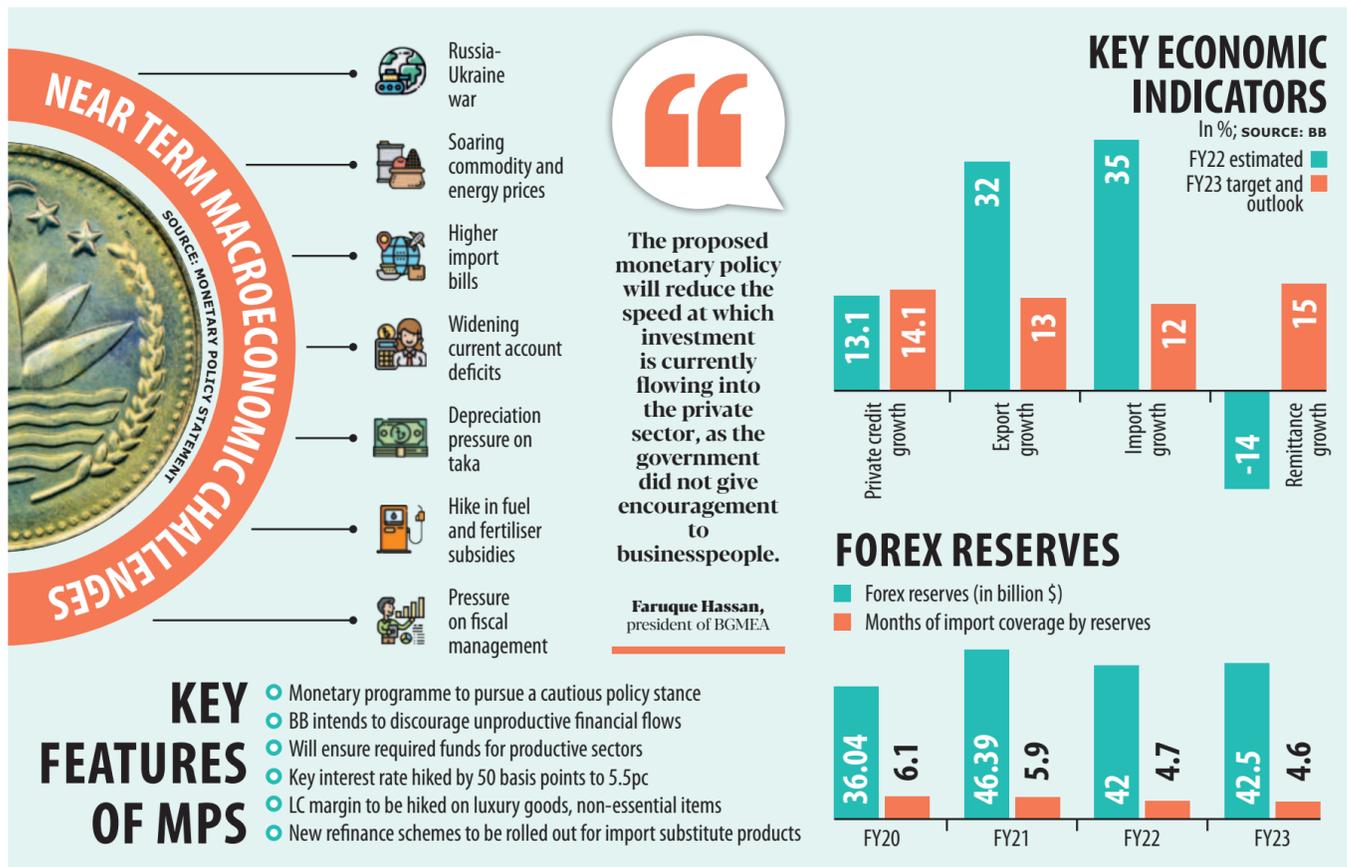
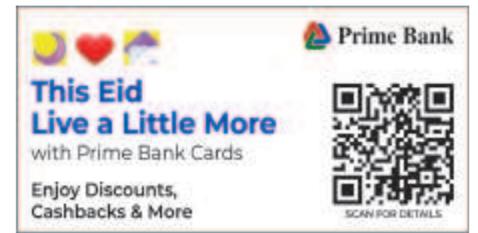


Star BUSINESS



FOREX MARKET

Maintaining stability key challenge: BB

STAR BUSINESS REPORT

Keeping import payments manageable while maintaining stability in the foreign exchange markets will be a critical challenge for the economy, apart from keeping inflation at a tolerable level, said Bangladesh Bank yesterday.

The concern of the central bank of Bangladesh comes at a time when the forex market continues to remain volatile as export and remittance earnings have jointly remained far below the total import cost.

As a result, the foreign exchange reserve, which was \$46 billion a year ago, has been falling for the past couple of months. As of June 29, the forex reserve stood at \$41.8 billion.

Taka lost value further this week. The exchange rate of the local currency stood at Tk 93.45 against each dollar yesterday in contrast to Tk 84.80 a year ago.

The central bank said economic growth momentum was expected to continue, hinging on ongoing growth supportive fiscal and monetary policies, with growing internal and external demand, improvements in the Covid-19 situation, and rising business confidence.

"The implementation of the government's ongoing mega projects, including the recent opening of the Padma Bridge, is expected to boost private investment and employment, beefing up the country's Gross Domestic Product

READ MORE ON B3

Businesses frown at monetary policy



Foggy stance of BB on exchange rate

ZAHID HUSSAIN

A key objective of issuing a monetary policy statement on the eve of the new fiscal year is to provide forward guidance to the public about the likely future course of monetary policy. When credible, individuals and businesses use this information in making decisions about spending and investments.

The operative word is credibility which the MPS falls short of in its diagnosis of the state of the economy.

The diagnosis of inflation attributes it to the surge in international prices.

