maintaining the gap between publicly listed and non-listed companies is unlikely to bring about a big improvement in the supply of new securities to the market, which is in a bearish trend.

The current corporate tax rate for listed and non-listed companies is 22.5 per cent and 30 per cent respectively.

The National Board of Revenue has been keeping a 7.5 percentage points gap between the two categories since fiscal year 2020-21 while it had been 10 per cent since fiscal 2006-07.

AB Mirza Azizul Islam, former adviser to the caretaker government, said the entrepreneurs are not attracted with the incentive of a tax gap for many reasons.

When a company is listed, then it is held accountable and needs to place financial statements regularly.

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A woman collects sheaves of paddy from what has been left over by farmers during harvest. Growers have had to go for early harvesting after the key crop was blown down and damaged by storms and rains in several northern districts. The photo was taken from Nondigram upazila of Bogura on Thursday.

PHOTO: MOSTAFA SHABUJ

Learn about Bangabandhu to ensure economic justice

Says economist

STAR BUSINESS REPORT

Bangabandhu Sheikh Mujibur Rahman's economic philosophy gives equal importance to public and private sectors and co-operatives in terms of ownership of industries, said Binayak Sen, director general of the Bangladesh Institute of Development Studies (BIDS), yesterday.

"Bangabandhu's socialism doesn't entail the economy that is only dominated by state-ownership of industries, rather he believed in a mixed form of ownership by public, private and co-operatives," he said.

Sen was delivering a speech at an event titled "Bangabandhu's economic philosophy: contemporary debate" organised by 1971 Genocide-Torture Archive and Museum Trust in Dhaka.

READ MORE ON B3

Pigeon fanciers from adjoining districts have been congregating every Friday at Nayabati Mor in Khalishpur of Khulna city for the past 18 to 20 years primarily to sell and acquire different breeds of the domesticated bird. Other birds are sold here as well. The photo was taken recently. PHOTO: HABIBUR RAHMAN

China quietly raises purchase of low-priced Russian oil

REUTERS, *Singapore*

China is quietly ramping up purchases of oil from Russia at bargain prices, according to shipping data and oil traders who spoke to Reuters, filling the vacuum left by Western buyers backing away from business with Russia after its invasion of Ukraine in February.

The move by the world's biggest oil importer comes a month after it initially cut back on Russian supplies, for fear of appearing to openly support Moscow and potentially expose its state oil giants to sanctions. China's seaborne Russian oil imports will jump to a near-record 1.1 million barrels per day (bpd) in May, up from 750,000 bpd in the first quarter and 800,000 bpd in 2021, according to an estimate by Vortexa Analytics.

Unipec, the trading arm of Asia's top refiner Sinopec Corp , is leading the purchases, along with Zhenhua Oil, a unit of China's defense conglomerate Norinco, according to shipping data, a shipbroker report seen by Reuters and five traders. Livna Shipping Ltd, a Hong Kong-registered firm, has also recently emerged as a major shipper of Russian oil into China, the traders said.

Sinopec declined comment. Zhenhua and Livna did not respond to requests for comment. The firms are filling the hole left by western buyers after Russia's invasion of Ukraine, which Russia calls a "special military operation." The United States, Britain and some other key oil buyers banned imports of Russian oil shortly after the invasion. The European Union is finalizing a further round of sanctions, including a ban on Russian oil purchases. Many European refiners have already stopped buying from Russia for fear of running afoul of sanctions or drawing negative publicity.

Vitol and Trafigura, two of the world's biggest commodity traders, phased out purchases from Rosneft, Russia's biggest oil producer, ahead of an EU rule that came into effect on May 15 barring purchases unless "strictly necessary" to secure the EU's energy needs.

"The situation began taking a drastic turn after the exit of Vitol and Trafigura that created a vacuum, which could only be filled by companies that can provide value and are trusted by their Russian counterparts," one Chinese trader, who asked not to be named, told Reuters.

The low price of Russia's oil spot differentials are about $29 less per barrel compared with before the invasion, according to traders - is a boon for China's refiners as they face shrinking margins in a slowing economy. The price is well below competing barrels from the Middle East, Africa, Europe and the United States.

China separately receives some 800,000 bpd of Russian oil via pipelines under government deals. That would bring May imports to nearly 2 million bpd, 15 per cent of China's overall demand. For Russia, oil sales are helping to cushion the blow to its economy from sanctions.

State-owned Chinese companies, led by Sinopec and Zhenhua, are set to buy two thirds of Russia's flagship Far Eastern export grade ESPO (Eastern SiberiaPacific Ocean oil pipeline) blend in May, up from a third before the invasion of Ukraine, traders who closely monitor the flows told Reuters. Russia exported about 24 million barrels in May, 6 per cent higher than April.

Sinopec alone is likely to buy at least 10 ESPO shipments in May, doubling its volume before the invasion, with some of the trades hitting a record discount of $20 a barrel below benchmark Dubai crude on FOB Kozmino basis, three of the traders said.

Sinopec, Zhenhua and Livna are moving more oil from both Russia's Baltic Sea ports in northwestern Europe and its Far East export hub Kozmino.

