

# Star BUSINESS

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SCAN FOR DETAILS

## EARNINGS AT A GLANCE

Total earnings in May: \$3.83b

Exports grew 23.24pc in May

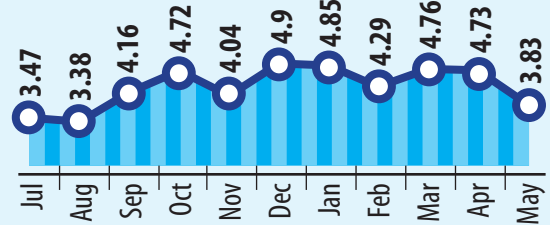
Garment fetched \$3.16b

Knitwear brought in \$1.74b

Woven contributed \$1.41b

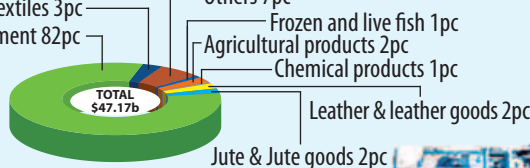
## SHIPMENT TRENDS

In billion \$; SOURCE: EPB



## Export by categories

Jul-May of FY2022  
SOURCE: EPB



## CAUSES OF SLOWDOWN

Inflationary pressure in West caused by war  
Factory closure in Bangladesh for Eid holidays



## Urgent need to stabilise macroeconomy

SADIQ AHMED

Macroeconomic stability has been a hallmark of Bangladesh's development strategy. This has served the country well, especially in terms of providing a solid enabling environment for the private sector.

Relatively low inflation (long term average rate of 6.1 per cent over the 1990-2021 periods) has also been helpful in preserving the gains in nominal income for the poor and the fixed-income group. Periodic episodes of imbalances were quickly reversed through deft macroeconomic management involving relevant reforms.

The combination of Covid-19 global supply disruptions and the food-fuel supply crisis related to the Ukraine war has created serious global inflationary pressures. Over the past 12 months, the inflation rate has



# Exports slow as raging inflation, uncertainty hit West

REFAYET ULLAH MIRDHA

Export earnings, the largest source of foreign currencies for Bangladesh, slowed in May reflecting the fall in demand in western economies reeling from the crisis caused by higher inflation, the Russian-Ukraine war and supply chain bottlenecks.

The country earned \$3.83 billion in merchandise exports last month, up 23.24 per cent year-on-year but the lowest in nine months, according to data released yesterday by the Export Promotion Bureau (EPB).

It came a day after Bangladesh Bank data showed that remittance flows, the cheapest source of US dollars for the country, declined 13.15 per cent year-on-year in May.

The deceleration in exports and the decline in money transferred by migrant workers will intensify pressure on the country's foreign currency reserves as imports have escalated owing to higher commodity prices.

From September to April, exporters raked in more than \$4.50 billion per month as demand surged in keeping with the receding pandemic.

The highest export earnings

in Bangladesh's history were recorded in December when shipment brought home \$4.90 billion.

The deceleration in earnings in May means the country received almost \$1 billion less than the average registered between September and April.

Overall, entrepreneurs posted 34 per cent year-on-year growth in export earnings to \$47.17 billion in the July-May period of the current fiscal year of 2021-22.

Garment shipment, which accounts for around 85 per cent of national international earnings, grew 34.87 per cent year-on-year to \$38.52 billion during the 11-month period.

Knitwear shipment was up 36.61 per cent to \$20.98 billion and woven garment export grew 32.85 per cent to \$17.53 billion. Home textile exports surged 41.3 per cent to fetch \$1.46 billion.

Kutubuddin Ahmed, chairman of Envoy Textile Ltd, said since the purchasing power of western consumers is declining due to accelerating inflation, the clothing items are not on their priority list.

"So, local suppliers may face work order cancellation and deferral payments again that

they witnessed during the peak of Covid-19."

In April, inflation stood at 8.3 per cent in the US, 9 per cent in the UK and 7.4 per cent in Germany, the highest in 40 years in all of the countries. Inflation hit 6.8 per cent in Canada, the highest since January 1991.

already started demanding 2.5 per cent to 5 per cent discounts on consignments.

"Moreover, the import costs have started climbing up."

For instance, Ahmed opened letters of credit (LCs) for importing machinery from Italy and Germany, but the suppliers are deferring the delivery of

slowdown in orders in the near future because of higher inflationary pressure.

"We are worried because of the deceleration in orders. We are trying to overcome the challenges by grabbing more market share in the new markets in Asia and other regions."

Hassan thinks giving incentives to the manufacturers who ship products made from man-made fibres may help lift exports to a higher level as the demand for non-cotton items is rising worldwide.

Mohammad Ali Khokon, president of the Bangladesh Textile Mills Association, says no work order for yarn and fabrics has been cancelled yet despite the slowdown in exports.

"However, the delivery of goods has slowed to a bit," he said.

The entrepreneur, however, hopes that orders may make a comeback in July.

Between July and May, the shipment of leather and leather goods increased by 31.85 per cent to \$1.11 billion.

Frozen and live fish, plastic products, rubber goods, pharmaceuticals, cotton and

He, however, warned that there might be a further



The four are major export destinations for Bangladesh.

What is even more distressing, the odds of a recession in Europe, the US, and China are significant. If this translates into reality, demand in the western economies could fall further, hitting exporting nations like Bangladesh.

Ahmed, whose company mainly supplies denim products to European retailers and brands, said some international retailers and brands have

machinery and asking for 20 per cent more price on the excuse of the war.

"Now, we are facing a crisis because of the war," he said.

Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association, said the export slowed a bit because of the Eid-ul-Fitr holidays when factories were closed for a week, on average.

He, however, warned that there might be a further

increased from 4.2 per cent to 8.3 per cent in the US, 1.5 per cent to 9 per cent in the UK, 2 per cent to 7.4 per cent in Germany, 3.4 per cent to 6.8 per cent in Canada, 4.2 per cent to 7.8 per cent in India, 5.5 per cent to 33.8 per cent in Sri Lanka, and 11.1 per cent to 13.4 per cent in Pakistan.

Bangladesh being an open economy is no exception. Although official CPI data show a much lower inflationary pressure (from 5.6 per cent to 6.3 per cent), this has met with scepticism in many quarters given the depth of global inflation. More importantly, individual commodity prices relating to food items show substantial increases over a 12-month period.

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STOCKS	
DSEX ▼	CASPI ▲
0.28%	0.37%
6,451.53	18,891.73

COMMODITIES	
Gold ▲	Oil ▼
\$1,866.8	\$114.48
(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.79%	▼ 0.16%	▼ 0.53%	▲ 0.42%
55,818.11	27,413.88	3,226.72	3,195.46

## Padma Bank gets massive waiver

STAR BUSINESS REPORT

The Bangladesh Bank yesterday provided a fresh waiver to Padma Bank allowing it to maintain a lower amount of mandatory liquid assets in order to enable the crisis-ridden lender to improve its balance sheet and attract foreign investors.

