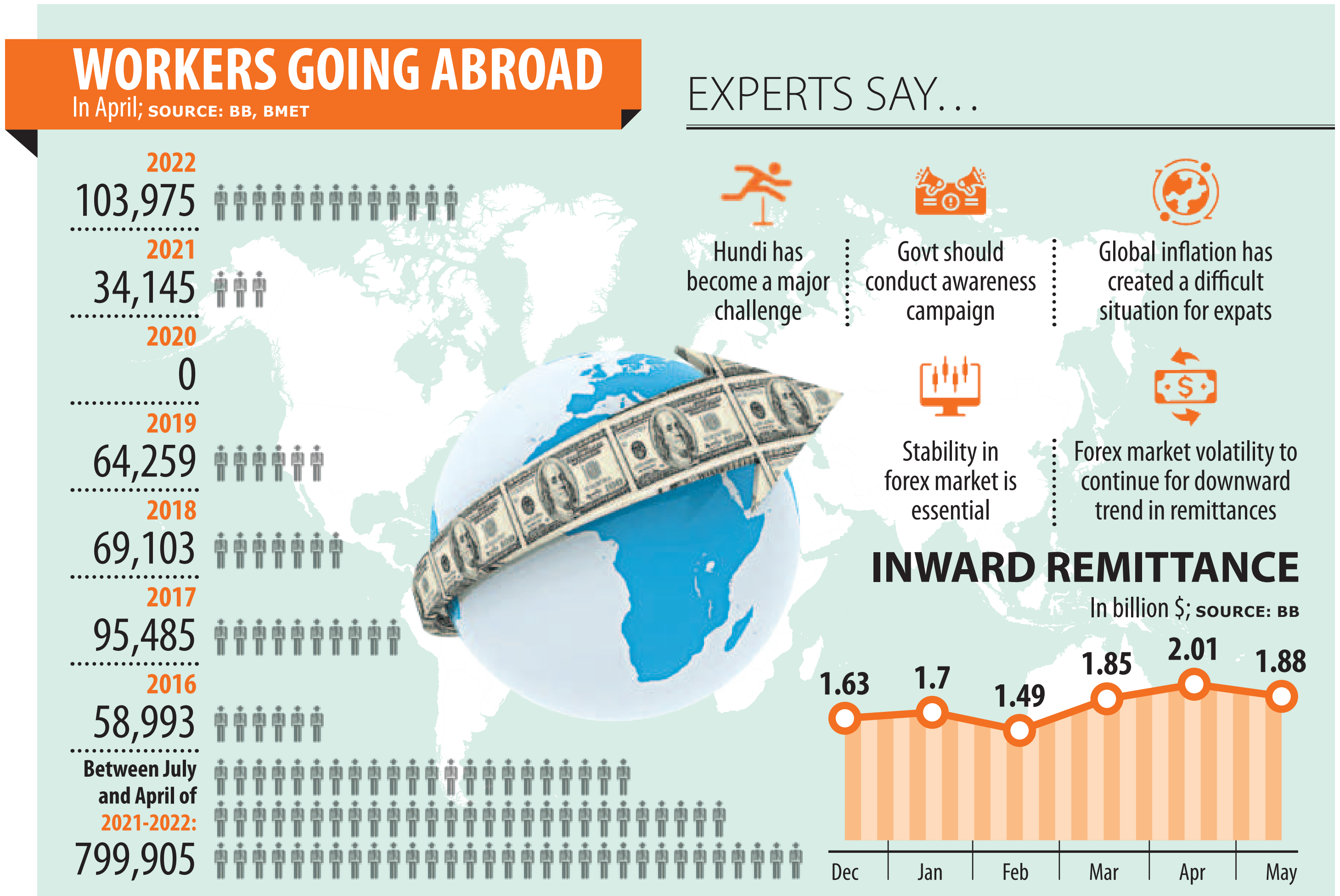
Star BUSINESS



REMITTANCE DROPS
in May, piling pressure on forex

AKM ZAMIR UDDIN *and* MD FAZLUR RAHMAN

Remittance flows to Bangladesh declined 13.15 per cent year-on-year in May as higher rates of US dollars in the informal markets are prompting many migrant workers to shun formal channels, creating additional pressure on the country's already heated foreign exchange market.

The inflow stood at $1.88 billion last month compared to $2.17 billion in the same month a year ago, data released yesterday by the Bangladesh Bank showed.

Similarly, remittance transfers plummeted 15.95 per cent year-on-year to $19.19 billion in the first 11 months of the current fiscal year.

The remittance flow, according to economists, is still satisfactory since May's receipts are much higher than the pre-pandemic monthly range of $1.2 billion to $1.5 billion.

The flow shot past $2 billion on average per month during the pandemic. But as the impacts of the crisis have waned, a portion of remittance is again being re-routed through informal channels.

The higher exchange rate of the taka against the US dollar in the kerb market, a platform where the commoners sell and purchase US dollars, than in the formal channels is also making the hundi channel attractive.

Mustafizur Rahman, a distinguished fellow of the Centre for Policy Dialogue, however, thinks that there is no need to panic due to the downward trend of remittance.

The kerb market now offers Tk 96-97 for each US dollar against the interbank exchange rate of Tk 89.

So, Rahman urged the central bank to carry out an awareness campaign among migrant workers on the demerits of transferring funds through the hundi channel.

Zahid Hussain, a former lead economist of the World Bank's Dhaka office, does not think that monthly remittance receipts would slip below $1.5 billion in the coming days since a huge number of Bangladeshis have gone abroad in recent months in search of jobs.

Nearly 8 lakh migrant workers went abroad in the first 10 months of the current fiscal year, comfortably exceeding the numbers a year ago, data from the state-run Bureau of Manpower, Employment and Training showed.

Some 4.26 lakh went abroad in April alone. Of them, 2.68 lakh workers went to Saudi Arabia, 56,830 to Oman, and 51,531 to the United Arab Emirates.

Another positive development, says Zahid, is the rising oil prices, which have accelerated economic growth in the oil-exporting Middle Eastern economies, home to about 55 per cent of Bangladesh's more than 1.2 crore migrant workers.

"Economic activities have accelerated in the Middle Eastern countries and their revenue earnings are picking up. As a result, the demand for workers will go up. And there is the possibility that existing workers would get higher wages."