Zhenhua, the smallest state-owned Chinese oil trader, has chartered ships to move Russian oil, according to shipping data and traders with knowledge of the matter. North Petroleum International Co, a unit of Zhenhua, loaded two ESPO shipments in early May, and another two cargoes of Urals from Baltic Sea port Ust-Luga in late April and mid-May, according to data from Refinitiv and Vortexa, a shipbroker report and traders.

Moody's cuts Ukraine debt rating, outlook negative

AFP, *Washington*

Moody's on Friday cut Ukraine's debt rating for the second time in three months and lowered the outlook to negative due to the growing risk the Russian invasion will affect the nation's debt sustainability.

The ratings agency cut the grade a notch to Caa3, after lowering it two notches from B3 in early March, saying the country could face "a more protracted military conflict than Moody's initially expected" following the invasion in late February.

That "increases the likelihood of a debt restructuring and losses being imposed on private-sector creditors," the statement said.

Despite large financial support from the international community to help with immediate needs, "the resulting significant rise in government debt is likely to prove unsustainable over the medium term" and could "impede further access to official financing."

The US Congress on Thursday approved a gargantuan $40-billion aid package for Ukraine to help fight Russia and keep the government operating, after a $14-billion package in March.

The International Monetary Fund in March approved a $1.4-billion aid package for the war-torn country, while the World Bank has approved a loan of $350 million as part of a total package of more than $700 million.

Ukrainian President Volodymyr Zelensky said his government needs $7 billion a month to keep its economy afloat, while Moody's estimates Ukraine faces financing needs of around $50 billion this year.

China lifts ban on Canada canola imports

AFP, *Ottawa*

China has lifted a ban on Canadian canola imports, a Canadian official said Thursday, calling it "very good news" for producers that Ottawa argued had been caught up in a diplomatic row.

"We got the news yesterday from the Chinese authorities that our Canadian canola can go to China," Agriculture Minister Marie-Claude Bibeau said.

"We had two big companies who were suspended for a while, so it's very good news for our producers," she told reporters in Ottawa.

Beijing had imposed the ban on Viterra Inc. and Richardson International in March 2019 as tensions flared between Ottawa and Beijing, saying harmful organisms had been detected in their canola shipments.

Worth tens of billions of dollars, the oil seed crop is used to make cooking oil, animal feed and biodiesel fuel. Vexed Canadian officials at the time decried the ban, saying there were "no scientific reasons for this action," and took their concerns to the WTO.

Relations between Ottawa and Beijing had been thrown into crisis by the arrest three months earlier in Vancouver of Meng Wanzhou -- the chief financial officer of telecoms giant Huawei -- at the request of the United States.

Exchange rate shall stabilise

FROM PAGE B4

As a result, there has been a deficit in the overall balance of payment, creating pressure on the taka-dollar exchange rate.

The central bank continued to defend the value of the taka by selling nearly $6 billion in this fiscal year. As a result, the foreign exchange reserve has come down to about $42 billion which can still fetch about six months' imports. There is a limit to this defence against the erosion of the reserve. So, the Bangladesh Bank has wisely brought about a measured devaluation of the taka gradually.

However, the unofficial (Kerb) market of the foreign exchange accessed by the travellers going abroad for tourism or medical purposes or for sending money to their relatives in a small amount has become suddenly overtly volatile. This is, of course, a small market but attracts the most attention from the media.

The largest one is, of course, the interbank foreign exchange market, which is also facing some pressure. However, the Bangladesh Bank has been selling dollars to most banks, particularly the public banks, for opening and settling letters of credit for the import of energy, electricity production-related equipment and inputs, fertilizer and daily necessities.

It is also supporting all other banks through the import of raw materials and capital machinery for manufacturing units. It was heartening to hear from the governor of the Bangladesh Bank that the central bank will continue to intervene in the foreign exchange market and take appropriate measures to cool it. This forward guidance by the governor was needed and I hope the market got the right signal to take its position.

Given this perspective, let me suggest a few policy actions that may help stabilise the foreign exchange market. Certainly, this market is facing a mismatch in demand and supply of foreign exchange. So, we have to address both demand and supply-related issues in pragmatic ways if we really want to go to the root of the problem.

HOW TO RESTRAIN DEMAND FOR FOREIGN EXCHANGE

First, the trade gap ought to be reduced by restraining unnecessary imports. The import of luxury items, including fancy cars and electronic appliances, must be curbed more drastically.

The Bangladesh Bank has taken macro-prudential measures like raising margins for such items up to 75 per cent. Raise it further to 100 per cent if you can. The import of some items like luxury cars can be postponed until the foreign exchange market stabilises.

Second, go deeper into trade financing where a lot of irregularities are embedded along with over-invoicing. Stop the loan against trust receipts even if temporarily.

Third, further consolidate the public expenditures for prestige projects that will not yield immediate outcomes. The honourable prime minister has already asked the relevant departments to be more prudent on this. Mind it, every taka expenditure has a dollar component in it.

Fourth, the austerity measures in terms of restricting foreign travel and conducting international conferences physically should be well-targeted. Much more can be done in this area.

Fifth, ensure staggered implementation of those larger projects with higher foreign exchange commitments, including those private projects that need sovereign guarantees to reduce foreign exchange commitments.