The central bank earlier permitted the private commercial bank to maintain a 9.75 per cent statutory liquidity ratio (SLR), apart from the cash reserve ratio (CRR), against its demand and time liabilities for 2022 and 13 per cent for 2023.

Now, Padma Bank would be able to keep only 3.25 per cent of liquid assets (treasury bills and bonds) as SLR along with CRR from 2022 to 2024.

The SLR is a minimum percentage of deposits that banks have to maintain in the form of liquid cash, gold or other securities, while the CRR determines the portion of customer deposits that they must keep as a reserve with the central bank.

Padma Bank will have to raise its SLR to 6.5 per cent in 2025 and to 9.75 per cent in 2026, according to a BB notification.

As per BB rules, banks have to maintain 4 per cent of cash as CRR and 13 per cent of cash equivalent assets as SLR.

The central bank has relaxed the rule for Padma Bank to enable the scam-hit bank to attract investors and prevent it from collapsing in 2020.

The fresh relaxation comes following pleas from Padma Bank, which was earlier rescued by five state-run financial institutions – Investment Corporation of Bangladesh, Sonali Bank, Janata Bank, Agrani Bank and Rupali Bank – in the wake of massive financial irregularities.

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Bangladesh paid \$68.67 billion in import bills in the July-April period of the current fiscal year while export earnings were \$41.10 billion. The photo was taken from a private inland container depot in Chattogram city.

PHOTO: RAJIB RAIHAN

## Trade deficit shoots up 53pc in Jul-Apr

STAR BUSINESS REPORT

Bangladesh's trade deficit shot up 53 per cent year-on-year to \$27.5 billion in the July-April period of the current fiscal year as the surge in imports continued against lower export receipts, exceeding last year's total shortfall.

Bangladesh paid \$68.67 billion in import bills in the 10 months ending in April, when export earnings stood at \$41.10 billion, according to data released by Bangladesh Bank.

The amount of deficit originating from the nation's overseas trade crossed the previous peak of \$23.7 billion, registered last fiscal year, thanks to spiralling import bills resulting from soaring commodity prices in the international market for supply chain disruptions and war in Ukraine.

With its inadequate domestic production,

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## Tea export can't keep pace with production

### Munshi says

#### STAR BUSINESS REPORT

Tea export from Bangladesh has not increased keeping pace with the use and production of tea in the country, Commerce Minister Tipu Munshi said yesterday.

The economic condition of Bangladeshi people has improved, which has fuelled tea consumption here, the minister said.

The government has taken special initiatives to increase tea production and researches are being done to innovate new and improved varieties of tea leaves, he said.

The minister spoke at a press briefing in the conference room of the commerce ministry in Dhaka on the eve of the National Tea Day, which will be observed countrywide on June 4.

There are now 167 large tea gardens in the country and more than 8,000 small tea gardens.

Bangladesh has beat its record in tea production as a total of 96.50 million kilogrammes (kgs) of the plant were produced by 167 farms across the country in 2021.



Bangladesh will observe National Tea Day for a second time tomorrow, celebrating its 167 large gardens and over 8,000 smaller ones with more than 1 lakh permanent tea garden workers, who made it possible to attain a record production of 96.51 million kilogrammes of tea in 2021, according to Bangladesh Tea Board. The photo was taken at Karwan Bazar in Dhaka yesterday.

PHOTO: PALASH KHAN

# Russia seeks to minimise effects of EU oil ban

AFP, Moscow

Russia said Wednesday it was moving to limit the damage from an EU oil ban as its other key energy export, gas, has fallen after President Vladimir Putin sent troops to Ukraine.

At a summit on Monday, the EU agreed to a sixth package of sanctions on Moscow that will see the majority of Russian oil stopped, but exempted supplies by pipeline in a concession to Hungary.

"Sanctions will have a negative effect for Europe, us and the whole global energy market," Kremlin spokesman Dmitry Peskov told reporters.

Peskov added that a "reorientation" was under way to find alternatives for the oil that will not be sold to Europe.

"These are purposeful, systematic actions that will allow us to minimise the negative consequences," he said.

After Putin sent troops into Ukraine on February 24, Russia was hit with a barrage of sanctions that targeted its economy and financial institutions.

The Wall Street Journal reported that OPEC was considering whether to remove

Russia from an agreement that has locked producers into limited output increases.

Moscow's removal would mean an early end to the pact and allow major crude nations such as Saudi Arabia to open the taps, analysts say. Foreign Minister Sergei Lavrov on Wednesday reaffirmed Moscow's commitment to OPEC+ agreements during a visit to Saudi Arabia.

OPEC+ is a group of 13 members of the Organisation of Petroleum Exporting Countries (OPEC), led by Riyadh, and their 10 partners led by Moscow. Speaking to reporters in Riyadh, Lavrov said the subject of Western sanctions came up within the context of OPEC+ cooperation.

"During discussions with my colleagues from Arab monarchies, we raised this subject, but only in the context of confirming the agreements on cooperation within OPEC+ that have already been agreed on and confirmed several times by our leaders," Lavrov said.

Separately, Russian energy giant Gazprom said that its gas exports to countries outside of the former Soviet Union dropped by more than a quarter year-on-year between January and May

after losing several European clients.

Exports to countries outside the region totalled 61 billion cubic metres, a 27.6 per cent fall from the same period last year, Gazprom said in a statement.

Gazprom added that gas deliveries to China via the "Power of Siberia" pipeline were increasing, but it did not provide any figures. Moscow has demanded that clients from "unfriendly countries" — including EU member states — now pay for their gas in rubles.

The new requirement is seen as a measure to sidestep Western financial sanctions against Russia's central bank imposed over Moscow's offensive in Ukraine. So far Poland, Bulgaria, Finland and the Netherlands have had their natural gas deliveries suspended over refusing to pay in rubles.

Danish energy company Orsted said that Gazprom Export would cut gas supplies to Denmark on Wednesday after the Danish company refused to pay in rubles.

EU countries have scrambled to reduce their dependency on Russian energy but are divided about imposing a natural gas embargo as several member states are heavily reliant on Moscow's energy supplies.

## LankaBangla Finance declares 10pc dividend

#### STAR BUSINESS DESK

Shareholders of LankaBangla Finance have approved 10 per cent cash dividend for 2021.

At a 25th annual general meeting at the company's head office on Monday, the shareholders also approved audited financial statements of the non-banking financial institution for the year.

Chairman Mohammad A Moyeen presided over the meeting while Managing Director Khwaja Shahriar was present, said a press release.