READ MORE ON B3

FISCAL 2023

Fitch Solutions cuts growth forecast to 6.5pc

STAR BUSINESS REPORT

Fitch Solutions Group Ltd, an affiliate of Fitch Ratings, has cut Bangladesh's growth forecast to 6.5 per cent for the next fiscal year owing to the multiple challenges facing the economy for the Russia-Ukraine war and higher commodity prices.

The projection is 1.2 percentage points lower than its previous forecast of 7.7 per cent and 1 percentage point lower than the government's growth target of 7.5 per cent for the fiscal year starting from July 1.

Although growth will be supported by continued easing of Covid restrictions, headwinds facing the economy suggest the growth on balance will likely slow in FY23

"Growth is likely to slow due to the myriad headwinds facing the economy," said Fitch Solutions.

"However, the ongoing normalisation of economic activities should provide some support."

The revision from Fitch Solutions came after the Bangladesh Bureau of Statistics (BBS) released its latest data on the gross domestic product (GDP), which was rebased to FY2015-16 and provided new provisional figures for FY2021-22.

The BBS said the economy would expand by 7.2 per cent in the current fiscal year ending in June, up from a rebased 6.9 per cent in FY21. Fitch Solutions had previously expected growth to come in at 5.8 per cent in FY22.

Although growth will be supported by the continued easing of

READ MORE ON B3

Forex market volatility drags on
BB injected $6.07b so far in FY22, an all-time high

AKM ZAMIR UDDIN

In spite of the injection of $130 million into the market by Bangladesh Bank, volatility persisted in the foreign exchange market yesterday.

The central bank injected $5 billion between July 1 and May 11 of the current fiscal year and another $1 billion in the last 20 days.

The latest injection took it to $6.07 billion, an all-time high.

Before this fiscal year, the central bank supplied a maximum of $1.34 billion in FY19 to keep the exchange rate between the taka and the dollar stable.

Despite all the efforts put in by the central bank, many banks yesterday sold each US dollar for Tk 92 to Tk 94 to importers due to an acute supply shortage of the foreign currency.

The Daily Star yesterday contacted eight banks to know whether they followed the BB-set exchange rates. Of them, six said they had no choice but to sell each dollar to importers for Tk 91 to Tk 94.

The BB had asked banks to sell the dollar at Tk 89.15, but the majority of banks did not stick to the rate in the last two days. In addition, no bank bought or purchased US dollars on the interbank platform in the last two days.

An official of a commercial bank, on condition of anonymity, said a good number of banks earlier purchased dollars at Tk 95 to Tk 96, which was why they have to face losses if they sell those at the interbank rate.

READ MORE ON B3

STOCKS

DSEX ▲	CASPI ▲
0.63%	0.82%
6,433.17	18,821.55

COMMODITIES

Gold ▲	Oil ▲
$1,845.98	$117.46
(per ounce)	(per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.33%	▲ 0.65%	▲ 0.36%	▼ 0.13%
55,381.17	27,457.89	3,244.00	3,182.16

Although jute products such as these bring home hefty sums of export revenue each year, the industry still faces a higher tax rate than that of garments. In a bid to facilitate a more diversified export basket, the finance ministry is considering uniform corporate tax rates for exporters in all sectors. PHOTO: STAR

Tax rates for all exporters likely to be uniform

SOHEL PARVEZ

Exporters of all sectors will likely get corporate tax rates equal to that of garment exporters from the next fiscal year, said officials of the finance ministry, which plans to encourage the diversification of Bangladesh's export basket by affording this benefit.

Woven and knitwear makers, the biggest export earners, currently face a 10 per cent tax rate for factories with green building certification and 12 per cent for other units, according to the National Board of Revenue (NBR).

Makers of jute and jute goods also have the privilege of paying 10 per cent corporate tax while textile mills pay 15 per cent tax on their income.

Other export sectors, namely leather and leather goods, agro-processing and home textiles, have to pay the regular tax rate of 30 per cent for listed companies and 22.5 for non-listed companies even though they also generate several billion dollars worth of export proceeds.

An official of the finance ministry said the government is considering bringing uniformity in tax rates of all exporters to encourage them.

"We are planning to reduce the rate following demands from businesses," he said, adding that the proposal may be included in the national budget to be placed by the finance minister by the end of next week.

The government is likely to continue the 10 per cent corporate tax for jute and jute goods exporters to boost shipment of the environment-friendly goods.

Md Saiful Islam, president of the Metropolitan Chamber of Commerce and Industry (MCCI), said Bangladesh's export basket is largely filled by garments, which accounted for up to 86 per cent of the country's total export earnings a couple of years ago.

The ratio of garment exports declined to 81 per cent in fiscal year 2020-21, when overall export earnings stood at $38.75 billion, as per data from the Export Promotion Bureau.