The diagnosis of growth recovery attributes it to "recent surge in domestic demand" in addition to improvements in the Covid-19 situation, as if growth and inflation move independently of each other where demand

READ MORE ON B3

REFAYET ULLAH MIRDHA

Businesses have expressed discontent at Bangladesh Bank setting a private sector credit growth target of 14.1 per cent for 2022-23 that is lower than the just-concluded fiscal year.

The reduction will be detrimental to the inflow of investment to the private sector, for which the rolling of money in the economy will be lower and jobs will not be generated at the expected level.

As a result, the much-coveted improvement in the private investment to GDP ratio will not come about. The ratio has been hovering at around 23 per cent over the past decade or so, said the businesses.

The private sector credit growth target was set at 14.8 per cent for the fiscal year that ended yesterday. It stood at 12.94 per cent as of May.

However, businesses welcomed the move to curb the import of luxury items as it would definitely help improve the central bank's foreign currency reserves.

They opined that the dollars saved here would help bringing in more basic commodities which was very important in these trying times.

Mostofa Azad Chowdhury Babu, senior vice-president of

the Federation of Bangladesh Chambers of Commerce and Industry, said the central bank should have outlined the policy on how to attract more private sector investment.

But, unfortunately, it was reduced, he said.

"So, the expected inflow of private sector investment

through, he said.

"If private investment does not take place, employment will also not be generated at the expected level."

During a consultation held in mid-June in Dhaka, Islam had suggested private sector credit growth target be fixed at a much higher level of 15 per

inflation and the ongoing Russia-Ukraine war.

The lower private sector credit flow will also squeeze local industrial investment and employment, said Rizwan Rahman, president of the Dhaka Chamber of Commerce and Industry.

"It will also make it hard to reach the national budget's private sector investment to GDP ratio of 24.5 per cent, which will have some adverse effects on the economy."

"We think the definition of luxury goods need to be realistically defined for the benefit of business, industry and banks."

Mir Nasir Hossain, a former president of the FBCCI, said as businesses are going through difficulties, the lowering of the credit growth target is discouraging.

He, however, admitted that the credit growth remains much lower than the target every year.

Hossain argues that if higher investment flows in keeping with the improvement of the business environment, the country may face a liquidity crisis.

"So, a higher credit growth for the private sector is expected from the central bank."



will not come about to create employment."

Md Saiful Islam, president of the Metropolitan Chamber of Commerce and Industry, said the government should put in all kinds of efforts so that exports keep growing.

Export growth needs to be 50 per cent in the fiscal year 2022-23. But it also should be kept in mind that the country was able to achieve 35 per cent growth in fiscal year 2021-22, which is insufficient for riding out the turbulent times the economy was currently going

cent.

"The proposed monetary policy will reduce the speed at which investment is currently flowing into the private sector, as the government did not give encouragement to business people," said Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association.

Hassan, however, agreed with the central bank governor's forecast that export earnings may not grow that much in the new fiscal year because of higher global

Inflation, flood dim cattle sales prospects

SOHEL PARVEZ

Bangladesh has enough cattle to meet the demand during the coming Eid-ul-Azha but buyers are likely to face higher prices for sacrificial animals.

Farmers say soaring prices of feed have increased the cattle rearing cost and they have no scope but to ask for higher prices.

There are also concerns that spiralling inflation and recurrent floods in the northeast and northwest regions will dampen sales.

"Overall, it is a difficult situation. Our rearing cost has risen while inflation is biting. People do not have money," said Md Rakibur Rahman, managing director Nahar Agro, which has 1,600 heads of cattle, in Chattogram.

Last year, devotees slaughtered nearly 91 lakh cattle to perform their religious duties, the lowest in five years as many people could not take part for budget constraints amid Covid-19 induced income losses.

For the current year, Bangladesh has 1.21 crore animals available for Eid-ul-Azha and farmers, traders and the Department of Livestock Services say the number is adequate to meet the demand for the event.

READ MORE ON B3



Bamboo stalls being erected for displaying sacrificial animals at the Gabtoli cattle market, the only permanent one in Dhaka, centring Eid-ul-Azha. The overhead shade-providing tarpaulins are a telltale sign that this spot will be more comfortable than the rest, reserved for cattle that are highly prized and which can cost nearly a fortune. The photo was taken on Wednesday.

PHOTO: PALASH KHAN

STOCKS	
DSEX ▲	CASPI ▲
0.42%	0.19%
6,376.94	18,727.51

COMMODITIES	
Gold ▼	Oil ▼
\$1,810.38	\$109.65
(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.01%	▼ 1.54%	▼ 1.04%	▲ 1.10%
53,018.94	26,393.04	3,102.21	3,398.62

Tk 678,064cr budget passed

STAR BUSINESS REPORT

A national budget of Tk 6,78,064 crore for fiscal year 2022-23 was passed in parliament yesterday.

Finance Minister AHM Mustafa Kamal placed the budget before the parliament on June 9. It was unanimously passed by voice vote.

The local government division got the highest allocation of Tk 41,407.

Another Tk 40,360 crore was allocated for the defense ministry and Tk 39,962 crore for the secondary and higher education division.

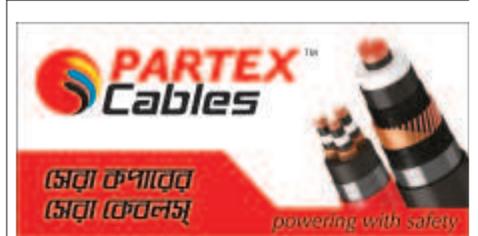
However, if the budgetary allocation for the repayment of the principal amount of loans taken from local and international lenders is taken into account, the gross budget amounts to Tk 8,83,751 crore.

The finance division received an allocation of Tk 3,65,177 crore, part of which will be used to repay the principal amount of domestic loans, while the economic relations division got Tk 25,093 crore, part of which will be used to repay the principal amount of foreign loans.