## BIT signs deal with US firm on internet coverage

#### STAR BUSINESS DESK

Business Information Technology Ltd (BIT) has teamed up with US-based ARRA Networks to introduce their new internet last-mile technology in Bangladesh.

BIT and ARRA hosted presentation sessions to a number of companies, community leaders, and the military during the week of May 29 – June 2, 2022. They even invited a number of guests to a formal roll out of this state-of-the-art internet solution in Bangladesh, read a press release.

Their all-in-one solution economically provides a wireless network infrastructure which significantly increases the coverage area and offers a new spectrum of digital accessibility and transformation to previously unconnected people, said a press release.

Both companies strongly believe that their solution will assist in reaching Bangladesh government's 'Vision 2041' along with making internet accessible to the entirety of the country's population by 2025.

This solution is ideal for use in tech-savvy and globally emerging Bangladesh in its journey towards 'Digital Bangladesh' as envisioned by Prime Minister Sheikh Hasina and her adviser on information and communication technology.

Government data reflects the necessity for internet connectivity, especially for people and institutes in rural areas of the country. ARRA's integrated network solution will immediately provide a scalable, future-proof, and 5G-ready expanded network coverage to upazilas, unions, and other remote locations of the country, truly making Bangladesh a pioneer of the digital economy.

## Two made DMD of AB Bank



Syed Mizanur Rahman KM Mohiuddin Ahmed

#### STAR BUSINESS DESK

AB Bank recently promoted two officials to the post of deputy managing director.

Of the duo, Syed Mizanur Rahman has over 25 years of banking experience, including of working at Dhaka Bank, IPDC Finance, Bank Alfalah Bangladesh and United Commercial Bank, said a press release.

He obtained an MBA degree in finance from the Institute of Business Administration at the University of Dhaka.

The banking career of the other official, KM Mohiuddin Ahmed, spans over 19 years. He joined AB Bank in 2003.

He completed his graduation and post-graduation in accounting and information systems from the University of Dhaka.

## Urgent need to stabilise macroeconomy

FROM PAGE B1

For example, Dhaka retail prices suggest the following increases: rice 15 per cent; atta 30 per cent; cooking oil 43 per cent; sugar 29 per cent and lentils 15 per cent. These are hurting consumers at large but especially the poor and the fixed-income group. Additionally, the import bill has surged, creating huge excess demand for foreign exchange at the official rate, thereby exerting substantial pressure on the exchange rate.

The government has responded with several policy measures, including lowering of import duties on several food items, moderating the increases in the prices of energy, keeping the fertilizer price unchanged by absorbing the international price pressures through budgetary subsidies, partially devaluing the official exchange rate, depleting foreign reserves to reduce the pressure on the exchange rate, imposing trade restrictions (supplementary/regulatory duties on 135 items deemed as luxury imports; slowing down the opening up of import lines of credit), and slowing down the implementation of import-intensive development projects.

The government measures relating to the reduction of import duty and providing subsidy cover to the energy and fertilizer imports can have some dampening effects on domestic inflation. Similarly, trade controls and expenditure switching can play a temporary role in reducing pressure on the balance of payments. But

these are not likely to be adequate.

They can also have unintended adverse effects on the budget (large subsidy bills crowding out high priority development spending and/or putting pressure on the fiscal deficit), promote inefficient import substitution (trade controls), and hurt development by slowing down project implementation of large infrastructure projects that tend to be capital and import intensive.

Import and trade controls can also discourage private investment, especially foreign direct investment (FDI) inflows, by giving wrong signals about the government's move towards a controlled economy, a feature that badly served Bangladesh in the 1970s and the 1980s.

What are the good and sustainable policy options?

The macroeconomic imbalances emerge from three sources: inflationary pressure; fiscal pressure and the balance of payments pressure. Addressing these issues requires the use of at least three policy instruments that best relate to each of these areas: use of monetary policy instruments to ease inflationary pressure; exchange rate policy to ease the balance of payments pressure; and tax/expenditure policy measures to ease the budgetary pressure. Their combined use as a coordinated set of policy measures can help avoid the bluntness of any single instrument and reinforce the effectiveness of each of the policy measures.

#### MONETARY POLICY

Nobel Laureate Milton Friedman famously stated that inflation is always a monetary phenomenon. This is a truism because without monetary impulse, changes in individual price items cannot create inflation.

The debate about this extreme monetarism concerns the worry that using monetary policy instruments only can be blunt and hurt economic growth. For temporary inflationary pressure, one can ignore the need to use monetary policy. But for a prolonged period of inflation, as presently, it is too risky to avoid the use of monetary policy instruments.

Finance ministers and central bank governors across many countries, including the US, the UK, Canada, Australia and India have recognised this challenge and have raised interest rates to reduce aggregate demand. The European Central Bank is also poised to hike interest rate in July. The increases are being calibrated to have the desired effect of lowering inflation while moderating the adverse effect on economic growth.

For Bangladesh, the monetary policy challenge is to modify what has come to be popularly known as the "6/9" policy, whereby the deposit rate can't exceed 6 per cent and the lending rate can't exceed 9 per cent. This played a positive role during the Covid-19 years (2020 and 2021) and along with other supportive policies helped the current post-Covid economic recovery.

With sustained

inflationary and balance of payments (BoP) pressures, the policy should be modified to let the interest rate be market determined along with increases in the policy rate managed by the Bangladesh Bank. Without a change in the 6/9 policy, attempts to increase the policy rate will be largely futile.

Creating a secondary market for T-bills will help increase the effectiveness of the monetary policy. The policy rate, reserve requirements and open market T-bill operations can all be used to moderate increases in the interest rates.

#### EXCHANGE RATE MANAGEMENT

The Bangladesh Bank (BB) is well aware that the taka has been appreciating in real terms steadily against major currencies like the US dollar and the euro and also against the basket of currencies used by the BB to calculate the real effective exchange rate (REER).

The REER trend shows that the value of the taka appreciated in real terms by 71 per cent between FY2011 and FY2020. This was clearly unsustainable, as has become evident now. So, the depreciation of the taka was long overdue. Therefore, instead of throwing all its futile energies to artificially preserve a highly overvalued exchange rate through multiple currency practices, trade and exchange controls and moral suasion, the BB exchange rate management should be modernised to adjust to the realities of the market trends.

More flexible management of the exchange rate than in the past to allow the exchange

rate to play its role in export growth and the reduction of imports will be a sound policy. Along with the flexibility of the exchange rate, monetary and fiscal policies should be used to moderate the demand pressure on imports.

#### FISCAL POLICY

Fiscal policy pressure has been mounting for a while due to the slow growth in tax revenues. The Bangladesh tax-GDP ratio is one of the lowest in the developing world and has basically stagnated at 7.8 per cent of GDP.