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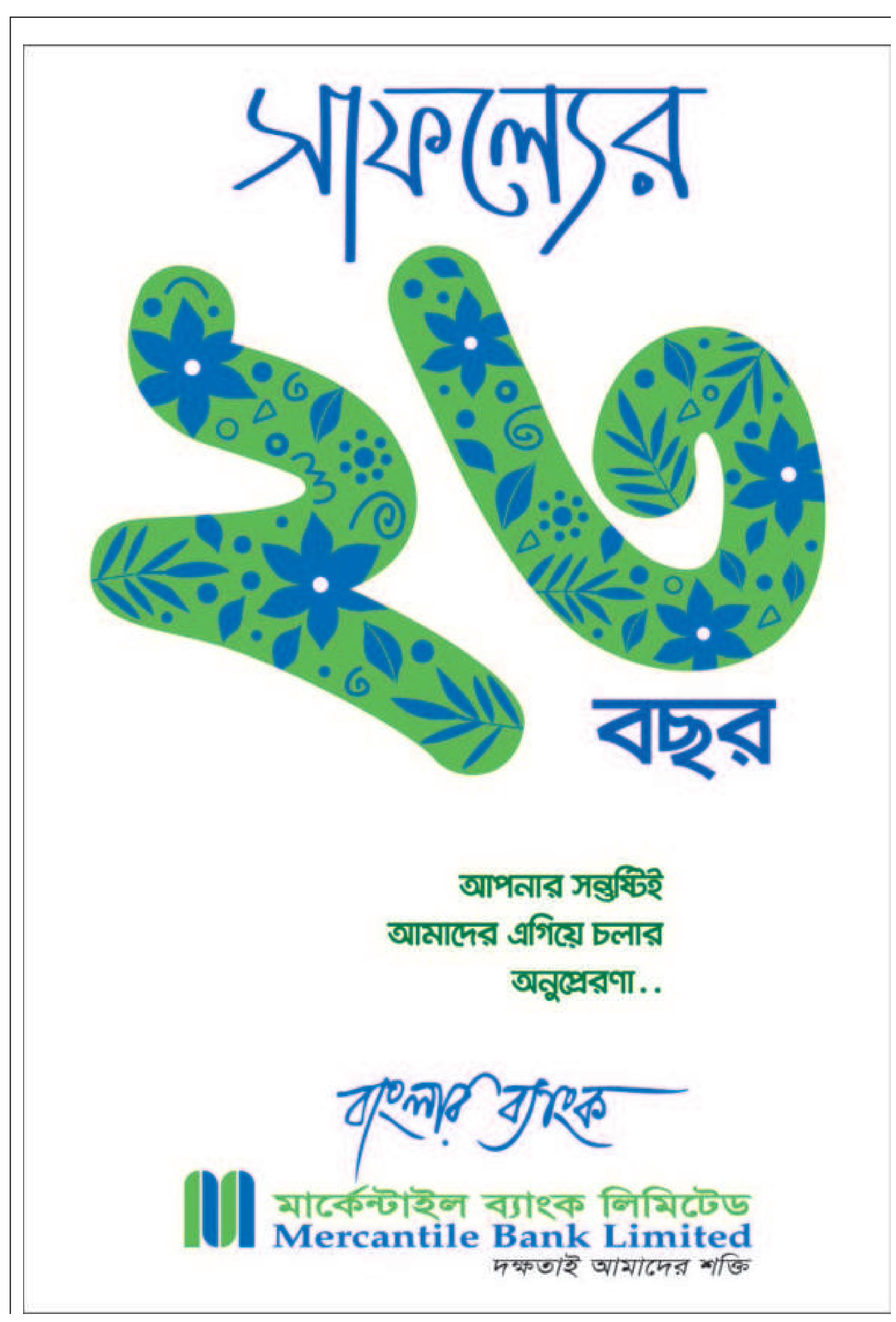


IFIC Bank to issue Tk 500cr bonds

STAR BUSINESS REPORT

IFIC Bank has received regulatory approval to raise Tk 500 crore through the issuance of unsecured, non-convertible bonds.

The approval came in a meeting of the Bangladesh Securities and Exchange Commission yesterday.

Fully redeemable and with a floating rate, the fund would be raised through private placement for financial institutions, insurance companies and corporates. Each unit price of the bond is Tk 1 crore.

With the bond proceeds, the lender will strengthen its Tier 2 capital base.

Sena Kalyan Insurance Company and Standard Chartered Bank are the trustee and mandated lead arranger respectively.

Stocks rise for fourth day

STAR BUSINESS REPORT

Stocks continued to rise yesterday for the fourth consecutive trading day.

The DSEX, the benchmark index of Dhaka Stock Exchange (DSE), rose 40 points, or 0.63 per cent, to 6,433. Turnover of the DSE advanced to Tk 743 crore from the previous day's Tk 637 crore.

At the DSE, 281 stocks advanced, 51 declined and 47 remained unchanged.

Aramit Cement topped the gainers' list, rising 9.96 per cent, followed by Usmania Glass Sheet Factory, Rahima Food Corporation, Monno Agro & General Machinery, and Bangas.

Social Islami Bank shed the most, dropping 6.33 per cent, followed by Daffodil Computers, Union Bank, Exim Bank and New Line Clothings.

Beximco became the stock to be traded the most, with shares worth Tk 35 crore changing hands, followed by IPDC Finance, Orion Pharma, GSP Finance Company (Bangladesh) and Bangladesh Shipping Corporation.

Workers run tools similar to rakes to evenly dry maize under the sun in a yard at Bishbari village of Lalmonirhat sadar upazila. There are around 2,000 workers engaged in 600 or so maize and paddy drying yards in the district, getting Tk 500 on an average for a day's work. However, they believe Tk 700 would have been justified, considering the labour they put in under the scorching heat. The photo was taken recently.

PHOTO: S DILIP ROY

Indian private refiners profit from cheap Russian crude

REUTERS, *New Delhi*

There's a split emerging in India's refining sector as private refiners tap cheap Russian crude and boost profits from exports just as domestically focused state refiners get squeezed by high oil costs and government-capped domestic fuel prices.

While many Western buyers are avoiding Russian crude in response to its invasion of Ukraine, Indian private refiners such as Reliance and Nayara have been among the biggest buyers this year of discounted Russian supplies.

They are reaping major profits by reducing domestic sales and aggressively boost fuel exports, including to buyers in Europe, which is now boycotting imports of Russian energy.

In contrast, state refiners are much smaller buyers of Russian crude as they largely buy oil under annual term supply deals. They face potential losses in the June quarter, industry sources say, as they grapple with rising global crude costs and controlled retail fuel prices that are unchanged since early April to rein in spiraling inflation.

India has bought about 62.5 million barrels of Russian oil since Moscow's invasion of Ukraine on February 24 - more than three times more than in the same period in 2021 - more than half for private refiners Reliance Industries and Nayara Energy, Refinitiv Eikon data shows.

In turn, private refiners have helped drive total Indian fuel exports 15 per cent higher in the first five months of 2022 compared to the same period in 2021, according to data firm Kpler.

To accommodate sharply higher fuel exports, private refiners have reduced their market share of domestic fuel sales to 7 per cent in April from 10 per cent in the fiscal year to March 2022, an Indian state refinery source said.

State refiners have had to step up domestic sales, but are incurring losses of more than 20 rupees per litre on sale of diesel and 17 rupees a litre on gasoline, a second official at one of the state refiners said.

In light of such different operating environments, brokerage ICICI Securities cut its rating on IOC, the country's top state refiner and fuel retailer, to 'Hold' from 'Buy', and pitched Reliance as an alternate stock idea.

"This is the golden age of refining margins for refiners. But in India state refiners' negative marketing margins are offsetting the gains from refining business," said Ehsan Ul Haq, an analyst with Refinitiv.

State refiners are also losing more than 200 rupees on each cylinder of cooking gas, the state refining official added.

"The more we sell in the Indian market, the more we lose," said the second source.

Reliance, operator of the world's biggest refining complex at Jamnagar in western India, recently deferred its refinery maintenance plan, bought "arbitrage" barrels on the international crude oil market, and boosted fuel exports, it said last month.

"RIL remains well placed to benefit from the ongoing surge in refining margins given its high complexity, high diesel yield, and high export ratio," Citi said in a recent report.