After two years of the pandemic, the government placed the budget with the theme "Return to the Path of Development Leaving the Covid-19 behind".

In the budget, the government estimated the GDP growth target and inflation at 7.5 per cent and 5.6 per cent respectively.

Earlier, the parliament passed the finance bill on Wednesday changing cancelling two of the three provisions involving legalising laundered money and slashing the corporate tax for non-listed companies.



Inflation in France hits 31-year high

AFP, Paris

French inflation accelerated to its highest level since at least 1991 in June, official data showed Thursday, as food and energy costs have surged since Russia's invasion of Ukraine.

Consumer prices jumped 5.8 per cent compared to the same month last year, with energy soaring 33.1 per cent and food rising 5.7 per cent, statistics agency Insee said in its preliminary release.

Price growth was 6.5 per cent when measured using the Harmonised Index of Consumer Prices -- the preferred yardstick of the European Central Bank, tasked with checking inflation in the 19-nation eurozone.

Despite the increase, "this data is probably one of the first indications that we are approaching peak inflation" in France, ING analyst Charlotte de Montpellier said.

She added that price growth should begin slowing by the end of 2022 as energy prices stabilise and the economy slows from its sharp Covid-19 rebound.

But a politically divided parliament may struggle to maintain support to households that has kept inflation milder than in other European countries.

Across the currency bloc, consumer prices rose 8.1 per cent in May, far higher than the ECB's target of two per cent.

Inflation has spiked since Russia's February 24 invasion of Ukraine, which has drawn unprecedented Western sanctions -- including on some of its energy exports -- and blocked supplies of Ukrainian grain from reaching world markets.

While world leaders scramble to unblock food shipments and find alternative energy sources, central banks must pursue their inflation-fighting mandates with little sense of when the price pressures might end.



Business is brisk at this weekly makeshift market in Bhairab Bazar of Kishoreganj's launch ghat area, sitting on Tuesday night and wrapping up the next morning. Around 500 traders sell locally-made clothes for all ages and genders at both retail and wholesale.

PHOTO: SANAD SAHA

Global crop problems point to years of high food prices

REUTERS

Eric Broten had planned to sow about 5,000 acres of corn this year on his farm in North Dakota, but persistent springtime rains limited him to just 3,500 in a state where a quarter or more of the planned corn could remain unsown this year.

The difficulty planting corn, the single largest grain crop in the world, in the northern United States adds to a string of troubled crop harvests worldwide that point to multiple years of tight supplies and high food costs.

Russia's invasion of Ukraine, a major agricultural exporter, sent prices of wheat, soy and corn to near records earlier this year. Poor weather has also reduced grain harvests in China, India, South America and parts of Europe. Fertilizer shortages meanwhile are cutting yields of many crops around the globe.

The world has perhaps never seen this level of simultaneous agricultural disruption, according to agriculture executives, industry analysts, farmers and economists interviewed by Reuters, meaning it may take years to return to global food security.

"Typically when we're in a tight supply-demand environment you can rebuild it in a single growing season. Where we are today, and the constraints around boosting production and (war in) Ukraine ... it's two to three years before you get out of the current environment," said Jason Newton, chief economist for fertiliser producer Nutrien Ltd.

United Nations Secretary-General Antonio Guterres said last week that the world faces an unprecedented hunger crisis, with a risk of multiple famines this year and a worse situation in 2023.

Ahead of a crucial North American harvest, grain seedling delays from Manitoba to Indiana have sparked worries about lower production. A smaller corn crop in the top-producing United States will ripple through the supply chain and leave consumers paying even more for meat than they already are, as corn is a key source of livestock feed.

Global corn supplies have been tight since the pandemic started in 2020, due to transportation problems and strong demand, and are expected to fall further.

The US Agriculture Department (USDA) expects end-of-season US corn stocks to be

down 33 per cent from pre-pandemic levels in September before this year's harvest, and down 37 per cent in September 2023. In North Dakota, corn would normally be at least knee-high by mid-June, but only about two-thirds of the state's crop had even emerged from the ground.

It was late May before Broten was able to plant any corn, and he traded in his seed for shorter-season and lower-yielding varieties twice before finally deciding it was too late to plant more. Ideally, he would have finished corn planting by the first week of the month. He could not wait any longer for fields to dry out.

"We were pushing the envelope, working ground that was way too wet, just trying to get a crop in," Broten said, noting that wheel tracks are still visible in his corn fields where his farm machinery compacted the saturated dirt.

"Our production goals for the farm are going to be way down," he said. The slow spring planting pace already forced USDA to lower its national corn yield outlook last month by 4 bushels per acre. That cut alone slashed the US harvest potential by more than 9 million tonnes, or equal to almost half of China's record US imports last year.

Is the next generation ready

FROM PAGE B4

immense contribution to the economic freedom of Bangladesh that we witness today.

I had the privilege of meeting one such hero who struck a chord with his humility while sharing his initial struggles in business. Soon after the liberation war, he got a few thousand taka from his father from the sale of a piece of land. He used this money to travel to Bhairab (a river port and trading hub) to purchase rice which he would transport to Chittagong by train. There were days he slept in the rail station and worked hard on having a good relationship with the station master, who seemed very important at that point of his life. After loading the goods on the train, he would take the Chittagong bound bus in order to reach the port city before the slow cargo train. He would then trade in advance with rice traders of Khatunganj before his goods arrived at the station. The traders would receive a note slip from him which acted like a guarantee and collect their allocated rice from the station later. That really had me wondering how amazingly this gentleman practically applied forward buy/sell knowledge to make profit without any formal education in finance or marketing.

There is another economic freedom fighter whom I have met a couple of times in business forums that I have to

mention here. Last year, I had the opportunity to visit his office in Gulshan. While talking to him, I was observing his table and some of his works. To my amazement, he goes through product cost sheets in details, visits his factories by helicopter once a week, and works long hours every day and has absolute control of his empire even at this senior age.