Much has been written and known to the government about the need to modernise the tax structure with a view to increasing tax efficiency, tax buoyancy and revenue growth. Unfortunately, no significant tax reforms have happened. Without a strong political signal, this will not be possible. So, realistically, at the present time, expenditure management is the only feasible fiscal instrument.

As noted, the government is already using two important expenditure policy moves to dent inflationary and bop pressures. First, the subsidy is being used judiciously to try to reduce the inflationary impact of global energy and fertilizer price increases. Second, the government has decided to slow down the implementation of import-intensive development projects to lower the demand for imports. Both have some merit when used cautiously.

Regarding subsidy policy, the main concern is its fiscal sustainability. Fiscal subsidies are

estimated to reach Tk 62,500 crore in FY2021-22, which is 1.6 per cent of GDP, and surge to Tk 85,000 crore, including the subsidy to Bangladesh Petroleum Corporation, which is 1.9 per cent of GDP, in FY2022-23, if no energy and fertilizer price increases are allowed.

The total revenue (tax and non-tax) amounted to 9.3 per cent of GDP in FY2021 (7.6 per cent tax to GDP ratio and 1.7 per cent non-tax revenue to GDP ratio), which is not likely to grow much in FY2022 and FY2023 in the absence of tax and state-owned enterprise reforms. Assuming some revenue growth from higher-than-budgeted imports and the increase in trade taxes, one could envisage that the revenue base could grow to a maximum of 10 per cent of GDP.

In this scenario, subsidy alone will eat up 20 per cent of total revenues. Given other fixed spending items: wages and salaries (2 per cent of GDP), pension (0.8 per cent of GDP), supply and maintenance (1 per cent of GDP), transfers to local governments and state-owned enterprises (1.4 per cent of GDP) and interest cost of debt servicing (2 per cent of GDP), there will be very little fiscal space for spending on social protection and high priority development spending on health, education, and infrastructure even with 6 per cent of GDP fiscal deficit. Therefore, a better policy would be to keep the fiscal deficit at 5 per cent of GDP and allow step-wise price increases of energy products and fertilizer to keep the subsidy bill for these items under control.

Subsidies for exports and remittances should be eliminated through the depreciation of the exchange rate.

Expenditure switching will only make sense for projects that are financed from domestic resources. Foreign-funded projects provide foreign currency loans to finance related capital goods imports. So, care will have to be taken to slow down or postpone only domestically-funded import-intensive projects.

Since inflation hurts the poor and the low-income group relatively more than the rich, an important and positive fiscal policy measure would be to put priority on spending on health, education and social protection to support the income of the poor and the vulnerable.

Acceleration of income-transfer programmes to the poor and vulnerable will be a strong policy move to protect the poor from the adverse effects of inflation. So, instead of subsidising energy for all consumers, a combination of the energy price increase and re-channelling the saved resources as income transfers to the poor and vulnerable through the social protection system is a better policy option.

In health, the most urgent reform is the introduction of universal health care through government-funded health insurance schemes for the poor.

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## China firmly opposes

FROM PAGE B4

Beijing opposes any form of official contact between Taiwan and other countries, including negotiating and signing any economic and trade agreements "with sovereign connotations and of an official nature", Gao told an online briefing.

Taiwan has been cheered by the initiative, seeing it as another sign of support from Washington, and hopes it could pave the way for Taiwan eventually joining Biden's Indo-Pacific Economic Framework (IPEF), launched last week.

Taiwan Premier Su Tseng-chang told a cabinet meeting on Thursday the island "has an indispensable key position in the global supply chain", according to a statement from his office.

This "made the US government realise that it must strengthen economic and trade links with our country in order to consolidate the resilience and security of the global supply chain", Su said.

At a time of Russia's attack against Ukraine and with the "dramatic changes" in the international situation, "the importance of Taiwan's global strategic position has become clearer", he said.

Taiwan is a major producer of semiconductors, global shortages of which have disrupted production of cars and some consumer electronics.

## Singer leases land in Rupganj for new factory

### STAR BUSINESS REPORT

Singer Bangladesh has entered into an agreement with Bangladesh Special Economic Zone (BSEZ) to take lease of 35 acres of land in Rupganj of Narayanganj to establish a manufacturing complex.

The listed multinational electronics and home appliance maker yesterday informed shareholders of the agreement.

The BSEZ is the first special economic zone developed by a Japanese company in the country in partnership with Bangladesh Economic Zones Authority.

In last March, Singer Bangladesh approved a budget for establishing a new manufacturing facility in order to increase its manufacturing capacity. The land would be used for that purpose.

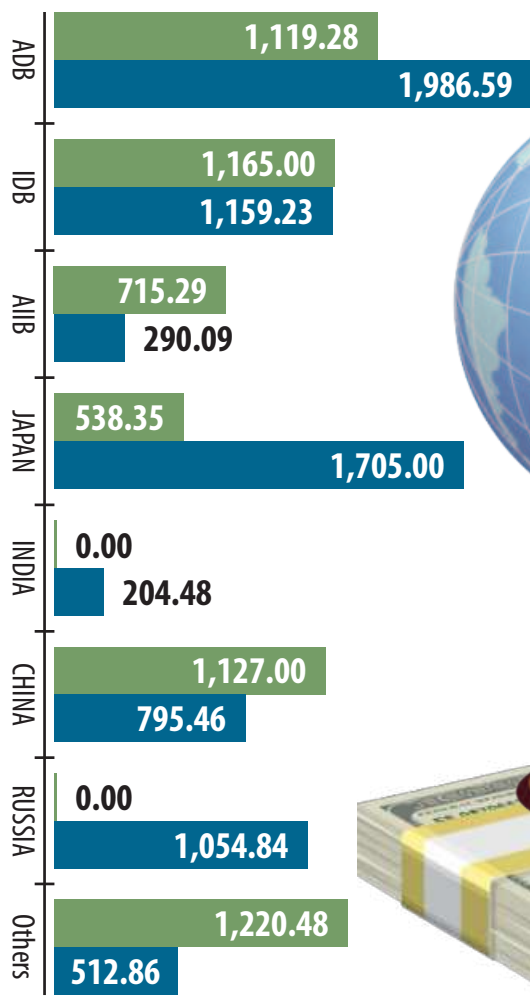
### Singer's sales rose 6 per cent year-on-year to Tk 1,577.63 crore in 2021

The budget approved by the board of directors was of around €71 million, equivalent to Tk 680 crore, according to another disclosure posted on the Dhaka Stock Exchange (DSE) website that month. The investment will be financed from internal sources, bank financing and foreign and local borrowing.

The company has reserves and surpluses of Tk 241 crore, according to the DSE data. The proposed manufacturing facilities would cater to the increasing local demand with a competitive price and would also contribute to the company's growth, it added.

Singer's sales rose 6 per cent year-on-year to Tk 1,577.63 crore in 2021.