Bank chairmen can be subsidiary directors till June 2023

STAR BUSINESS REPORT

Bank chairmen along with the heads of executive, audit and risk management committees who hold directorships of associated subsidiaries or foundations will be able to continue to serve in the latter role till June next year, said Bangladesh Bank yesterday.

Last month, the central bank had instructed persons who are now in such directorship roles to resign or get exempted by June 30 this year.

But banks will face financial losses if the resignations or exemptions come about within a short period of time, which would subsequently pose a risk, says a central bank circular.

Banks informed the central bank that it would be difficult to run the subsidiaries and foundations due to a lack of skilled manpower.

Against this backdrop, banks have been granted a deadline extension until June next year so that they can prepare efficient successors to run the subsidiaries and foundations.

Sandhani's mutual fund gets BSEC nod

STAR BUSINESS REPORT

The Bangladesh Securities and Exchange Commission (BSEC) yesterday approved Sandhani Asset Management SLIC Fixed Income Fund, an open-ended mutual fund.

Mutual funds pool money from investors to channel it into securities such as stocks and bonds and distribute the profits among investors.

Open-ended mutual funds are not listed with stock markets. Investors can buy them from a fund manager's office on the basis of their net asset value.

The approval came at a meeting of the commission at its office in the capital.

The size of the fund could be raised up to Tk 50 crore. Of the Tk 50 crore, Tk 10 crore was provided by its sponsor, Sandhani Life Insurance. The rest can be raised from general investors.

The price of each unit of the mutual fund is Tk 10.

Sandhani Asset Management, Bangladesh General Insurance and Brac Bank are, respectively, the asset manager, trustee and custodian of the fund.

Mir Ariful Islam, managing director of Sandhani Asset Management, said a minimum 30 per cent of the fund would be invested in fixed-income securities.

"An important feature is it is the most tax-friendly fund as it is a non-dividend fund. No tax on the dividends will be imposed," he said, adding that investors will make profits when they sell units.

Making budget for life

FROM PAGE B4

They are producers, they are consumers, and they are employers. The economy will not survive if these informal sector businesses cannot operate.

Some crowds in shopping malls and markets or full bookings in hotels in tourist areas do not represent the whole country. Certain sections of people would point to the crowds and say, "See, businesses are bouncing back. People are spending. Our foreign currency reserve is soaring, per capita GDP has been sharply increased, etc."

But this is not the case. There has been inequality in the economy, and the pandemic has widened it.

The next budget needs to look into the livelihood issue and drop extravagant projects to spend more on social welfare, health, and education.

Many labour-intensive economic sectors are on the verge of ruination. The budget should identify them and support them. Sectors that will save lives and jobs should be prioritised over projects that will take years to complete and deliver fruits.

Whatever budget we have for education, it all went to pay for the salary of teachers, the distribution of free books, buying chairs and tables and constructing school buildings. No effective initiative to ensure the study of students, particularly those in villages, who lost two academic years during the pandemic. The price of this learning loss will be huge.

So, allocating more for education in the budget will not do any good if students cannot learn and if quality education is not ensured. Recruiting several thousand doctors and paying them salaries would not improve healthcare services if they are not properly trained and proper facilities are not put in place.

THE BLACK MONEY DEBATE

It has been crystal clear that money is being generated illegally through corruption and a good portion is smuggled out of the country. This money needs to be incorporated into the formal economy. But at what and whose cost?

You are not fining those who amassed money through illegal means, you are not questing their source of income and you are welcoming them to legalise their unjust incomes through a subsidised tax rate, whereas genuine taxpayers are made to pay 25 to 30 per cent. This is an ethical deviation, which will demoralise and punish honest taxpayers and reward the wrongdoers. What is even more alarming, the holders of the money spend to enhance their influence in the power circle and destroy our institutions one by one.

If they are allowed to invest in the sectors like housing and the stock market, it will cause price inflation and put others' money at risk. The scheme also contradicts the state policy stipulated in the Constitution.

If the government still wants to include black money into the formal economy, it can allow it on the condition of paying applicable tax and investing in labour-intensive and production-oriented industries.

Emerging economies need to launch drives against black money every 15 to 20 years, and allow legalising undisclosed income through strict rules and payment of higher-than-usual taxes with fines.

REVENUE INCOME

Where will you get the money from when the economy is stalled? If people lose income, they will not get income tax. If sales drop, VAT revenue will be less. If imports fall, customs duties will decline, though, in recent times, there has been a substantial increase in customs duty on imported items as the prices of imported items have gone up globally. In such a situation, revenue income will definitely fall and there is no point in raising hue and cry over it.

The government needs to be practical in setting revenue targets for the National Board of Revenue. When the entire economy is in crisis, setting a high-flying revenue generation target will be unwise. The government should cut recurring non-development, luxurious, and rent-seeking expenditures.

The NBR has long been suffering when it comes to the manpower issue. Since the 1990s, it has spent about Tk 500 crore on digitalisation projects, but the automation is progressing at a snail's pace.

A quick switch to the online system remains the only answer to the NBR's problem. It will help overcome manpower shortage, plug tax evasions and make up the revenue deficit to some extent. It remains the only option for NBR since there is little scope to impose new taxes during this post-pandemic and pre-election year.

The author is a retired secretary and former chairman of the National Board of Revenue

Asia's factory

FROM PAGE B4

"Rising inflation is forcing some Asian central banks to tighten monetary policy. There's also the risk of market volatility from US interest rate hikes. Given such layers of risks, Asia's economy may remain weak for most of this year."

Lockdowns in China have snarled regional and global logistics and supply chains, with both Japan and South Korea reporting sharp declines in output.

Japan's manufacturing activity grew at the weakest pace in three months in May and manufacturers reported a renewed rise in input costs, the PMI survey showed, as the fallout from China's lockdowns and the Ukraine conflict pressured the economy.

The final au Jibun Bank Japan PMI fell to a seasonally adjusted 53.3 in May from the previous month's 53.5, marking the slowest pace since February.

JMI celebrates 12-year partnership with Nipro

STAR BUSINESS DESK

Entrepreneurs in the country are now investing in new sectors where sophistication is a prerequisite, such as medical device manufacturing, said Planning Minister MA Mannan yesterday.

"The country's development has been ongoing in a structured way," he told the celebration of a 12-year partnership between pharmaceutical company JMI Group and Japan-based Nipro Corporation.

The duo jointly organised the event styled "NIPRO-JMI Joint Venture: The trend setter of Japanese equity investment in Bangladesh's healthcare sector" at Pan Pacific Sonargaon Dhaka.