These examples clearly highlight all the hard work and dedication that goes behind the kind of success they enjoy today. They shine bright despite not having the sophistication that comes with foreign degrees nor the global knowledge that the next generation may have. The next generation, on the other hand, is emerging armed with global knowledge from global institutions, but they are mostly groomed in a caged environment. Can this generation bring the same level of passion, hard work and dedication to family businesses? Can they make a difference with their fresh positive approach, strong ethical values, contemporary global management/people practice, governance etc.? If the answer is in the negative, then the sustainability of such family businesses would be extremely difficult.

As per the study of John Ward, Loyola University, Chicago, as much as 44 per cent of family businesses experience a growth decline in the

first generation, 40 per cent survive through the second generation, 15 per cent make it through the third generation, and only 1 per cent survive onto the fourth generation. The most common reasons of failure include family problems, informal culture, absence of formal coaching and counselling of both the generations, high attrition of non-family talent, weak succession planning, and lack of practical bearing of the new generation.

If this trend of business failure over generations holds true for Bangladesh, then the loss would be extremely costly for the nation. Moreover, it would also measure up to the nation's failure to uphold the contribution of the economic freedom fighters who are an integral part of the rapidly emerging economic giant that Bangladesh is shaping into.

The author is a telecom and management expert

FY23 budget's journey

FROM PAGE B4

Zahid Hussain says the immediate challenge for the budget would be managing the subsidy budget.

The government has made a major allocation for subsidies. But already there are talks that electricity, diesel and fertiliser prices would be adjusted upwards to reduce pressures on the fiscal management.

"If the prices are increased, it would only add fuel to the fire," said Zahid.

One of the ways for the government to avoid fanning inflation could be moving away from the expansionary plans that have been envisaged in the budget.

"There has to be some austerity. But there is no such proposal," he said. Zahid says the government has ways to cut expenditures to rein in inflation.

"If the government can do that, it would help cut the demand for US dollars

and cool the domestic demand."

Ahsan H Mansur does not want to paint the macro-economy situation as entirely dire. "But it is mismanaged and the government is not listening to orthodox economics."

He says the government would have to set out for revenue reforms even if there might not be immediate results, since the lack of revenue reforms is responsible for the current situation.

"We are a poor country. Our government is even poorer. It has come up with a small budget. But you can't run a populous country like Bangladesh with a small budget by navigating through the impacts of climate change, salinity, river erosion, and recurrent natural disasters."

Because of the weaker revenue generation, the country is failing to meet the budget deficit comfortably from its own sources, he added.



Morshed Alam, chairman of Mercantile Bank, hands over the cheque bearing a donation worth Tk 10 crore to Ahmad Kaikaus, principal secretary to the prime minister, for the flood-affected people at the Prime Minister's Office in Dhaka recently. Prime Minister Sheikh Hasina attended the event virtually from the Gono Bhaban. ASM Feroz Alam, vice-chairman of the bank, was present.

PHOTO: MERCANTILE BANK



CQK Mustaq Ahmed, independent director of Prime Bank, hands over a cheque bearing a donation worth Tk 10 crore to Ahmad Kaikaus, principal secretary to the prime minister, for the flood-affected people at the Prime Minister's Office in Dhaka recently. Prime Minister Sheikh Hasina attended the event virtually from the Gono Bhaban. Hassan O Rashid, managing director of the bank, was present.

PHOTO: PRIME BANK



Tateyama Kabir and Mohammed Jamil Iqbal, vice-chairmen of NRB Bank, and Khandakar R Amin, chairman of risk management committee, handed over a cheque worth Tk two crore to Ahmad Kaikaus, principal secretary to the prime minister, for the flood-affected people at the Prime Minister's Office in Dhaka recently. Prime Minister Sheikh Hasina joined the event virtually from the Gono Bhaban.

PHOTO: NRB BANK



Md Nazrul Islam Mazumder, chairman of Exim Bank, hands over a cheque for Tk 10 crore to Ahmad Kaikaus, principal secretary of the prime minister, for the flood-affected people at the Prime Minister's Office recently. Prime Minister Sheikh Hasina joined the event virtually from the Gono Bhaban. Mohammad Abdullah and Md Nurul Amin, members of the board of directors of the bank, were present.

PHOTO: EXIM BANK

BB to discourage luxury imports

STAR BUSINESS REPORT

Bangladesh Bank yesterday said it has decided to raise the ratio of payments businesses must make to banks while opening letters of credit (LCs) for luxury goods, foreign fruits and non-essential items such as non-cereal food, canned and processed products.

The move is aimed at discouraging the imports of the items, said the central bank in its monetary policy statement for the next fiscal year.

On May 10, the central bank instructed banks to take up to 75 per cent of import payments in advance from businesses to open LCs for luxury and non-essential goods.

Yesterday, the BB also said it would roll out new refinance schemes to ramp up the production of import substituting products in order to cut the reliance on foreign purchases and save foreign currencies.

GP says SIM ban unexpected

STAR BUSINESS REPORT

Leading mobile phone operator Grameenphone termed the telecom watchdog's latest ban on its SIM sales as an unexpected move, stating that it will take its next course of action after assessing the regulator's letter related to the ban.

On June 29, Bangladesh Telecommunication Regulatory Commission (BTRC) in a letter instructed the top telecom operator not to sell new SIM cards for what it said was the operator's failure to provide quality service.

According to the BTRC, the operator cannot sell any new SIM until it improves its quality of services and reduce its rate of call drops.

Grameenphone has been adhering to and staying well ahead of the regulator's quality of service benchmark and the International Telecommunication Union's international benchmark, the operator said in a statement.

"In addition, GP has also been closely collaborating with the BTRC to constantly improve the network quality and service by acquiring the highest allowable spectrum in the recent auction and taking a series of network modernisation steps," the operator said in a press release.