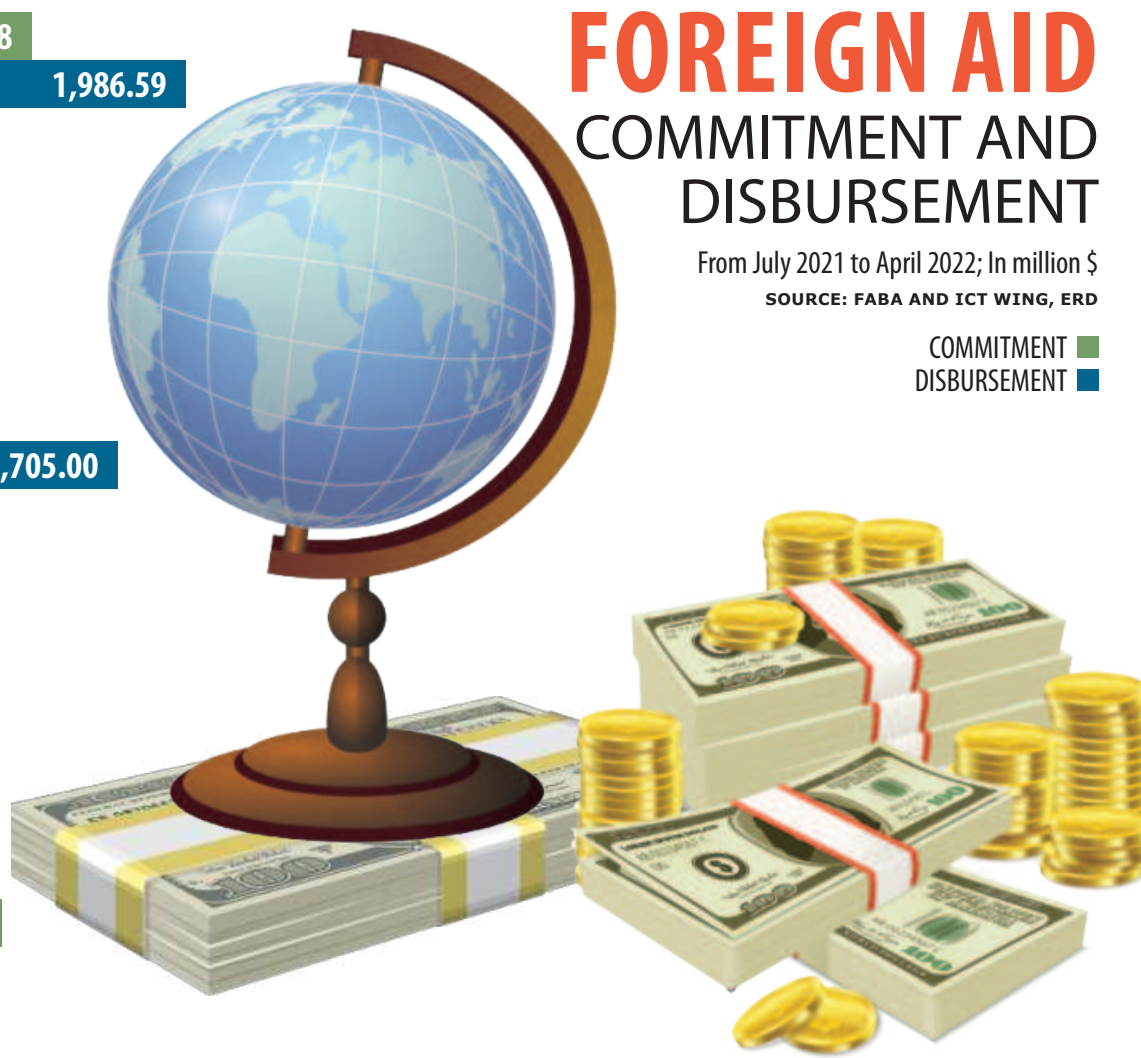
Meanwhile, its profits however dropped 35 per cent to Tk 51 crore, according to its annual report. Stocks of Singer Bangladesh remained almost unchanged at Tk 167.50 yesterday.



## FOREIGN AID COMMITMENT AND DISBURSEMENT

From July 2021 to April 2022; In million \$  
SOURCE: FAB AND ICT WING, ERD

COMMITMENT ■  
DISBURSEMENT ■



# Foreign aid disbursement up 58pc in 10 months

REJAUL KARIM BYRON and MD ASADUZ ZAMAN

Foreign assistance disbursement jumped 58 per cent in the current fiscal year's July-April period thanks to spending for vaccination, one-time budget support and implementation of mega projects, including that of the Russia-funded Rooppur nuclear power plant.

Development partners disbursed \$7.71 billion, up from \$4.86 billion in the previous fiscal year, according to data of Economic Relations Division (ERD).

This was the highest growth since fiscal 2017-18, when it had ballooned 74 per cent year-on-year to hit \$6.1 billion, according to data compiled by Bangladesh Bank.

Despite the SWIFT ban, Russia provided the fourth largest loan, \$1.05 billion, a majority of which was spent on the Rooppur plant.

The Rooppur plant will cost Tk 113,092 crore while Tk 51,292 crore has been spent till April this fiscal year.

The project is about 46 per cent complete as of April, the best performance exhibited among the mega projects this year. Progress has been as per schedule with the first unit to open by 2024 and the second unit by 2025.

The project had become mired in uncertainty following Russia's invasion of Ukraine and the resulting Western sanctions against Russia.

The project is being constructed on a build-and-finance deal with Russian state agency Rosatom, which is responsible for 76 per cent of global nuclear technology exports.

No fund comes in from Russia but equipment and technology, whose values are counted as expenditure for setting up the nuclear plant.

Asian Development Bank (ADB) topped the fund disbursement list with \$1.99 billion. A finance ministry official said the Manila-based development lender has already disbursed around \$1 billion in assistance for Covid-19 vaccination.

Besides, it has almost disbursed all its budgetary support for this fiscal year, as a result of which the total amount has been increased.

Japan has become the second biggest financial support provider with \$1.7 billion.

The ERD officials say several mega projects funded by Japan, including that of the Dhaka metro rail, Matarbari port and coal-fired power project, are being implemented in full swing following the easing of the coronavirus restrictions.

The third highest lender is World Bank, which disbursed \$1.16 billion.

A good amount of funds have been disbursed by World Bank to support efforts aimed at tackling the pandemic along with regular loans.

According to officials, there was not much use of the World Bank fund initially. But it has recently picked up and the government has spent a majority of the fund under Covid-19 support.

Bangladesh has set an ambitious target to receive \$12.98 billion in foreign assistance from the development partners in the current fiscal year.

But the ERD may slash the allocation target in the revised budget by \$1.5 billion as the fund use has been lower than expected. Bangladesh spent around \$3 billion to \$3.5 billion annually from 2013-14 to 2016-17.