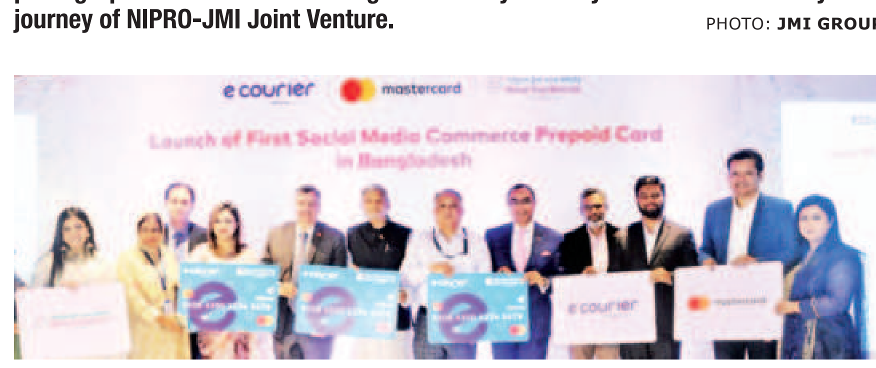
The partnership started off with the manufacturing of medical devices in 2011 and later expanded to healthcare services, pharmaceuticals and product marketing sectors, said a press release.

Around 5,500 employees currently work at five business entities under the joint venture initiative, which received $80 million (Tk 680 crore) foreign direct investment from Japan.

Asaduzzaman Khan Kamal, home affairs minister, ITO Naoki, Japanese ambassador to Bangladesh, Md Jabed Iqbal Pathan, chairman of JMI Group, were present.

Asaduzzaman Khan Kamal, minister for home affairs, MA Mannan, minister for planning, ITO Naoki, Japanese ambassador to Bangladesh, Md Jabed Iqbal Pathan, chairman of JMI Group, Md Abdur Razzaq, managing director, and Tsuyoshi Yamazaki, managing director of NIPRO Corporation, pose for photographs at Pan Pacific Sonargaon Dhaka yesterday to celebrate the 12-year journey of NIPRO-JMI Joint Venture.

PHOTO: JMI GROUP



Planning Minister MA Mannan inaugurated the "first social media commerce prepaid card" for women entrepreneurs developed jointly by Mastercard, Mutual Trust Bank and eCourier at InterContinental Dhaka yesterday. Syed Mohammad Kamal, country manager for Bangladesh at Mastercard, Syed Mahbubur Rahman, managing director of Mutual Trust Bank, and Biplob Ghosh Rahul, chief executive officer of eCourier, were present.

PHOTO: MUTUAL TRUST BANK

Morshed Alam, chairman of Mercantile Bank, launched seven new card services, including three Taqwa Islamic credit cards, at the bank's head office in Dhaka yesterday to celebrate its 23rd founding anniversary. Md Quamrul Islam Chowdhury, managing director, ASM Feroz Alam, vice-chairman, and Akram Hossain Humayun, MA Khan Belal and Mohammad Abdul Awal, directors, were present.

PHOTO: MERCANTILE BANK

Powdered milk products of popular brands are getting costlier due to rising prices in the international market caused by higher transportation costs and the growing value of US dollars, putting pressure on local consumers who are already grappling with increased edible oil, wheat, rice and sugar prices. PHOTO: PRABIR DAS

Fresh blow for consumers as powdered milk prices rise

SUKANTA HALDER *and* MOHAMMAD SUMAN

Powdered milk prices have increased by Tk 50 to Tk 80 per kilogramme (kg) as rising transportation charges and the growing value of US dollars pushed up costs in the international market.

According to retailers, the price of 1 kg packets of powdered milk under brand names such as Nido, Dano, Marks and Diploma rose from Tk 530 to Tk 560, Tk 680 to Tk 730, Tk 580 to Tk 660 and Tk 680 to Tk 740 respectively.

The development comes at a time when consumers are already suffering from high prices of edible oil, wheat, rice and sugar due to disruptions in the international supply chain caused by the Russia-Ukraine war while unfavourable weather conditions have battered the domestic front.

"The international market is volatile now due to the Russia-Ukraine war while rising production and transportation costs along with dollar prices are also to blame," said Mostafa Kamal, chairman and managing director of Meghna Group.

"As soon as the price of any basic product increases, it hits another sector and that is what happened to the cost of powdered milk," he added.

Galib Bin Mohammad, head of marketing at Arla Foods Bangladesh, said pricing is dependent on multiple factors, both external and internal.

"It can be affected by, but is not limited to, the increase of global milk prices, higher logistic costs, import duties and so on," he added.

Arla Foods Bangladesh, the local subsidiary of Danish multinational dairy cooperative Arla Foods, is the producer of powdered milk brand Dano.

Abdul Matin, a wholesaler at Karwan Bazar, one of the largest kitchen markets in Dhaka, said the price of powdered milk went up in the past month.

He went on to say that prices would go up further even though there is no shortage of milk in the local market.

In the current fiscal year, powdered milk imports increased 9 per cent while prices of the product increased by 12 per cent year-on-year.

According to the Custom House, Chattogram, about 101,153 tonnes of powdered milk worth Tk 2,594.4 crore was imported in the 10 months up till April of the ongoing fiscal year.

About 93,247 tonnes of powdered milk worth Tk 2,143.33 crore was imported during the same period in fiscal 2020-21.

Sibly Ahmed, a private job holder who lives in Dhaka's Agargaon area, said the rise in powdered milk prices has left middle-class people embarrassed about their spending capacities.

"I had to stop eating eggs in order to pay the extra price of my baby's milk," he added. Bashir Uddin, president of the Moulvibazar Traders Association, said the global price of powdered milk has risen considerably.

The price of one tonne of the product was about $2,500 two or three years ago but now, the same amount costs $7,000 to $9,000. "If the Russia-Ukraine war does not stop, the price will increase further and not only us, but the whole world will suffer," Uddin added.

Kamruzzman Kamal, director for marketing at Pran-RFL Group, said the price of powdered milk rose in international markets between October and April this year due to several reasons.

During the last auction in the international market in May, the price of powdered milk had come down by 2-3 per cent. Even after buying powdered milk at the upcoming auction, it will take another three to four months for the product to reach retail markets in Bangladesh.

"Only then will the price go down," Kamal said.

Processed milk prices rising

The price of processed milk is rising at the retail level in different areas of the capital as well due to the higher cost of feed and other inputs.