Sixth, restrain the supply of USD under the Export Development Fund temporarily to reduce the outflow of dollars from the reserve.

HOW TO AUGMENT SUPPLY OF FOREIGN EXCHANGE

First, give cash incentives to the remittance earners by raising another one to half a percentage point of cash incentives to them.

Second, an easing of the payment system is also an incentive. Make necessary arrangements for receipts of the earnings of the nearly a million outsourcing entrepreneurs spread around the country. This can be smartly done through mobile financial services and banks with proven records of handling remittances from abroad. The Bangladesh Bank can be more innovative on this score.

Third, let the non-resident Bangladeshis invest more in more lucrative investment and/or premium bonds digitally seamlessly. The existing ceiling limit of Tk 10 million may be withdrawn for these investors.

Fourth, let the NRBs, including regular remitters, open foreign exchange deposit accounts easily and digitally with an attractive fixed deposit rate.

Fifth, let the new skilled workers be provided half the air tickets as subsidies from the government provided they open bank accounts and commit formal transactions of their earnings.

Sixth, suspend the export retention quota for about six months and allow a part of the accumulated (say 50 per cent) ERQs, (if not needed to spend immediately) for a year with some cash incentives like that is given for remittances.

Seventh, encourage the Economic Relations Division and relevant departments or ministries to speed up project negotiations with international development agencies and release the committed foreign assistance from the pipeline, which is getting fatty every year.

Eighth, encourage relevant authorities to complete special economic zones as fast as possible to attract foreign direct investment.

Ninth, have a coordinated monitoring of mega projects to remain cost-efficient, avoiding cost overruns and delays in project completion.

I have only given a few ideas on how to improve the trade balance and reduce the current account deficit by realigning the demand and supply of foreign exchange. We have seen in the past that it is possible.

With extra vigilance and coordinated actions between the Bangladesh Bank, the non-resident Bangladeshis and relevant ministries, we can bring some sanity and balance to the foreign exchange market. Along with this, the taka-dollar exchange rate will surely realign and stabilise at some point in time. As the governor said there is no need to panic. We can do it. And let's do it.

The author is an economist and a former governor of Bangladesh Bank

Japan's inflation

FROM PAGE B4

That was the first positive figure since July 2020, underpinning the impact of skyrocketing energy costs which have been magnified by higher import prices.

After years of price stagnation, some manufacturers and stores in Japan who rely on imported resources have begun to raise prices.

Last month, the Bank of Japan hiked its full-year inflation forecast but cautioned that it sees rising prices, driven by a surge in commodity costs partly caused by the Ukraine war, as a temporary and volatile trend.

Mohammed Monirul Moula, managing director of Islami Bank Bangladesh, received a certificate of appreciation from Fazle Kabir, governor of Bangladesh Bank (BB), on the central bank premises in Dhaka recently for disbursing the highest amount of investment loans under a government incentive scheme for the agriculture sector. AKM Sajedur Rahman Khan, deputy governor of the central bank, Md Awlad Hossain Chowdhury, executive director, and Abdul Hakim, general manager, and Md Ruhul Amin, head of agriculture investment division at Islami Bank Bangladesh, were present. PHOTO: ISLAMI BANK BANGLADESH

Md Ismail Hossain, managing director of Bangladesh Krishi Bank (BKB), received a certificate of appreciation from Fazle Kabir, governor of Bangladesh Bank, on the central bank premises in Dhaka recently for achieving a loan disbursement target of a special refinance scheme under a Covid-19 stimulus package of Tk 5,000 crore. Kazi Sayedur Rahman, deputy governor of the central bank, Md Awlad Hossain Chowdhury, executive director, Md Abdul Hakim, observer of the board of directors at the BKB, and Mohammad Moinul Islam, deputy general manager of credit department, were present. PHOTO: BANGLADESH KRISHI BANK

Hyundai to build $5.5b EV plant in US

AFP, *Washington*

South Korean automaker Hyundai will build a $5.5 billion electric vehicle and battery plant in the southern US state of Georgia, its governor announced Friday, as President Joe Biden pursued his trip to Seoul.

Brian Kemp made the announcement alongside Hyundai Motor Company president Jay Chang at the future factory site near Savannah, hailing the more than 8,000 jobs the venture is expected to create.

"We are proud to welcome Hyundai Motor Group to Georgia as we forge an innovative future together," Kemp said, according to a statement released by his office.

He called the plant "the largest economic development project in our state's history." Hyundai suppliers are expected to invest an additional $1 billion in the factory.

