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Star BUSINESS

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

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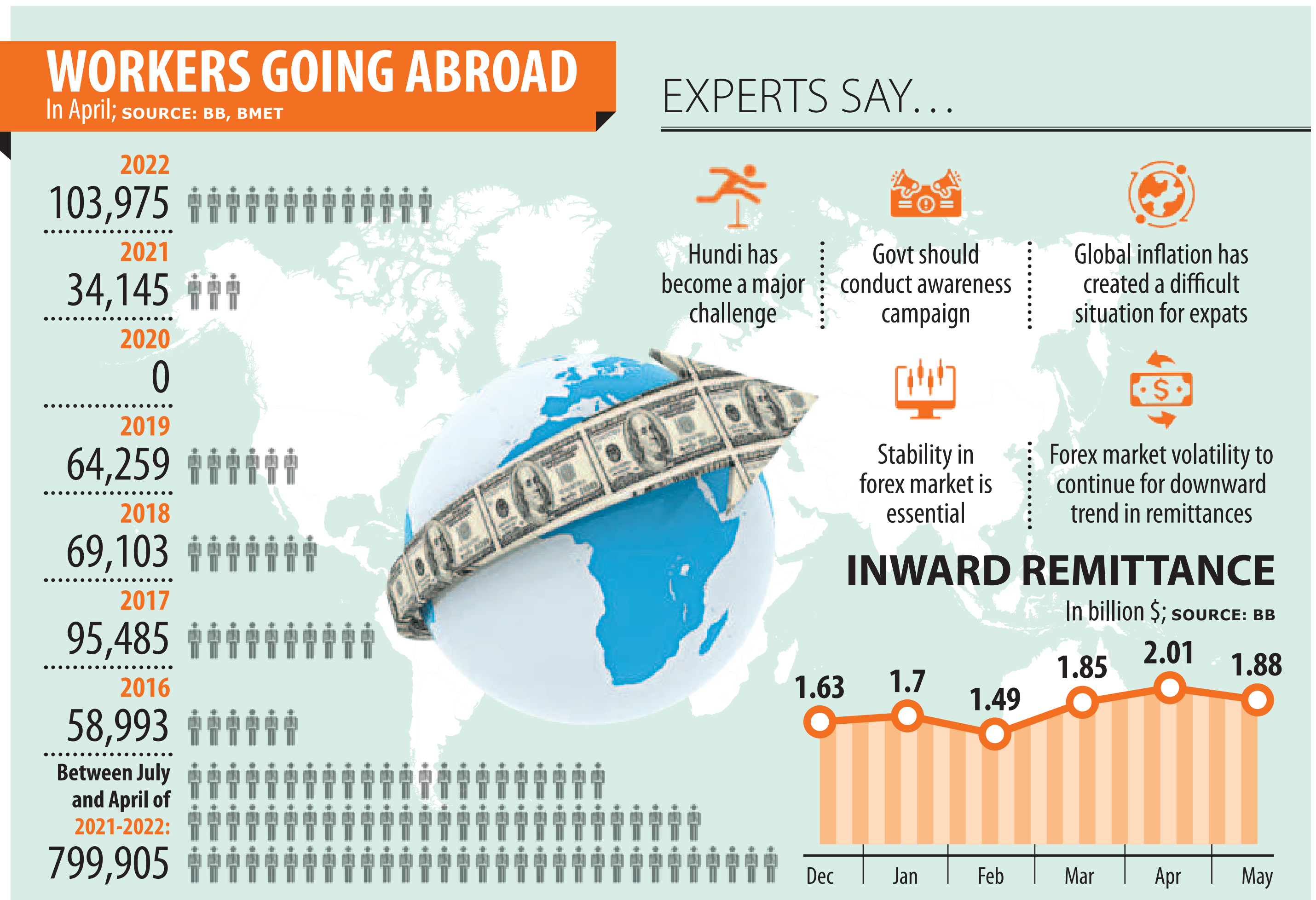

REMITTANCE DROPS in May, piling pressure on forex

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."

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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.

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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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