On average, half-litre packs of the dairy product are being sold for Tk 45 while a one-litre packet costs Tk 80, up by Tk 7 and Tk 10 respectively.

Aarong Dairy currently sells each litre of pasteurised milk at Tk 80 while it was Tk 70 previously. Likewise, the price of the company's half-litre packs rose to Tk 45 from Tk 38.

Pran Dairy, a concern of Pran-RFL Group, increased the price of its one-litre UHT milk packets to Tk 80 from Tk 70 while the half-litre packs of the product now cost Tk 45 instead of the previous Tk 40.

MONGLA, BANGLABANDHA

Bhutan wants to finalise deal to use the ports

STAR BUSINESS REPORT

Bhutan wants Bangladesh to make 2017's transit route deal functional soon so that the landlocked country can use Mongla and Banglabandha ports to carry goods from and to Bangladesh through India.

Bhutan's proposal to use the ports was discussed at the third meeting of the joint working group, Senior Commerce Secretary Tapan Kanti Ghosh told The Daily Star yesterday.

The meeting was held in Dhaka yesterday and attended by senior officials of the two countries.

"The discussion is still at the primary level. We will discuss further in this regard as India is also a part of the proposed transit route," Ghosh said.

However, the secretary declined to comment in details immediately as the negotiation is still underway. Bhutan has been showing interest to do trade with Bangladesh.

The Hasina administration signed its maiden preferential trade agreement (PTA) with Bhutan on December 6 last year.

Bangladesh signed the first PTA with Bhutan as a gesture of friendliness as the landlocked country was the first nation in the world to recognise Bangladesh's independence on December 6 in 1971.

Under the PTA, some 100 Bangladeshi goods will be enjoying the preferential duty benefit on export to Bhutan while some 34 Bhutanese goods will enjoy the same benefit in Bangladesh.

Last month, Bhutan requested Bangladesh to make the signed PTA effective from July 1 this year as the Bhutanese parliament has already completed the formalities to make the trade deal effective.

Govt frames charcoal policy

STAR BUSINESS REPORT

The government has formulated a "Charcoal Policy, 2022" to establish an eco-friendly, sustainable and export-oriented charcoal industry of international standard.

It was necessary to formulate a policy for the sake of national interest to increase the production of raw materials for charcoal and develop the industry, said the Ministry of Textiles and Jute.

The most common method for producing charcoal in Bangladesh is through the burning, cooling and compressing of jute sticks at a certain temperature.

The charcoal industry bears a lot of potential and is eco-friendly as carbon emissions from jute mills are very low, said the ministry in a press release yesterday.

Three-quarters of charcoal is carbon, which is used as a raw material for water purification, fireworks, lifesaving antitoxin tablets, cosmetics and photocopier and computer ink.

The policy will enable manufacturers and traders to receive government assistance in charcoal production, marketing and export.

Fitch Solutions cuts growth

FROM PAGE B1

the continued easing of Covid-19 restrictions over the coming quarters, high base effects and the myriad headwinds facing the economy suggest that the growth on balance will likely slow in FY23.

Fitch Solutions sees three headwinds for the economy over the coming quarters.

First, commodity prices have surged since late-February owing to the outbreak of the Russian-Ukraine war. Prices are expected to stay elevated through end-2022 before moderating slightly in 2023. This has put upside pressure on inflation globally and eroded consumer purchasing power.

The impact is more acute in Bangladesh than in developed markets since food and energy account for around 62 per cent of the CPI (Consumer Price Index) basket, the second-highest in the region after Thailand.

"Given Bangladesh's low level of GDP per capita, this will likely significantly weigh on discretionary spending and therefore, private consumption in the economy," said Fitch Solutions.

Inflation in Bangladesh climbed to 6.3 per cent in April, the highest since October of 2020.

Second, investment in Bangladesh is expected slow due to high commodity prices.

This is because Bangladesh is a net importer of energy and commodities. Higher commodity prices will lead to higher import bills and weigh on savings and therefore investment.

Import payments $61.52 billion between July and March, up 44 per cent year-on-year, data from the Bangladesh Bank showed, as the economy is rebounding from the pandemic-induced slowdown.

Higher inflation induced by higher commodity prices has pushed central banks around the world to tighten their monetary policy.

"Although Bangladesh Bank has so far maintained an accommodative monetary policy stance, external credit conditions have still tightened and this will likely lead to a slowdown in foreign direct investment," said Fitch Solutions.

The persisting higher inflation forced the BB to raise its key interest rate by 25 basis points to 5 per cent on Sunday, the first hike in a decade.

Lastly, Fitch Solutions believes, the slowing global economic backdrop will also weigh on Bangladesh's economy, though the impact on growth is less significant than on other export-oriented economies such as Thailand and Vietnam, given that merchandise shipment only accounted for about 14 per cent of GDP in FY2018-19.

Besides, the emergence of a more transmissible, deadlier, and vaccine-resistant Covid variant could cause the government to re-impose restrictions to prevent the healthcare system from being overwhelmed.

"In addition, a further escalation of the Russia-Ukraine war and/or wider lockdowns in China could further disrupt the supply chain and weigh on Bangladesh's export-oriented manufacturing sector," said Fitch Solutions.

On the upside, a strong recovery in remittances on the back of the faster growth in the Gulf Cooperation Council (GCC) group of countries could be supportive of Bangladesh's growth, it said. Remittance inflows accounted for 6 per cent of GDP in FY21, with around 55 per cent coming from the GCC countries.

Remittance receipts, however, dropped 13.15 per cent year-on-year to $1.88 billion in May as expatriate Bangladeshis now prefer informal channels to send their hard-earned money since their beneficiaries receive better rates owing to the significant devaluation of the local currency against the US dollar.

Forex market volatility drags on

FROM PAGE B1

The central bank has so far depreciated the taka against the US dollar seven times alone this year and now it stands at Tk 89. This has created an enormous pressure on the banks, which have no greenbacks available to settle import bills.

The dollar-strapped banks are now scrambling to secure dollars from the exchange houses located abroad.

The exchange houses owned by the Bangladeshi banks now follow the central bank's rate, which is Tk 89.20 per dollar, but the foreign companies are not abiding by the instruction.

Against the backdrop, it is not possible for banks to follow the rates at this moment.

"The volatility in the foreign exchange market yesterday worsened from what was on Tuesday," said one banker.

The central bank also did not provide liquidity support yesterday as per the demand of the banks.