EPB team visits Walton headquarters

STAR BUSINESS DESK

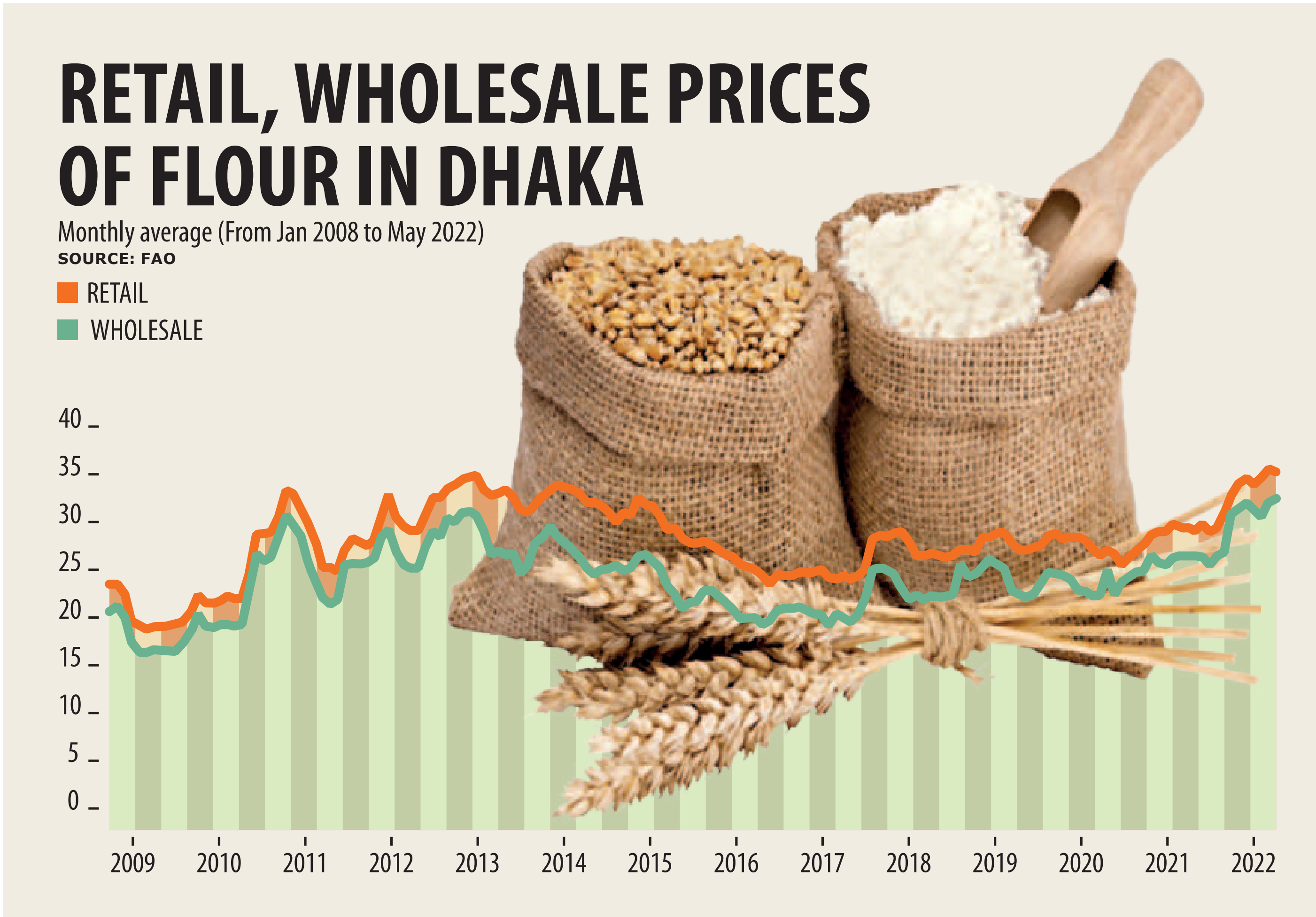
Walton has been achieving great success in exporting domestically finished electronics and electrical goods, said Export Promotion Bureau (EPB) Vice-Chairman AHM Ahsan yesterday.

"Walton is now at the top of the Bangladesh market. Now, their target is to expand business in the global market," he said.

"In this case, we need to promote the brand of Bangladesh as well as 'Made in Bangladesh' tagged products in the global arena," he added.

Ahsan was leading a nine-member EPB delegation on a visit to manufacturing units of Walton Hi-Tech Industries at its headquarters in Chandra, Gazipur, said a press release.

He assured Walton of providing all necessary assistance from the EPB for increasing exports.



Wheat flour prices hit 15-year high

SUKANTA HALDER

Retail prices of wheat flour recently shot up to a 15-year high amid concerns of a supply shortage in local markets after India banned exports of the staple food in order to ensure its availability at home in the face of rising global costs due to Russia's war on Ukraine.

In July 2008, consumers in Dhaka had to pay about Tk 37.8 per kilogramme (kg) for flour while it was Tk 29 per kg in 2021 and Tk 38.4 per kg in 2022, shows data from the Food and Agriculture Organisation.

The retail price of flour in local markets has been increasing since September 2021, which is discouraging for price-sensitive consumers.

Traders say that the war between Russia and Ukraine alongside India's ban on exports have pushed up flour prices at both the wholesale and retail levels.

According to data from the Trading Corporation of Bangladesh (TCB), loose flour sold for between Tk 46-50 per kg yesterday, up 31 per cent from Tk 38-45 a month ago.

Similarly, TCB data shows that packaged flour is being sold at Tk 48-50 per kg, up 6 per cent from Tk 44-48 a week ago.

Asaduzzaman, owner of the New Sheetal Flour Mill in Narayanganj, said flour prices are increasing every day. One maund (37 kgs) of flour used to cost Tk 900 but the same amount is now priced at about Tk 1,600.

He said that Russia's invasion of Ukraine coupled with India's ban on exports has created a huge pressure on local importers as well as the global market.