"Against this backdrop, we are currently assessing this recent unexpected letter to determine our next course of action. We believe that constructive dialogue with the regulator is the best way to resolve issues in the best interest of our existing and new customers."

Sweden sets sharpest rate hike since 2000

AFP, Stockholm

Sweden's central bank announced Thursday its steepest interest rate hike since 2000 to combat inflation, as monetary policymakers worldwide scramble to tame runaway prices.

After lifting the rate from zero to 0.25 per cent in May, the Riksbank said it was raising it by 50 basis points to 0.75 per cent this time as prices "have been rising considerably faster than expected since the start of the year".

Give loans against digital business ID

E-commerce urges govt
STAR BUSINESS REPORT

E-commerce entrepreneurs yesterday urged the government to provide them with bank loans by taking into account their digital business identification (DBID) in place of trade licences.

"Many e-commerce and F-commerce entities have no trade licence and they don't have the access to finance. The DBID should be used as a substitute of trade licence," said AKM Fahim Mashroor, CEO of AkjerDeal, an e-commerce platform.

"Bangladesh Bank can issue orders for this to accept DBID as replacement of trade licence for the e-commerce and F-commerce sites," he added.

The commerce ministry launched the DBID for the e-commerce companies in February this year with a view to check irregularities in the sector. He spoke in the first of a series of e-commerce policy dialogues at Sonargaon hotel in the capital.

The commerce ministry and the USAID in association with the Aspire to Innovate (a2i) organised the event.

The National Board of Revenue should relax the new requirement in the finance bill of compulsory income tax return for any kind of digital business, industry people said in the dialogue.

They said logistics companies should be integrated with product delivery verification and escrow systems for online payment.

Tapan Kanti Ghosh, senior secretary at the commerce ministry; NM Zeaul Alam, senior secretary to ICT division; AHM Shafiquzzaman, director general at the Directorate of National Consumers Right Protection; Md Hafizur Rahman, additional secretary to the commerce ministry; Rezwanul Haque Jami, head of eCommerce at a2i; Zeeshan Kingshuk Huq, consultant of DAI Global, also spoke.



Customer turnout has fallen sharply at restaurants near Mawa ferry terminal by the Padma river since the opening of the Padma Bridge, with nearly all traffic opting to use the bridge instead of ferries. Fried hilsa was the biggest draw at the eateries, drawing not only those arriving to cross the river but also aficionados from as far as the capital. The photo was taken on Tuesday.

PHOTO: AMRAN HOSSAIN

NID sufficient for securing digital business ID

As per new guidelines for e-commerce firms

MAHMUDUL HASAN

People can no longer operate e-commerce businesses in the country without having a digital business identification (DBID) number, which can be availed even without a trade license given that the entity has an official website or social media page, according to new guidelines in this regard.

As per the rules set by the commerce ministry, any e-commerce or F-commerce platform can now obtain a DBID number using the company chairman's national identification number.

Dubbed as the "digital business identification (DBID) registration guideline 2022", the measure aims to help recognise digital commerce platforms and entrepreneurs as valid business entities.

Upon receiving an application, the Office of the Registrar of Joint Stock Companies and Firms (RJSC) will verify whether the company bears the same name as any other company with a registered DBID, which must be unique

for each organisation.

Applicants must display the terms and conditions of their digital business in Bengali on their website.

The guideline also made it mandatory for online businesses to show their registered DBID number on their official website or social media page.

The guideline comes five months after the introduction of the DBID in February, when it was launched by the commerce ministry with a view to checking irregularities in the sector.

It aims to streamline the sector and bring back customers' trust following widespread fraud that unfolded last year. Over 25 e-commerce platforms had offered hefty discounts against advance payments but only to cheat customers out of huge sums of money.

According to a Bangladesh Bank report, the controversial e-commerce platforms collectively received Tk 6,050 crore in just four months last year. Most of their customers and merchants have not been able to get their money back since then.

Amid the subsequent customer outcry and criticism over state agencies' inaction, the government initiated a crackdown in the second half of 2021.

It started with the arrest of E-orange owners Sonia Mahzabin and her husband in August last year for allegedly embezzling Tk 1,100 crore.

Rapid Action Battalion then arrested Mohammad Rassel, chief executive officer of Evaly, and his wife Shamima Nasrin, chairman of the company, in mid-September.

Nasrin has since gotten out on bail. On July 4 last year, the commerce ministry issued the Digital Commerce Operation Guidelines, 2021.

It stipulates, among other things, that if the online platform and delivery destination are within the same city, the handover must be made within five days.

The commerce ministry said the existing entities which are running digital commerce business will have to apply for DBID within 90 days of the publication of the guideline.

Export growth to slow in FY23: BB

STAR BUSINESS REPORT

Bangladesh's export growth may witness a slowdown in the next fiscal year, said the central bank in its monetary policy unveiled yesterday.

The projection comes as export grew 34 per cent year-on-year to \$47.17 billion in the July-May period of the just-concluded fiscal year.

The export growth is likely to remain low because of weak external demand.

Owing to domestic demand, there is the possibility of higher import bills, said the BB while releasing the monetary policy that seeks to tighten the money supply to contain inflation.

Import bills soared 39 per cent in the first 11 months of FY22.

Remittance to rise this fiscal year: BB

STAR BUSINESS REPORT

Remittance inflow may rebound significantly in Bangladesh in 2022-23 fiscal year as increased number of people flew abroad for jobs, Bangladesh Bank Governor Fazle Kabir said yesterday.

The forecast comes at a time when remittance earnings, one of the key pillars of Bangladesh's economy, dipped 16 per cent year-on-year to \$19.19 billion in the July-May period of the just-concluded fiscal year, weakening the country's foreign exchange reserves amid surging import bills.

Between July and May of FY22, 8.77 lakh workers left the country in search of jobs abroad, nearly four times 2.31 lakh Bangladeshis who went to other countries in the same period a year ago, according to data from the Bureau of Manpower, Employment & Training.