Spending of foreign funds crossed \$7 billion per year since fiscal year 2018-19.

At the same time, the amount of aid pledged by development partners rose 11 per cent year-on-year to \$5.89 billion at the end of April.

Besides, the principal and interest payments of foreign loans are also increasing. From July to April this year, \$1.75 billion has been repaid. At the same time last year, it was \$1.6 billion.

## BB lines up Tk 100cr for digital nano loans

### STAR BUSINESS REPORT

Bangladesh Bank yesterday introduced a Tk 100 crore refinance scheme for "digital nano loan" disbursements with an aim to expand the financial inclusion of marginalised people.

Participating banks will be able to disburse loans of Tk 500 to Tk 50,000 to individual customers with up to 9 per cent interest under the scheme.

The loans have to be disbursed entirely digitally by using internet banking, mobile apps, mobile financial services (MFS), or e-wallet services, according to a central bank circular.

Scheduled banks will be able to avail the fund to disburse it to customers. Of the Tk 100 crore, Tk 50 crore will be disbursed as loans and later, another Tk 50 crore will be given as refinance benefits.

However, the banks will have to have digital infrastructure to disburse the loans or partner with any digital financial service provider, according to a Bangladesh Bank official.

Beneficiaries will have to repay the loan within six months of receiving it.

"We are greatly encouraged by this good initiative taken by the central bank," said Kamal Quadir, founder and chief executive officer of bKash, a leading digital financial service provider in the country.

### Of the fund, Tk 50 crore will be disbursed as loans and Tk 50 crore as refinance benefits

AKM Fahim Mashroor, chief executive officer of Delivery Tiger, which recently collaborated with microfinance intuition Shakti Foundation to disburse collateral-free digital loans among SME-based F-commerce companies, echoed the same.

"It is a step in the right direction," he said, adding that it would be difficult for banks to disburse the fund on their own.

"So, it is important to engage fintech companies in this process so that they can engage in credit rating, loan collection and so on."

Mashroor went on to say that it is very important for SMEs and MSMEs to get this loan.

"But Tk 100 crore is a small amount, it should be increased to Tk 500 crore and clients should be eligible to get up to Tk 2 lakh," he said.

The global phenomena of digital lending entered Bangladesh after City Bank, in collaboration with MFS provider bKash, launched the product in December last year.

"Our current banking partner for such small loans, City Bank, might avail this facility. We are also excited by the fact that this financing facility is being launched after the first pilot and the subsequent successful launch of Bangladesh's first digital nano loan through bKash in partnership with City Bank," said Quadir.

"The regulatory facilitation and guidance of Bangladesh Bank will help us to continue our work of bringing new inclusive financial products," he added.

Dhaka Bank and Prime Bank is running a pilot digital nano loan project to launch the service soon.

## Mercantile Bank puts sustainability Exports slow

FROM PAGE B4  
"As a result, we would be able to serve our customers better," the managing director said.

The bank will continue its focus on both branch-led banking and online banking as it moves forward.

"We continue to invest significantly in modernising and improving our digital capabilities. But that does not mean the bank will lose its personal touch."

"Will continue to expand our branch, sub-branch and agent banking networks as these provide a more personal touch to our customers. For us, it is not one or the other. We intend to provide both cutting-edge digital banking options as well as a strong branch network to our customers."

According to Chowdhury, MBL has made differences in the banking industry through efficient manpower, better customer service, deployment of modern technologies, the balance between digitalisation and personal touch, and strong corporate governance.

Mercantile Bank's Founder Chairman Abdul Jalil also always emphasised the well-being of the marginal people of the society.

"MBL believes that true success does not lie in profit maximisation, but in doing something good for the less privileged," said Chowdhury.

The noted banker also touched upon the financial health of the country's banking sector.

He pointed out that the regulatory authorities of Bangladesh have taken new initiatives to build up and strengthen the foreign exchange market through increasing exports and attracting inward remittances.

The government and regulatory authorities are monitoring financial institutions to minimise the risk that have emerged from the Russia-Ukraine war, which has a worldwide impact on economic development.

"Bangladesh is not an exception. Still, Bangladesh's economy is stronger than many other countries."

The bank set up the Mercantile Bank Foundation (MBF) with a view to carrying out broader corporate social responsibility (CSR) activities under the Bangladesh Bank's guidelines.

The foundation has undertaken a range of activities over the past 23

years with the sole purpose of helping its targeted people to improve their quality of life. It is also contributing to creating a quality workforce.

MBL has been awarded various times by the Institute of Chartered Accountants of Bangladesh for the best presented annual reports.

"This testifies to our commitment to promoting transparency," said Chowdhury, who obtained master's degree in marketing from the University of Dhaka.

The bank was awarded the "National Productivity and Quality Excellence Award 2016" by the government, the "US Dollar Clearing MT202 Elite Quality Recognition Award" by JPMorgan Chase, and the Amcham CSR Excellence Award in 2021.

In 2018, it introduced the "MBL Young Bankers Appreciation Award" to inspire young bankers and make them more professional.

"The bank is well-positioned for the future and has the ability to continue to deliver superior and long-term performance to customers, shareholders, people and the communities," said Chowdhury.

FROM PAGE B1  
cotton products, carpets, footwear, terry towels, ceramics, ships and bicycles performed strongly in May.

However, jute and jute goods export declined 3.19 per cent to \$1.05 billion, EPB data showed.

The slowing economies, higher inflation and uncertainty in Europe might have prompted consumers to cut back on their spending, said Khondaker Golam Moazzem, research director of the Centre for Policy Dialogue.

"The slowdown in exports also indicated that. If this continues, Bangladesh may not be able to maintain its higher export momentum in the

coming months."

The economist says exporters are gaining from the weakening of the taka against the US dollar and they are supposed to convert their earnings into the local currency.

But the central bank should see whether any exporter is delaying the conversion of their export receipts into the local currency in the hope of further devaluation of the taka, he said.

The Bangladesh Bank, however, yesterday allowed the market forces to determine the exchange rate of the taka against the US dollar, for the first time in a decade. This means exporters will get the dollar rate as per the market price.



Selim RF Hussain, managing director of Brac Bank, inaugurated five sub-branches at Dhaka's Tejgaon and Nikunja, Narayanganj's Shibubazar, and Madaripur's Takerhat and Shariatpur on Wednesday. PHOTO: BRAC BANK

## US firms fret about high prices, wages

AFP, Washington

Solid growth continued across the United States, even as firms faced an ongoing struggle with a worker shortage and rising prices, although there were some tentative signs the tide may be turning, the Federal Reserve said Wednesday.

The central bank's latest "beige book" survey of business conditions noted red flags in some regions where there were rising concerns about an economic downturn. All 12 Fed regions reported growth, although a third of those said the pace has slowed, and three "specifically expressed concerns about a recession," the report said.