Karim Ali, proprietor of Rashid Traders in Mohammadpur's Krishi Market, said a 50-kg sack of flour would cost Tk 3,000 at wholesale just a week ago but the same amount is now being sold for Tk 3,200-3,300.

"Considering the current situation though, prices are expected to rise further," he added.

Other than the war, there are some other reasons behind the increase in flour prices, said Afsar Uddin Ahmed, an importer of Rupali Traders at the Khatunganj market in Chattogram, a wholesale hub for essential commodities.

He went on to say that alongside disruptions to the supply chain, increased transportation costs and lead time are also affecting prices.

Another reason behind the rising cost of flour is that the Covid-19 pandemic raised fears of food shortages in many countries and so, several large nations are stockpiling necessities such as this.

Abul Bashar Chowdhury, chairman of leading food importer BSM Group, informed that India had said it would look at its neighbouring countries under a different light when considering flour exports.

For example, letters of credit that were opened before May 12 will be scrutinised before a decision is reached on whether to export or not.

"But it's not yet clear how they'll deliver the product. Nothing can be said until we are sure how India will give wheat flour," Chowdhury said.

The price of flour had increased by more than Tk 4 per kg at wholesale the very day that India announced it would halt all exports of the product.

Yesterday though, the price dropped by Tk 2 at wholesale.

"If India supplies flour for letters of credit opened before May 12, then the stock would last for two to three months and therefore, there would be no crisis," Chowdhury added.

In fiscal year 2020-21, Bangladesh imported about 53.42 lakh tonnes of flour. In the ten months of the ongoing fiscal leading up to May, the country imported around 34 lakh tonnes of the staple food.

It should be mentioned that all the wheat grown locally this year (10 lakh tonnes) was already harvested by March.

UK retail sales rebound

AFP, *London*

British retail sales unexpectedly rebounded in April, data showed Friday, but remain on a long-term downward trend amid a cost-of-living crisis that saw inflation rocket to a 40-year high.

Total sales volumes jumped 1.4 per cent last month after a 1.2-per cent drop in March, the Office for National Statistics (ONS) said in a statement.

However, sales fell 0.3 per cent in the three months to April compared the previous three months, extending a downward trend in place since summer 2021 according to the ONS.

"Retail sales picked up in April after last month's fall," said Heather Bovill, ONS deputy director for surveys and economic indicators.

"However, these figures still show a continued longer-term downward trend.

"April's rise was driven by an increase in supermarket sales, led by alcohol and tobacco and sweet treats, with off-licences also reporting a boost, possibly due to people staying in more to save money." Inflation rocketed in April to 9.0 per cent, the highest since 1982, driven largely by soaring domestic energy prices.

The squeeze on UK household budgets tightened further in April after a British tax hike as the government looks to improve state coffers battered by Covid support.

"The unexpectedly strong rise in retail sales in April suggests that the cost of living crisis has not caused consumer spending to collapse and means that the economy may have a little more momentum than we thought," noted Capital Economics analyst Nicholas Farr.

Recession fears spook global markets

AFP, *New York*

European and Asian markets took a beating Thursday, while the dollar tumbled a day after Wall Street suffered one of its worst batterings in two years over recession fears amid decades-high inflation.

Downcast earnings reports from retailers have heightened worries about consumer resilience at a time of rising interest rates, surging energy prices, China lockdowns and the Ukraine war.

Wall Street experienced another losing session after several efforts at jump-starting a rally floundered. The broad-based S&P 500 finished down 0.6 per cent.

"Inflation is catching up and profit margins are taking a hit. Soon enough though, those higher costs will continue to be passed on and consumers will stop dipping into savings and start being more careful with their spending," said Craig Erlam, senior market analyst at OANDA.

"The question is whether we're going to see a slowdown or a recession," he said.

Leading European and Asian stock indices closed in the red.

Focus on fighting inflation

FROM PAGE B1

for the upcoming national budget organised by Bangla daily Prothom Alo at its office.

Some people opine that Bangladesh's remittance income of two months is enough to repay its annual debt demand, said Bhattacharya.

But the fact is that this is the income of individuals and so it remains to be known how this money can be used for repaying the country's loans, he said.

On the other hand, export income of the country is rising but that is in tune with an increase in the cost of raw materials, meaning real income is not that high. "This is a classical case of pseudo economics," he said.

The exchange rate should also be adjusted and allowed to creep up slowly, he added. Nazneen Ahmed, country economist of United Nations Development Programme, echoed him, saying that the budget should focus on controlling inflation.

The exchange rate should have been adjusted slowly as any sudden big adjustment creates some problems, she said.

Economists throughout the past decade had been recommending devaluing the local currency against the US dollar but the central bank did not pay any heed, said MA Razzaque, research director of Policy Research Institute.

For this, the per capita income seems to be big, he said, adding, "If the real exchange rate is considered, then the per capita income would be reduced to $2,300."

In the present economic situation, the government should check the import of goods which are of low necessity while it can also take soft loans, he said.

This year the government can keep a higher budget deficit to check inflationary pressure on the masses, he said.

If the government raises the allocation for its food assistance programme by Tk 6,000 crore, at least 40 per cent of the poor can be covered, said Razzaque.