Syed Mahbubur Rahman, managing director of Mutual Trust Bank, said the forex market yesterday remained the same as it had been the day before.

"If the price of the US dollar was allowed to go up naturally, the demand for it would have gone down and the supply would have gone up," said Zahid Hussain, a former lead economist of the World Bank's Dhaka office.

He questioned how much US dollars Bangladesh would be able to save by cutting development expenditures, curtailing foreign tours and raising import duties.

The notion that artificially holding back the dollar price can contain inflation is flawed, he said.

"This is because if imports come to a standstill owing to the dollar crisis, inflation will go up by leaps and bounds."

The economist said Sri Lanka committed the same mistake, which was keeping the exchange rate fixed, and Bangladesh was doing that now.

"In order to keep the dollar price fixed, Sri Lanka had injected dollars into the market. Bangladesh Bank is also doing the same," said Hussain.

"But how long can you keep doing this? Will you be able to keep the exchange rate fixed when you run out of the reserves?" he asked.

"Why aren't we learning from the Sri Lankan crisis? Sri Lanka had injected dollars in the market throughout the year. But when it ran out of reserves, the market became volatile."

Higher imports against moderate exports and remittance flow brought the foreign exchange reserves of Bangladesh to $42.29 billion on May 25. It was $46.15 billion on December 31.

Hussain urged the government to ensure external stability first, reasoning that the country does not print US dollars.

"It is a resource. So, in order ensure the supply of the resource and save this resource, the biggest weapon is to let the price adjust in line with the market situation."

Because if the price goes up, people become cautious when it comes to spending while the suppliers get the incentive to increase supply.

"But we have blocked both paths by fixing the rate," he said.

He says the exchange rate acts as a shock absorber during crises.

"If you remove the shock absorber, how long can one [the economy] run? And the reserves are like spare tyres. You use it when the tyres of the car get punctured," he said.

Tax rates

FROM PAGE B1

"We have many diversified product makers and exporters but many cannot reach the policy level as they do not have associations. If the tax rates are reduced, diversified exports will increase," Islam said, adding that the MCCI has been urging for the measure.

Khondaker Golam Moazzem, research director of the Centre for Policy Dialogue, said the government has been giving the reduced tax benefit with the objective of encouraging investments of surplus funds.

"However, we have not seen any major spike in private investment in this regard," he added.

To ensure the benefit is properly implemented, the financial reporting system should be strengthened to curb the tax avoidance tendency among local companies.

Moazzem went on to say that the tax cut might affect overall tax collection.

"The question is how far the government is prepared to handle the situation when fiscal pressure is high as the requirement for payment of subsidy bills would be high," he said.

Moazzem also raised the issue of unequal tax treatment between exporters and domestic market-oriented firms.

"Domestic market-oriented firms are major employers. So, there should be a balance in the tax rate among all," he added.

Remittance drops

FROM PAGE B1

According to Monzur Hossain, research director of the Bangladesh Institute of Development Studies, expatriate Bangladeshis now face difficulties due to the higher inflation prevailing across the globe.

"The financial condition of many expatriates is in bad shape. So, they are sending a lower amount of remittance."

Another reason is that remittance flow usually slows after Eid festivals.

Officials of three commercial banks say banks are now desperately trying to mobilise dollars from abroad to get respite from the ongoing foreign exchange pressure.

Last week, exchange houses, located abroad, charged Bangladeshi banks Tk 95-96 per dollar. The lenders need the American greenback to settle import bills.

This prompted the central bank on Sunday to fix the interbank exchange rate at Tk 89.20 a US dollar.

The exchange houses owned by Bangladeshi banks follow the BB rate, but the foreign ones are ignoring the central bank's instructions. So, the foreign exchange market is still facing the crisis, bankers say.

"If banks can't offer better rates than in the kerb market, who would sell dollars to them?" questioned Zahid.

Syed Mahbubur Rahman, managing director of Mutual Trust Bank, said that the central bank should make efforts to reduce the exchange rate gap between the formal and informal channels.

"If the gap widens, remitters may prefer to send their money through hundi."

Zahid Hussain warned that if the central bank maintains its strong grip on the exchange rate, the senders of remittance through formal channels may even explore alternative ways to get better rates.

"Under such circumstances, one can't expect to boost remittance flows even by paying 2.5 per cent incentive and allowing fund transfers without asking any questions."

"If you don't offer the market rate, you can't expect much remittances through the formal channel."

The downward trend of remittances has hit the foreign exchange reserves: it stood at $42.29 billion on May 25 in contrast to $46.15 billion on December 31.

Ensuring stability in the foreign exchange market is highly essential to give a leg-up to remittance flow, said CPD's Rahman.

Although it may seem like these farmers in Pabna's Chatmohar upazila are carrying paddy across a river on a makeshift boat of polythene, they are actually trying to salvage what is left of their crops from a field submerged underneath.

PHOTO: AHMED HUMAYUN KABIR TOPU

Floods ruin paddy yield prospects in Chalan Beel

AHMED HUMAYUN KABIR TOPU, *Pabna*

Paddy farmers in the Chalan Beel region of Rajshahi, Pabna, Sirajganj and Natore are concerned about whether they can achieve their expected yields this year as early floods have badly damaged their crops in the vast wetland.

"I cultivated five bighas of paddy at a cost of Tk 62,000 to get about 110-120 maunds of paddy worth around Tk 85,000 but my dreams have gone belly up as the entire field is submerged," said Md Aiyub Ali, a farmer of Chatmohar upazila in Pabna.

"In order to salvage what I can, I need to engage double the number of workers for harvesting," he added.

Making matters worse, labour costs have risen to about Tk 850 per worker while it was Tk 650 to Tk 700 last year.

Ali has spent about Tk 12,000 on labour costs to harvest just 30 maunds of paddy from two bighas of land so far, putting him at a loss of between Tk 4,000 and Tk 5,000 per bigha considering a selling price of Tk 750 per maund (37 kilogrammes).

"I cannot even get a good price for what is harvested as the crop is damaged," he said.

Like him, most farmers in the country's northern region are fearing poor production this year due to the untimely rains that have damaged crops while also creating additional harvesting costs.

Similarly, officials the Department of

Agricultural Extension (DAE) in Pabna, Natore and Sirajganj expect yields to fall short of their estimated targets.

"Last year, we cultivated Boro paddy on 55,221 hectares of land across nine upazilas in Pabna to get 2.52 tonnes of rice with an output of about 4.57 tonnes per hectare," said Md Saiful Islam, deputy director of the Pabna DAE.