## Haribhanga farmers

FROM PAGE B4  
Many locals can be seen passing busy days crafting these baskets for sale at a wholesale market in Padaganj Bazar under Badarganj upazila.

After facing problems with transportation for the past two years, the farmers demanded the local administration make special arrangements to

facilitate the shipping of Haribhanga mangos to other parts of the country. This includes repairing roads and setting up rest-stops as well as ensuring access to banking facilities.

Md Asib Ahsan, the deputy commissioner of Rangpur, was present at a recent meeting held in Padaganj Bazar, where he said an app would be

launched on June 20 to ease the marketing process for farmers and traders.

Obaidur Rahman, deputy director of the DAE office in Rangpur, said that each hectare of the total land cultivated will produce around 18 tonnes of the fruit this year, providing farmers and traders with the scope to do business of Tk 200 crore.

## Trade deficit shoots up

FROM PAGE B1  
Bangladesh has to import a number of key commodities, namely wheat, edible oil, sugar and pulses. The nation also has to import petroleum, industrial raw materials and intermediate goods to run both its domestic market and export-oriented industries.

Imports, which slowed in the last two months, were still 41 per cent higher year-on-year in the July-April period whereas exports grew 35 per cent at the same time.

The gap against the backdrop of a drop in the inflow of remittance, a major pillar of Bangladesh's \$465 billion economy, worsened the availability

of foreign exchange to finance imports and increased pressure on once comfortable foreign exchange reserves.

Current account deficit ballooned over nine times year-on-year to \$15.30 billion, the highest on record, in the July-April period of the current fiscal, central bank data showed.

The previous widest deficit in the current account was the \$9.56 billion recorded in FY18. The amount of imbalance was \$4.5 billion last fiscal year.

Overall balance with regard to the external account also became negative until this fiscal year from positive balances in the last two fiscal years, according to the data.

## Padma Bank gets

FROM PAGE B1  
The five financial institutions injected Tk 715 crore into the bank to acquire 60 per cent of its stakes.

Established in 2013 as Farmers Bank, the lender had fallen prey to scamsters. A Bangladesh Bank investigation found that more than Tk 3,500 crore was siphoned off between 2013 and 2017.

Until January, the accumulated loss of the bank stood at around Tk 805 crore and the BB allowed it to adjust the amount within the next 10 years.

Padma Bank had earlier requested the central bank

to allow it to clean its balance sheet so that it could draw foreign investors.

The lender signed a memorandum of understanding with DelMorgan & Co, a US-based investment bank, in September 2021, to secure foreign investments.

The investment bank had proposed to mobilise foreign investments of \$700 million for Padma Bank. However, the Bangladeshi lender would have to show its balance sheet as transparent.

Padma Bank's capital shortfall stood at Tk 540 crore as of September 2021

and default loans surged to Tk 3,586 crore, which accounted for 62.4 per cent of its outstanding loans.

"We have received a massive regulatory support from the central bank. This, coupled with other policy measures, will help us sustain and make a turnaround gradually," Tarek Reaz Khan, managing director of Padma Bank, told The Daily Star.

Because of the capital restructuring, the accumulated loss and the provision shortfall have been converted into intangible assets, helping the bank reach break-even in 2021, he said.

## Stocks continue to rise

STAR BUSINESS REPORT

Stocks and turnover rose at Dhaka Stock Exchange (DSE) yesterday as general investors' confidence grew with a recent decision of the stock market regulator to prevent stocks from dropping by over 2 per cent in a day.

The DSEX, the benchmark index of the DSE, went up 18 points, or 0.28 per cent, to 6,451. With that, the index rose for the sixth consecutive trading day. Turnover of the DSE also increased to Tk 875 crore from the previous day's Tk 743 crore.

**Turnover of the DSE also increased to Tk 875 crore from the previous day's Tk 743 crore**

General investors are bringing fresh money to invest hoping that the market will go up higher in the future as the stock market regulator is trying to keep the market index up, said a stockbroker.

The Bangladesh Securities and Exchange Commission (BSEC) increased the scope of lending to stock investors for buying stocks.

Moreover, it reduced the lower limit of the circuit breaker to 2 per cent from the previous 5 per cent.

The economic condition of the country is not that bad so as to result in a deep drop in the stock market index so general investors are getting the confidence to invest, the broker added.

Meanwhile, DS-30, the blue-chip index, remained almost the same yesterday while DSES, the Shariah-based index, rose 3 points.

At the DSE, 179 stocks advanced, 146 declined and 55 remained unchanged.

Meghna Condensed Milk Industries topped the gainers' list, rising 10 per cent. Aramit Cement, Meghna Pet Industries, The Peninsula Chittagong and BDCOM Online also made it to the list. Tamijuddin Textile Mills shed the most, dropping 1.95 per cent. Samorita Hospital, Pharma Aids, Fareast Finance and Investment and CVO Petrochemical Refinery also ended up in the list of those suffering losses the most.



Haribhanga mangos are seen hanging from a tree at an orchard in Chandipur village under Phulbari upazila of Dinajpur. The highly favoured variety of the fruit is set to hit the markets after harvesting begins on June 20.

PHOTO: KONGKON KARMAKER

## Haribhanga farmers eye better prices as Covid curbs go

The popular mango variety to hit markets on June 20

KONGKON KARMAKER

The harvesting of Haribhanga, a variety of mango native to north-western districts such as Rangpur, will begin in the once Monga-stricken region on June 20, according to officials of the local administration.

Monga is a Bengali term referring to a yearly cyclical phenomenon of poverty and hunger that took place twice a year, from March to April and September to November.

Haribhanga mangos, popular for their fibreless flesh, small seeds and unique sweetness, are usually harvested for about two months late in the season.

But as the harvesting date has been set a couple weeks ahead this time, farmers and traders have been passing busy days to ensure maximum output.

Other than Rangpur, Haribhanga mangos are grown on small areas of land in adjacent districts such as Dinajpur, Lalmonirhat, Nilphamari, Kurigram and Gaibandha for their high demand.

According to the Department of Agricultural Extension (DAE) in Rangpur, Haribhanga mangos have been cultivated on 1,887 hectares of land in the district with an expected production of around 43,000 tonnes.

A number of DAE officials and farmers said the suitable climate and soil conditions in Rangpur make it conducive for growing

this variety of the fruit.

As such, Haribhanga are grown everywhere in Rangpur but about half of the total production comes from the Mithapukur and Badarganj upazilas, they added.

Farmers said that despite getting optimum yields in the last two seasons, growers and traders could not fetch good profits as they were unable to transport the fruit amid the lockdowns imposed to curb the spread of Covid-19.