So this small increase in funding might play a big role on reducing disparity and giving relief to the poor, he added.

Sayema Haque Bidisha, research director of the South Asian Network on Economic Modeling, also urged keeping inflation in check as the main target of the upcoming budget.

Bangladesh's tax system needs to undergo a massive reform to ensure inclusive GDP growth, she said, adding that relevant digitalisation needs to be brought about immediately.

Economists have long been recommending increasing focus on direct tax and the tax net and reaching untapped areas but the main income of the National Board of Revenue (NBR) is still based on indirect tax, she said.

To reduce the disparity, the government should enhance employment opportunities and allocation in the social safety nets, she said.

The amount provided to every person under the social safety net programmes also needs to be increased and it should be extended to the urban areas, she said.

Syed Mahbubur Rahman, a former chairman of the Association of Bankers, Bangladesh, said policy continuity was a necessity, otherwise it hampers plans of entrepreneurs.

Overall, good governance needs to be ensured alongside a level playing field for every entity, he said.

The present economic situation had been anticipated while economists alarmed, said M Masrur Reaz, chairman and CEO of the Policy Exchange of Bangladesh.

This is because pent-up demand was looming overhead, meaning extra pressure was to naturally come about on the exchange rate, but no policy programme was undertaken, he said.

"Our investment climate was in pressure. Moreover, transportation costs rose, freight charges increased and labour cost was enhanced, so our local firms are lagging behind in market competition," he said.

There is an absence of leadership pertaining to economic policies while some policies taken for a sector benefit just one or two firms. The government should work on this, he said.

Firms prefer to remain

FROM PAGE B1

"Moreover, some entrepreneurs do not want to share their companies and instead prefer full control and so, they avoid offloading shares," he said.

In addition, listed companies are also bound to hold annual general meetings but some entrepreneurs dislike such obligations, Islam added.

In response to a query, Islam, also a former chairman of the Bangladesh Securities and Exchange Commission, said tax evasion is easy for non-listed companies with the help of auditors.

"That is why some companies don't want to get listed even though a tax gap remains between listed and non-listed firms," he said.

The corporate tax gap for listed and non-listed companies is not considered lucrative to most entrepreneurs as the culture of tax evasion is common for non-listed companies.

"So, listings have not boomed despite several changes to the tax gap year after year," said a merchant banker preferring anonymity.

The number of companies listed with the Dhaka Stock Exchange (DSE) currently stands at 349.

The tax gap was 5-percentage points till fiscal 2002-03 but it then rose to 7.5 percentage points in the next fiscal year to attract companies to get listed.

In fiscal 2006-07, the government raised the gap further to 10 percentage points, which continued until being eventually reduced to 7.5 percentage points in 2020-21, according to the National Board of Revenue.

"The overall ecosystem is not lucrative for a company to go public either so the number of listed companies in the market is still low compared to neighbouring countries," he said, adding that easier access to bank loans and their unwillingness to disclose financial information makes them shy about entering the stock market.

If a company is being listed with the stock exchanges, then it has hardly any scope to evade tax.

"They consider tax evasion is more lucrative than the tax gap as tax evasion is easy," the merchant banker said.

Richard D Rozario, president of the DSE Brokers Association of Bangladesh, said there are many reasons that discourage entrepreneurs from going public, such as easy access to bank loans and lack of accountability for non-listed companies.

There is no obligation for multinational companies to get listed with the stock market in Bangladesh but they should be otherwise ordered to do so.

In the last 11 months, six companies raised funds of around Tk 608 crore through initial public offerings whereas 16 firms raised funds of Tk 1,684 crore a year earlier.

Is Bangladesh paying the price

FROM PAGE B1

The BB has so far supplied more than $5.3 billion to the market this fiscal year.

"We should also reduce imports to narrow the trade and current account deficit," Rahman said.

The monthly import payments are now more than $7 billion. Because of the escalated imports, the trade deficits reached a record high of $24.90 billion between July and March. The current account deficit stood at $14 billion.

The reserves fell to around $42 billion last week in contrast to $46.15 billion on December 31.

Rahman recommended the central bank restore the discipline in the foreign exchange regime since banks are not following the BB instructions related to the price of the dollar.

Selim Raihan, executive director of the South Asian Network on Economic Modeling, thinks that the central bank should have devalued the local currency step by step over the years.

"The central bank might be adopting a wait-and-see approach at the moment. But the country may turn out as a loser if it takes too long to devalue the currency."

Although the depreciation of the local currency stokes inflationary pressures, the central bank has no other scope but to do so, he said.

"The government should take fiscal measures to insulate the lower income groups from higher inflation."

The existing crisis in the global market might linger as the war in Ukraine is still raging and the coronavirus pandemic is not over yet.

"A gradual depreciation is key to mitigating the crisis," said MA Razzaque, research director of the PRI.

Shah Md Ahsan Habib, a professor at the Bangladesh Institute of Bank Management, advises the central bank not to depreciate the taka to a large degree all of a sudden and rather recommends the BB monitor the market trend to assess the outcomes generated by the recent depreciation.

"If the BB depreciates the currency by Tk 4-5 suddenly, a panic will spread in the market," he said.