Bangladesh logged nearly \$25 billion in remittances in 2020-21 fiscal year, posting a 36 per cent year-on-year growth.

Trade deficit projected at \$33b in FY22

STAR BUSINESS REPORT

Bangladesh's trade deficit is projected to be \$33 billion in the just-concluded fiscal year as export earnings and remittances continue to fall below the overall import cost, said Bangladesh Bank in its monetary policy for the next fiscal year.

The trade deficit is expected to increase further to \$36.70 billion in the next fiscal year of FY2022-23, beginning today.

The new projection is higher than the BB's initial projection in the MPS for 2021-22.

The central bank had projected the trade deficit to be at \$26.60 billion in FY22. But the deficit widened to \$27.56 billion in the first 10 months of FY22.

The BB also projected an increase in the current account deficit to \$17.73 billion from \$4.5 billion a year ago.



Ahsan Khan Chowdhury, director of Midland Bank, hands over a cheque for Tk 30 crore to Ahmad Kaikaus, principal secretary to the prime minister, for the flood-affected people through the Prime Minister's Relief and Welfare Fund at the Prime Minister's Office in Dhaka recently. Prime Minister Sheikh Hasina joined the event virtually from the Gono Bhaban.

PHOTO: MIDLAND BANK

Shwapno opens outlet in Chattogram

STAR BUSINESS DESK

Retail chain shop Shwapno opened its 224th outlet at North Khulshi in Chittagong yesterday.

Abu Naser, director for operations at Shwapno, inaugurated the outlet on Zakir Hossain Road at North Khulshi (opposite to Holy Crescent Hospital) in the port city, said a press release.

Foggy stance of BB

FROM PAGE B1

only affects growth while international prices only affect inflation. This is hard to reconcile with a key time-tested lesson from Economics 101: when both price and volume are rising, it must be the case that demand played a key role in shaping the movement of both variables.

The MPS rightly highlights all sorts of factors that are likely to push inflation further in FY23. Yet it projects a decline in inflation to 5.6 per cent while growth is projected to increase to 7.5 per cent in FY23. How will these be possible without significant increase in productivity, reversal of international price increases and a decline in domestic demand growth?

The BB's assessment of global price outlook does not, and rightly so, suggest that international price increases will be reversed in FY23. Padma Bridge will boost productivity growth for sure, but certainly not dramatically so in the short run.

The FY23 budget

is expansionary. The only likely source of a slower demand growth is subsiding pent-up demand. It is hard to believe it will be enough to reverse the rise in inflation as projected when all other factors are working against such a reversal.

The policy stance for FY23 is described as "tight" and "cautious".

The tightness can be found only in the increase in the policy (repo) rate by 50 basis points. With the lending rate capped at 9 per cent, and the weighted average lending rate at 7.1 per cent in May, there isn't much wiggle room for transmission of the higher policy to the rest of the economy.

Moreover, with long-term treasury bonds priced between 7.8 and 8.4 per cent, who would want to lend to the private sector at 9 per cent when it is inherently risky and the regulator keeps extending forbearance on non-repayment?

The supply of T-bills and bonds will have to dry out

completely to make the lenders interested in other lending options. The BB has committed to remaining "watchful of this lending cap issue and taking policy actions if necessary."

The rest of the FY23 MPS is neither tight nor cautious.

The broad money growth is projected to rise from 9.1 per cent in FY22 to 12.1 per cent, the public sector credit growth to rise from 27.9 per cent to 37.3 per cent and the private sector credit growth to rise from 13.1 per cent to 14.1 per cent.

Some of the measures announced are in fact likely to be inflationary. Further increases in LC margins on non-essential imports will push up prices even if they are effective in reducing the demand for foreign exchange. The promised new refinance line for import substituting products and continued support to stimulus packages are expansionary measures.

When import substitutes themselves depend on import of raw

materials, intermediate inputs, and capital goods, even the intended reduction in demand for foreign exchanges is unlikely to result, at least in the short run. The BB has probably attained the unique status of a central bank that has coopted "import substitution" as part of its policy objective.

The MPS appears rather complacent on its stance on the exchange rate while recognising that the taka is currently overvalued based on the real effective exchange. Risking undervaluation, rather than overvaluation, is the most appropriate way for a central bank to provide protection to both imports substituting and export-oriented industries.

It is hard to fathom why the BB has chosen something pretty much outside the domain of monetary policy while maintaining a foggy stance on the exchange rate, something at the core of monetary management.

The author is an economist

Inflation, flood dim cattle sales prospects

FROM PAGE B1

However, the number of farmers rearing cattle has declined by 2 per cent year-on-year to 6.81 lakh this year as many had to quit amid soaring production costs and the pandemic.

Farmers rear and fatten bulls and other animals to profit from high demand during Eid-ul-Azha, which accounts for half of the total cattle sacrificed in the country annually and provides key raw materials for the nearly \$1 billion export-earning leather and footwear industry.

"We have a good stock of cattle. The problem is the cost of ingredients of cattle feed has gone up globally and it has increased our cost," said Mohammad Imran Hossain, president of the Bangladesh Dairy Farmers' Association (BDAFA).

Prices of cattle are likely to be higher this year than the previous year, he said. "Otherwise, any crisis is unlikely."

However, the demand for animals for Eid-ul-Azha did not pick up until the mid-last week.

Hossain said advance sales and booking at his farm, Sadeeq Agro, have been low this year compared to the previous year.

"We could sell 60 per cent of bulls two weeks ahead of Eid last year. This year, we have so far been able to get advance booking for 30 per cent of the bulls."

It appears that sales will start to pick up by the end of this week and onwards as job-holders will get salaries after the month closes.

Anikuzzaman Razu, owner of Mondol International Ltd, a cattle trading firm based in the Gabtali cattle market in Dhaka, said the cheerfulness that was seen in the previous year is absent this year.