So, traders were forced to sell Haribhanga mangos at dirt-cheap prices in 2020 and 2021, when a kilogramme of the fruit was available for Tk 40-60 depending on quality, taste and size.

However, farmers are eyeing better prices this season as the coronavirus situation is now practically gone.

Still though, total output may fall by about 20-30 per cent this year compared to the two previous seasons due to bad climate conditions, namely fluctuating temperatures during the budding season and untimely rainfall between March and April.

Rangpur's economy was previously in a poor state with persisting famines being a never-ending problem for poverty-stricken families in the region, especially those in the Gangachara and Kaunia upazilas.

Various initiatives in the private sector and implementation of state-run projects helped alleviate the situation with the crafting of Benarasi and Shataranji clothing items being the most effective

initiatives as these two industries created ample employment opportunities.

Now though, Haribhanga has emerged as the most effective cash crop in the district as those who previously failed to earn an adequate living from other crops have become wealthy by farming the fruit.

Spurred on by seeing other's success, around 5,000 Haribhanga orchards have sprouted across Rangpur over the years.

Rawshan Ali, who owns an orchard in Khoragachh village under Mithapukur upazila, said farmers were pleased to see their trees flowering early this year but their happiness soon turned to frustration as bad climate began affecting production.

"The situation is now stable though and growers are expecting good yields and better prices after suffering two years of losses due to Covid-19," he added.

Ranga Mia, another farmer of the same village, said their profits depend on the current market.

"So, we are hoping to make better profits despite the production shortfall," added Ranga, who leases a mango orchard with 54 trees for Tk 4.2 lakh per year.

The start of the harvesting season also gives rise to a number of other employment opportunities for locals.

For example, the demand of bamboo baskets usually increases manifold this time of year as they are used to pack and transport the mangos.

READ MORE ON B3

## Mercantile Bank puts sustainability at heart for growth

MD says as the lender celebrates 23rd anniversary

MAHMUDUL HASAN

Mercantile Bank Ltd has targeted sustainable long-term business growth as part of its plans to become the top financial institution in Bangladesh in terms of sustainability, said its top executive.

The third-generation bank has aimed to strengthen the overall risk management and corporate governance system and improve the operational efficiency and productivity of resources and customer services, said Md Quamrul Islam Chowdhury,

managing director of the bank.

Ensuring lower cost of deposits, lower lending rate, improving the quality of assets, rationalising operating costs, expanding branches, and offering new products in retail banking, SME financing and card services are priorities for the bank as it celebrated its 23rd anniversary yesterday.

The bank started its journey on June 2, 1999, with the core objective of becoming one of the top three financial institutions in Bangladesh in terms of efficiency.

It now serves a large customer base, comprising individuals and businesses, through a network of 151 branches, supplemented by 188 ATM (automated teller machine) booths, 20 cash deposit machines, 45 Islamic banking windows, 21 sub-branches, and 173 agent banking outlets.

"Our operation is powered by the combination of a team of skilled human resources and state-of-the-art technologies to serve the unbanked and underbanked sections of society," said Chowdhury.

**"We continue to invest significantly in modernising and improving our digital capabilities. But that does not mean the bank will lose its personal touch."**

In addition to providing all ranges of banking services, MBL is also providing other services through its three subsidiaries, two offshore banking units, internet banking and mobile banking.

From the beginning, the bank has adopted modern technologies to provide fast-track customer-centric services to clients. It has introduced real-time banking services across the country.

Chowdhury said the bank's endeavours towards the incremental improvement of tech-savvy modules continue and will bring efficiency and quality to its operations for ensuring superior value service to attract tech-savvy youths.

The private commercial bank launched a digital platform, MBL Rainbow, to make banking more customer-friendly and digitalised. Besides, the core banking software, Temenos T24, has been upgraded from R10 to R19.

"With this new version, we will be more protected against various cyber threats," said Chowdhury, who joined Mercantile Bank in 2001.

The bank has rolled out the mobile banking service MyCash.

READ MORE ON B3



The general view of a factory of Taiwan's state-run oil refiner CPC Corporation in Taoyuan. The United States and Taiwan announced the US-Taiwan Initiative on 21st Century Trade on Wednesday.

PHOTO: AFP/FILE

## China firmly opposes US-Taiwan trade initiative

REUTERS, Beijing

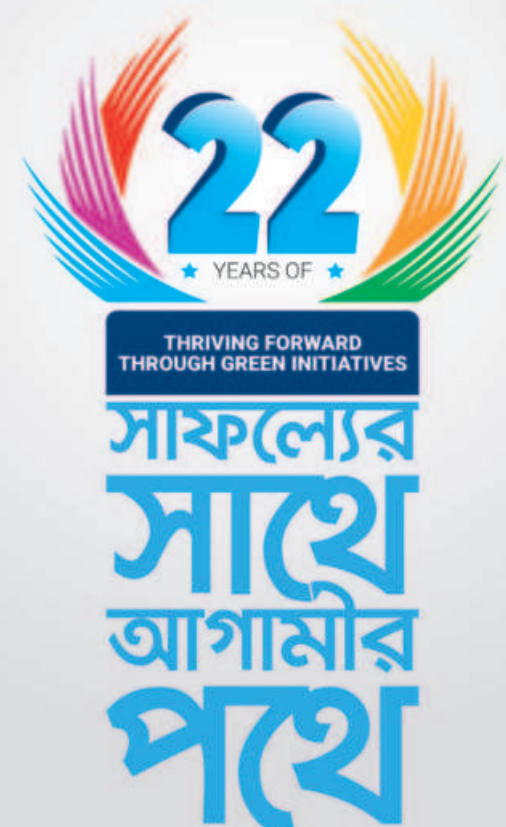
China "firmly" opposes a new trade initiative between Taiwan and the United States, the Commerce Ministry said on Thursday, a plan the government in Taipei says is a recognition of the key position the island plays in global supply chains.

The United States and Taiwan announced the US-Taiwan Initiative on 21st Century Trade on Wednesday, days after the Biden administration excluded the Chinese-claimed island from its Asia-focused economic plan designed to counter Beijing's growing influence.

China has been angered by stepped up US engagement with democratically governed Taiwan, regularly describing the issue as the most important and sensitive one in Sino-US ties.

"The United States should prudently handle trade and economic ties with Taiwan to avoid sending a wrong message to Taiwan separatists," said Chinese Commerce Ministry spokesman Gao Feng.

READ MORE ON B2



আপনাদের নিরন্তর সমর্থন ও আস্থা আমাদের সাফল্যের সাথে আগামীর পথচলার অনুপ্রেরণা। আমাদের সাথে থাকার জন্য যমুনা ব্যাংকের সকল গ্রাহক, স্টেকহোল্ডার ও শ্রদ্ধাভাজীদের জানাই কৃতজ্ঞতা ও আন্তরিক ধন্যবাদ।

JAMUNA BANK