Md Habibur Rahman, chief economist of the central bank, says that the central bank will observe the situation in the next couple of days before deciding its next course of action.

"We will try to avoid imported inflation," he said, adding that the debt servicing will go up due to devaluation.

Learn about Bangabandhu

FROM PAGE B1

"It is very important for us to read Bangabandhu and understand his vision from the literature about him written by his companions," he said.

"Because this would give us a comprehensive view about the great leader who not only delivered captivating speeches or leadership but also his high-minded thoughts on how to ensure social and economic justice in the country," he said.

"His vision is to ensure development of the country alongside delivering basic needs -- food, education, clothes, etc -- to the people," said Sen.

He envisioned a socialism that would be run diametrically. But the path of implementing such a system was unknown to him as no country in the world had introduced it, he said.

"So, Bangabandhu directed that we shouldn't follow any model to introduce such system as even the Soviet Union couldn't implement socialism," he said.

Bangabandhu did not want a Bangladesh that would be run by a handful of families wielding monopoly over the country's resources. He did not want the fate of the people to be determined by the rich and influential, he added. Muntasir Mamoon, trustee chairman at 1971 Genocide-Torture Archive and Museum Trust, was present.

A worker picks a handful of mint from a small-scale farm in Karnapur village of Mogholhat union under Lalmonirhat sadar upazila. Local farmers are earning well by planting the otherwise seemingly inauspicious herb on sparse amounts of land but growing demand is prompting them to expand cultivation. PHOTO: S DILIP ROY

FARMERS MAKING A MINT from small-scale mint farming

S DILIP ROY

A good number of farmers in Rangpur have been earning unexpected profits from growing mint, a medicinal crop, on small patches of land.

Mint is most popular among people living in towns or larger metropolitan areas. However, villagers are increasingly consuming the herb for its medicinal properties as well as unique taste.

For example, mint is used to make a traditional spicy yogurt drink known as "Borhani" in Bangla that is widely consumed at various social events such as weddings.

Other than lending a unique taste though, mint is useful for treating numerous gastrointestinal ailments, body aches and other diseases.

As such, the mint market is increasing day by day.

According to officials of the Department of Agricultural Extension (DAE), around 200 farmers from different villages under five districts -- Lalmonirhat, Kurigram, Gaibandha, Nilphamari and Rangpur -- have been commercially farming mint for the last few years.

The amount of land they each cultivate ranges from around 10 decimals to 20 decimals. However, there are many other farmers who grow the herb for personal use on small amounts of land.

Each of the commercial farmers annually produce around 50 kilogrammes (kg) to 60 kg of mint per decimal, with the herb selling for about Tk 150 to Tk 200 per kg.

When asked, farmers said they were still growing the crop on small amounts of land considering the fact that the mint market was not growing as expected. Other than individual consumers, herbalists also purchase mint for use in herbal treatments.

The farmers went on to say that there are not many costs involved in growing mint as only regular monitoring and care is required.

> **"Vegetable vendors from different areas buy mint from me. I earn Tk 3 lakh on an average from selling mint every year," says a farmer**

The herb can be produced year-round, sans the monsoon season as mint leaves die in rainy weather.

Ruhul Amin Babu and his wife Anwara Begum, who hail from Karnapur village of Mogholhat union in Lalmonirhat sadar upazila, have become self-sufficient by cultivating mint.

They have been commercially growing the crop on just 10 decimals of land for the last 18 years.

Babu told The Daily Star that about 20 years ago a local herbalist advised him to take mint juice when he suffered from stomach ailments.

Failing to find mint anywhere in the vicinity of his residence, he ended up having to collect the herb from Bogura. Later, he planted a few mint leaves beside his homestead for his own need.

But as the demand for the plant increased, within two years he started cultivating mint commercially.

"In the beginning, I used to earn Tk 15,000 to Tk 20,000 a year by selling mint. At present, I am earning on an average Tk 2 lakh annually," Babu said.

"Vegetable sellers buy mint directly from me. Besides, several hotel and restaurant owners regularly buy the herb as well," he added.

Buyers from all over the country purchase mint from Babu, who sends the herb to them via courier services once paid.

Anwara said she regularly cares for their mint field.

"Mint farming has kept our family well-run. The family is dependent on the money we earn from selling this crop," she said.

Suresh Chandra Sarker, a farmer from Baidderbazar village of Kurigram's Rajarhat upazila, said he has been commercially farming mint on 20 decimals of land for the last eight years.

"Vegetable vendors from different areas purchase mint from me. I earn Tk 3 lakh on an average from selling mint every year," he said, adding that many customers directly purchase the herb from him.

Azizar Rahman, a mint farmer of Pakhibandha village in Rangpur sadar upazila, said he has loyal customers that regularly buy the herb from him.

"Three vegetable vendors in Rangpur town buy mint produced on my 15 decimals of land regularly," he said.

"For farming mint, we do not need to spend more than Tk 1,000 per decimal but we can earn huge amounts of money in return," he said, adding that many other farmers would start growing the herb if the market grows.

Narayan Chandra Barmon, another farmer of the same village, said he planted some mint plants around his homestead for personal use as herbal treatment.

"But I am trying to get into the market for mint and if I do, I will be farming mint commercially," he added.