"This year, we cultivated 55,388 hectares and expected to get 4.59 tonnes of rice but after harvesting about 80 per cent of the crop, we got only 4.1 to 4.12 tonnes of rice," he added.

During a visit to various villages in the Chhaikhola and Beel Cholon unions in Chatmohar upazila, this correspondent found that most farmers were struggling to save what they could from submerged croplands.

"After harvesting the paddy, we take them back home in a boat made of polyethene bags as nothing is available in such a sudden disaster," said Arman Hossain, a farmer of Afradah Beel in Chalan Beel.

Even after harvesting the paddy though, farmers need to employ workers to assist in drying the crop, he added.

Md Ahsan Shahid Sarkar, additional deputy director of the Sirajganj DAE, told The Daily Star that Boro paddy had been cultivated on a total of 141,050 hectares of land this season to get 5.98 lakh tonnes of rice.

"We have already harvested 85 per cent of the paddy to get a production of 4.01 tonnes per hectare this year while it was 4.23 tonnes per hectare last year," he said.

Production has fallen as early flood water due to incessant rain has broken the banks of rivers in the wetland, Shahid added.

Lutfunnahar Luna, agriculture officer of Tarash upazila in Sirajganj, said farmers in her region cultivated paddy on 22,360 hectares of land but production has been less than adequate.

"We are only getting 3.09 tonnes of rice per hectare, which is much too poor considering the inputs," Luna added.

Dr Md Easin Ali, deputy director of the Natore DAE, said the highest yield of paddy comes from Chalan Beel's Natore region every year but this year, production is falling short due to water invading the wet land.

"Last year, we got 4.72 tonnes of rice from each hectare but now we are getting a maximum of 4.66 tonnes of rice from the same amount of land," Easin added.

Floods usually hit Chalanbeel in June, when most of the paddy crops are already harvested but heavy rains came just when harvesting began in mid-May this year, raising threats of a potential production shortfall that has already started pushing up prices in local markets.

Making budget for life and livelihood

MUHAMMAD ABDUL MAZID

In the last two years, many expected that the budget would be framed keeping three perspectives in mind: economic aspect concerning people's lives and livelihoods; ethical aspect regarding legalising black money at a substantially reduced rate of tax, without any question and penalty; and the need for thinking out of the box of a conventional annual budget.

First of all, we urgently needed a budget for life and livelihood as the Covid-19 pandemic raged on. It has been the need of the hour. Not only in Bangladesh, but countries throughout the globe are also compelled to formulate extraordinary budgets.

As external trade activities are facing serious disorders due to the disruptions caused by the pandemic and the ongoing Russian-Ukraine war, countries are busy looking for ways to protect their own homes.

One good news for us has always been there that we are getting inward remittances. Our expatriates are sending money home, but the money is not being spent. Remitted money is being stockpiled in bank vaults and contributing to the surplus liquidity in banks.

The construction of houses has stalled and festival sales during Eid and Pahela Baishakh slumped for two consecutive years. Though in recent times, we are seeing a return to buying and selling, tours and transfers and online sales have seen a surge, it can't alone drive the economic recovery.

UPCOMING BUDGET

A national budget can't be separately viewed from a budget of life and livelihood. The budget must show the pathways for life and livelihood of people.

Usually, a national budget deals with all aspects of human life, but all the issues are not adequately focused on. The upcoming budget should have started this practice. It should have been framed like an emergency-cum-recovery time budget. It should not be more like a business-as-usual budget.

In the last two years, some priority sectors were given additional allocations, but those could not be utilised properly and those were not enough to revive an economy, hit hard by the pandemic.

The stimulus packages announced by the government were well-thought-out and praiseworthy. But the purpose of the intervention was not fully realised as big businesses could not utilise the money they received. Most of their loans are turning bad now.

On the other hand, small businesses, which were in urgent need of the money to survive and restart, did not get access to the stimulus money as banks could not disburse the money in full due to procedural limitations.

Banks were not the right choice for the job as they do not have direct links with small-scale businesses scattered across the country that are more connected with microfinance institutions. These are the businesses that needed the money most.

A financial insurance scheme could be developed to take money to small entrepreneurs as quickly as possible. They are the driving force of the economy.

READ MORE ON B2

Asia's factory activity loses steam in May

REUTERS, *Tokyo*

Asia's factory activity slowed in May as China's heavy-handed coronavirus curbs continued to disrupt supply chains and dampen demand, adding to woes for some countries in the region that are already struggling with surging raw material prices.

Manufacturers slowed activity last month in economies ranging from Japan to Taiwan and Malaysia, business surveys showed on Wednesday, a sign of the challenge policymakers face in combating inflation with tighter monetary policy - without crippling growth.

China's Caixin/Markit Manufacturing Purchasing Managers' Index (PMI) stood at 48.1 in May, improving slightly from 46.0 the previous month but staying below the 50-point threshold that separates contraction from expansion, a private survey showed. The outcome was in line with Tuesday's official data that showed China's factory activity fell at a slower pace in May.

While Covid curbs are now being rolled back in some cities, suggesting the country's manufacturing slump has bottomed out, analysts do not expect a rapid economic rebound like that in early 2020, saying fears of fresh outbreaks will continue to weigh on confidence and demand.

"Disruptions to supply chains and goods distribution may gradually ease as Shanghai's lockdown ends. But we're not out of the woods as China hasn't abandoned its zero-Covid policy altogether," said Toru Nishihama, chief economist at Dai-ichi Life Research Institute in Tokyo.

READ MORE ON B2

Employees are seen working on the production line of a Schneider Electric factory in Beijing. Disruptions to supply chains and goods distribution may gradually ease as Shanghai's lockdown ends, say economists.

PHOTO: REUTERS/FILE

India growth slows in Q1

AFP, *New Delhi*

India's growth slowed further in the first three months of 2022, the National Statistics Office said Tuesday, with inflation and higher oil prices denting a post-pandemic recovery.

Asia's third-largest economy grew 4.1 per cent, year-on-year, in the last quarter, NSO data showed.

Annual growth for the 12 months to the end of March stood at 8.7 per cent. Rising global commodity prices have sparked concern among policymakers, with India's central bank announcing its first interest rate hike in nearly four years this month.

The country of 1.4 billion people imports more than 80 per cent of its crude oil and the cost of meeting domestic fuel demand has soared since Russia invaded Ukraine in February.

India is also the world's largest importer of edible oils, prices of which are at record highs since the conflict began.