The transport cost has also increased.

Shah Mohammad

Emran, general secretary of BDAFA, said buyers may be waiting for the opening of cattle markets for Eid-ul-Azha to get an idea about prices as inflation has strained their wallets.

"Inflation has hit directly on the wallets of people," he said, fearing that demand for cattle may decline if the flood situation worsens.

Mir Kashem Ali, owner of Marsh Agro, a cattle and dairy farm in Faridpur, said he was planning to try online sales as responses until the mid-last week were low.

He could sell only three bulls through advance booking.

Golam Raheed, a dairy farmer in the northern division Rajshahi, said a flood in the northeast region may impact the overall demand for cattle.

"We have seen in the past a good demand for cows from the Sylhet region during the festival. Demand from the region has been low until now

as survival has become challenging because of floods," he said.

"So, it is very difficult to predict how the market will be this year."

BDAFA President Imran, however, hoped that the total number of cattle to be slaughtered this year would be higher than last year as the economy is recovering from sluggishness.

Considering the economic impact of the Padma Bridge, a 7.5 per cent real GDP growth target seems consistent with the BB's model-based GDP growth forecasts for FY23, it added.

However, headwinds to this growth and inflation outlook could emerge from a number of factor such as the unfavourable outcomes of the Russia-Ukraine war, the continuation of soaring global commodity and energy prices, and sustained widening current account deficits with the depreciation pressure on exchange rate.

The central bank said Russia and Ukraine were critical suppliers of several commodities, such as wheat, maize, sunflower oil, corn, fertilisers, and rare earth minerals, including

oil, gas and metals. Disruptions to supplies of these commodities may escalate their prices in the global markets, it said.

"Given the escalated global commodity prices, the government's fuel and fertiliser subsidies will increase substantially, creating pressure on fiscal management," said the central bank.

"The pass-through of soaring global commodity prices and the exchange rate depreciation could

impair domestic price stability through import channels," it said.

Bangladesh Bank, however, is hopeful that a direct adverse impact of the war on Bangladesh would be limited as its trade with Russia and Ukraine is shallow.

"However, if the war lingers and propagates in neighbouring European countries, which happen to be the major destinations of Bangladesh's exports and sources of remittance, the effects of the war could

be non-trivial," it said.

The central bank said export growth was expected to be 13 per cent next fiscal year, down from the estimated 32 per cent in fiscal year 2021-22.

In addition, the climate and environment-related vulnerabilities, like the recent sudden floods in the north and northeastern parts of the country, could generate some headwinds on the country's overall price stability and growth prospect, said the BB.



The Padma Bridge would give a boost to the regional and national economy, as producers in the southwestern region would be able to sell their produce in Dhaka and other parts of the country without facing much delay and wastage.

PHOTO: SAJJAD HOSSAIN

FY23 budget's journey begins amid a tempest

MD FAZLUR RAHMAN

The timing could not be worse for the fiscal year to start with.

The Russian war in Ukraine is raging, cementing worries about the persistence of the commodity price volatility and supply bottlenecks.

Covid-19 infections are re-surfing both at home and abroad, in another unpromising sign for the economy.

Like in other countries, higher inflation, which is hitting the poor and low-income groups hardest, is expected to move higher or at least stay at an elevated way for several more months to two years.

Exports are rising but are playing second fiddle to blistering imports. Remittance flow has slowed and revenue generation likely missed the target in the fiscal year that ended yesterday.

Floods have already devastated the Sylhet region and hit some districts in the northern part, and there is a threat that it can inflict damage on other parts of Bangladesh as well.

More people are in need of state support than ever as they are finding it hard to cope with escalated prices of essentials. The government's spending on expensive fuel, gas and fertiliser from the state coffers would remain at a higher level. As a result, subsidy spending could overshoot.

Amid such a distressed scenario and a gloomy outlook, the government today sets out to implement its budget for the new fiscal year of 2022-23.

In a welcoming move, the government has begun enforcing the early closure of shopping malls, markets and kitchen markets.

The argument is it would cut the use

of electricity which would go on to bring down the imports of oil and gas, thus cutting the pressures on the foreign currency reserves.

But Zahid Hussain, a former lead economist of the World Bank's Dhaka office is not convinced.

"Why are you imposing it on the private sector when you can do it on your own?" he asked.

First, he explains, the government should focus on cutting expenses.

"There are many projects that, if deferred, would not cause any harm to the economy. If you cut expenses today, it would have an immediate positive impact. This will also set an example."

Like in other countries, higher inflation, which is hitting the poor and low-income groups the hardest, is expected to go further in Bangladesh

The closure of shopping malls, markets and kitchen markets earlier than usually done would affect the revenue generation, Zahid argues.

In another major development, the opening of the Padma Bridge would give a boost to the regional and national economy, as producers in the southwestern region would be able to sell their produce in Dhaka and other parts of the country without facing much delay and wastage.

The government has also cut the tariffs on rice imports.

CHALLENGE AFTER CHALLENGE

The subsidy on fertilizer, whose prices are now almost three times higher than they were a year ago as per the World

Bank, would cause a major headache for the government as it would only amplify the subsidy burden.

But there is no way to ignore the agriculture sector. The nation has to be fed.

Food prices are likely to remain high for the foreseeable future and are expected to push more households into acute food insecurity not just in Bangladesh but across the world.

So, if the government can buy enough food from the local and foreign markets before it is too late, it will be in a comfortable position in evading a food crisis, which looms large globally.

To make matters worse, a recession is knocking on the door of the US and the European Union, the two biggest export markets for Bangladesh.

If the recession worries translate into reality and the country's export destinations face an economic downturn, it would deal a blow to exporters and remitters, the two biggest sources of foreign currencies for Bangladesh.

Sorting out macroeconomic challenges would be the biggest task for the government in the new fiscal year.