Subhas Chandra Das, a vegetable vendor in Rangpur city, said he and some other vegetable vendors at a local kitchen market sell mint regularly.

"We have also sent mint to wholesale markets in different parts of the country," he said, adding that they sell each kg of mint for between Tk 200 and Tk 250.

Hamidur Rahman, deputy director of the DAE office in Lalmonirhat, said mint has to be cultivated on high ground where water cannot remain stagnant.

Mint yields in the region are bumper and in order to produce this medicinal crop, only organic manure has to be applied as there is no need to use chemical fertilisers or pesticides, Rahman added.

TAKA-DOLLAR

Exchange rate shall stabilise after realignment

ATIUR RAHMAN

Despite a lot of stress, the Bangladeshi taka remains one of the strong currencies in the region. No doubt, the taka is still overvalued and consequently, it is trying to realign itself with the value of the US dollar through measured depreciation.

According to the Bangladesh Bank, the level of devaluation in this fiscal year up until now has been 3.2 per cent. Most currencies in the region, including the Indian rupee, depreciated much more than this.

The western currencies also devalued more than the taka. However, Southeast Asian countries, including Malaysia, Cambodia, Vietnam and Indonesia, did even less devaluation than Bangladesh.

Even though Bangladesh didn't peg its currency with the USD like Malaysia did in the late 1990s in the wake of the Asian Financial Crisis, it has been going through managed floating of its currency through appropriate market intervention to keep its exchange rate stable against the USD within a band. I think this has been a very prudent policy of the Bangladesh Bank as it was able to maintain a 'sort of peg' with the USD over about one and a half decades or so.

This gave a clear signal to foreign and local investors that the risk arising out of frequent fluctuations of the exchange rate was minimal. Both exporters and importers knew exactly what will be the costs and benefits of their businesses in the medium term.

> **With extra vigilance and coordinated actions between the Bangladesh Bank, the non-resident Bangladeshis and relevant ministries, we can bring some sanity and balance to the foreign exchange market**

When the government and the central bank felt that the small foreign exchange earners like the remitters were losing out due to the overvalued taka, they went for providing cash incentives (now 2.5 per cent) to keep them on board in the formal payment system. The exporters, particularly the RMGs, also got similar incentives to remain competitive.

However, of late there has been some turbulence in the foreign exchange market mainly due to the sudden opening of the businesses both at home and abroad in the post-Covid situation and, of course, further aided by the supply chain disruptions owing to the Ukraine war.

Bangladesh as a major importer of fertilizer, wheat and edible oil from Ukraine and adjoining countries, including Russia, has been suddenly facing unprecedented supply constraints of these items. In addition, the gas and oil markets have been equally destabilised by this war creating huge pressure on the import payment of the same.

Today's some kind of destabilisation of the foreign exchange market in Bangladesh owes significantly to the rising trade deficit (about $25 billion) leading to a similar rise in current accounts deficit of about $14 billion (which was in surplus for many years until this fiscal year).

Simultaneously, there has been a fall in the remittances in this fiscal year, so far a contraction of about 18 per cent, making the situation further complicated.

READ MORE ON B2

RUSSIAN GAS

Germany and Italy okayed payments after Brussels' nod

REUTERS, *Milan*

Germany and Italy told companies they could open rouble accounts to keep buying Russian gas without breaching sanctions against Moscow following discussions with the European Union, sources said.

The debate over Russia's demand that foreign buyers pay for gas in roubles has tested the resolve of European governments to take a hard line against Moscow over the war in Ukraine.

Poland, Bulgaria and Finland have refused to comply with Moscow's demand that importers pay for gas via rouble accounts with Gazprombank and their supplies have been cut. Other member states, however, have been unwilling to steer companies towards action that could result in losing vital supplies of Russian gas that heats homes and powers factories.

Brussels has given two sets of written guidance on how to buy Russian gas without breaching sanctions, but the legal route remains foggy as EU officials also advised firms in a closed-door meeting not to open rouble accounts with Gazprombank.

Some diplomats in Brussels from EU member states said they thought the advice was intentionally vague to enable countries to open rouble accounts and keep buying Russian gas.

"One has the impression that it leaves the door open for business as usual," one diplomat said, adding that in their view it risked undermining EU unity against Russia if companies in some countries opened rouble accounts but others did not.

The Russian pipe laying vessel Akademik Cherskiy to complete the Nord Stream 2 gas pipeline project is moored in the port of Mukran on the island of Rügen in north-eastern Germany. PHOTO: AFP/FILE

Japan's inflation hits 7-year high

AFP, *Tokyo*

Japan's core consumer prices posted their biggest jump in seven years in April, official data showed Friday, as global commodity prices soared and the yen slumped against the dollar.

The core consumer price index, which excludes fresh food, jumped 2.1 per cent year-on-year, according to figures released by the internal affairs ministry.

It was the first time since March 2015 that the figure has breached the 2.0 per cent set by the Bank of Japan as its long-term inflation target.

The reading, against market expectations of 2.0 per cent, is the eighth consecutive monthly increase following a 0.8 per cent rise in March.

And excluding energy, prices were up 0.8 per cent in April, against market expectations of a 0.7 per cent rise.

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