HIGHER GDP VS LOWER INFLATION

Zahid Hussain does not find an appropriate explanation for setting a GDP growth target of 7.5 per cent while setting the inflation target at 5.6 per cent.

Only two impossibilities can help the government achieve the dual targets: first, if the commodity prices fall drastically in the global markets and return to the pre-pandemic level.

Second, if the productivity of the economy accelerates through an increase in the productivity of workers

and factories and improvement in the efficiency of the bureaucracy.

Accelerating GDP growth and bringing down inflation simultaneously are aspirations, according to Zahid.

"But even for aspiration, there has to be internal logic and there has to be some link with the reality because this is a budget and a concrete operational plan, not a fiction document."

Ahsan H Mansur, executive director of the Policy Research Institute, says Bangladesh does not need 7.5 per cent GDP growth in FY23.

"Rather, our focus should be on tackling inflation and bringing back macroeconomic stabilisation."

He says if the government goes ahead with its GDP growth plan, it will not be able to support the imports that will be needed to pull off the economic expansion given the costlier commodity prices.

HOW TO DEAL WITH EMERGING CHALLENGES

Monzur Hossain, research director of the Bangladesh Institute of Development Studies, says as Covid-19 cases are rising, adequate attention has to be given to the health sector so that economic activities don't come to a halt again owing to the pandemic.

He expects a more proactive role from the government in reducing poverty since the poor are facing a crisis for higher inflation.

"If there is another shock from Covid-19, the employment sector will also face challenges."

Monzur called on the government to take measures to speed up private investment, improve the quality of public investment and ensure timely implementation of projects.

READ MORE ON B2

Is the next generation ready to take the baton?

MAHTAB UDDIN AHMED

I had just come out of a meeting with my friend who is a prominent banker and this very interesting conversation ensued when I told him that I am keen to help family businesses in Bangladesh with my knowledge and experience. To my utter wonder, he shared a few interesting true stories, which had me delve further into the subject matter. One of them goes like this; in the event of an unpleasant incidence with an employee, the son of a certain family business owner directed his German shepherd dog to attack the hapless employee, who had to jump into the factory pond to survive.

In another incidence, an HR personnel of a family business was ordered by the owner's highly "educated" daughter to climb up and down the stairs of a 7-storey building nonstop under the supervision of security guards until she deemed the punishment adequate. After doing a few laps the distressed employee collapsed and subsequently sought his own termination from the company.

These stories reminded me of Bollywood movies that I watched in my childhood where a mandatory part of the movie would have diabolical villains having fun watching their victims suffer untold tortures at their whims and fancies. But that was in the monkey age I thought, and that things have moved from there to a more civilized path of ascent.

However, the above stories made me think again although as always, I try to focus on the positives. Despite a sharp declining trend in family businesses, I am still optimistic in believing the new generation can introduce an improved value and governance system to the tradition of family business.

As per a study, as much as 44 per cent of family businesses experience a growth decline in the first generation, 40 per cent survive through the second generation, and 15 per cent make it through the third generation

In the last six months or so, while trying to develop myself in the consultancy of family business, I have met several renowned family business owners to understand their story of success and challenges they experienced during the transition of the business to the next generation.

From what I gathered, one of the problems with the first generation of successful businesspeople is their reluctance to embrace change. They believe their traditional approach has yielded significant wealth in the past and will continue to do so in the future and moreover, their employees are comfortable and respectful to the existing way of things. Then why rock the boat? Why change or transform things when everything is going so right?

Most of the giant family businesses of today in the country had started their journey with trading businesses in the post liberation years. In the '80s, they gradually started local manufacturing as a substitute to import. This process of local value addition further accelerated in the '90s and beyond in the form of backward and forward integration. It is noteworthy that the contribution of these family businesses to Bangladesh's economy is immense. I salute the individuals behind family businesses who have

READ MORE ON B2

China's factory, services shake off lockdown pain

REUTERS, Beijing

China's factory and service sectors snapped three months of activity decline in June, business surveys showed on Thursday, as authorities lifted a strict Covid lockdown in Shanghai, reviving output and consumer spending.

The official manufacturing purchasing managers' index (PMI) rose to 50.2 in June from 49.6 in May, the National Bureau of Statistics (NBS) said.

That slightly missed the forecast for 50.5 in a Reuters poll but rose above the 50-point mark that separates contraction from growth for the first time since February.

While activity has sped up since various Covid lockdowns imposed since March have been rolled back, headwinds persist, including a still subdued property market, soft consumer spending and fear of any recurring waves of infections.

"Today's NBS numbers were encouraging to see, even if manufacturing slightly underwhelmed and expectations were for an improvement given the easing of lockdown restrictions," said Matt Simpson, senior market analyst at City Index.

Investors cheered the signs of economic recovery with China's major stock indices rallying more than 1 per cent and set for their biggest monthly rise in nearly two years.

A sub-index for production stood at 52.8, the highest since March 2021, while new orders also returned to expansionary territory for the first time in four months, although growth remained weak.



Employees of Chinese heavy equipment manufacturing company Sany work on a machine production line at a factory in Beijing. China's factory and service sectors showed signs of recovery as authorities lifted a strict Covid lockdown, reviving output and consumer spending.

PHOTO: AFP/FILE

IMF tells Sri Lanka to fight graft, raise taxes

AFP, Colombo

Sri Lanka should stamp out corruption and substantially raise taxes to rescue its economy, the International Monetary Fund said Thursday after bailout talks with the bankrupt island nation.

Representatives from the global lender of last resort have just concluded a 10-day visit to the capital Colombo to map out a resolution to the South Asian country's unprecedented economic crisis.

Their meetings follow months of lengthy blackouts and days-long queues for petrol as a financial crunch leaves Sri Lanka without the funds to meet its energy needs.

But the IMF said more work was needed to set the nation's finances right and repair its runaway fiscal deficit before a deal could be struck on a funding arrangement to address its balance of payments crisis.