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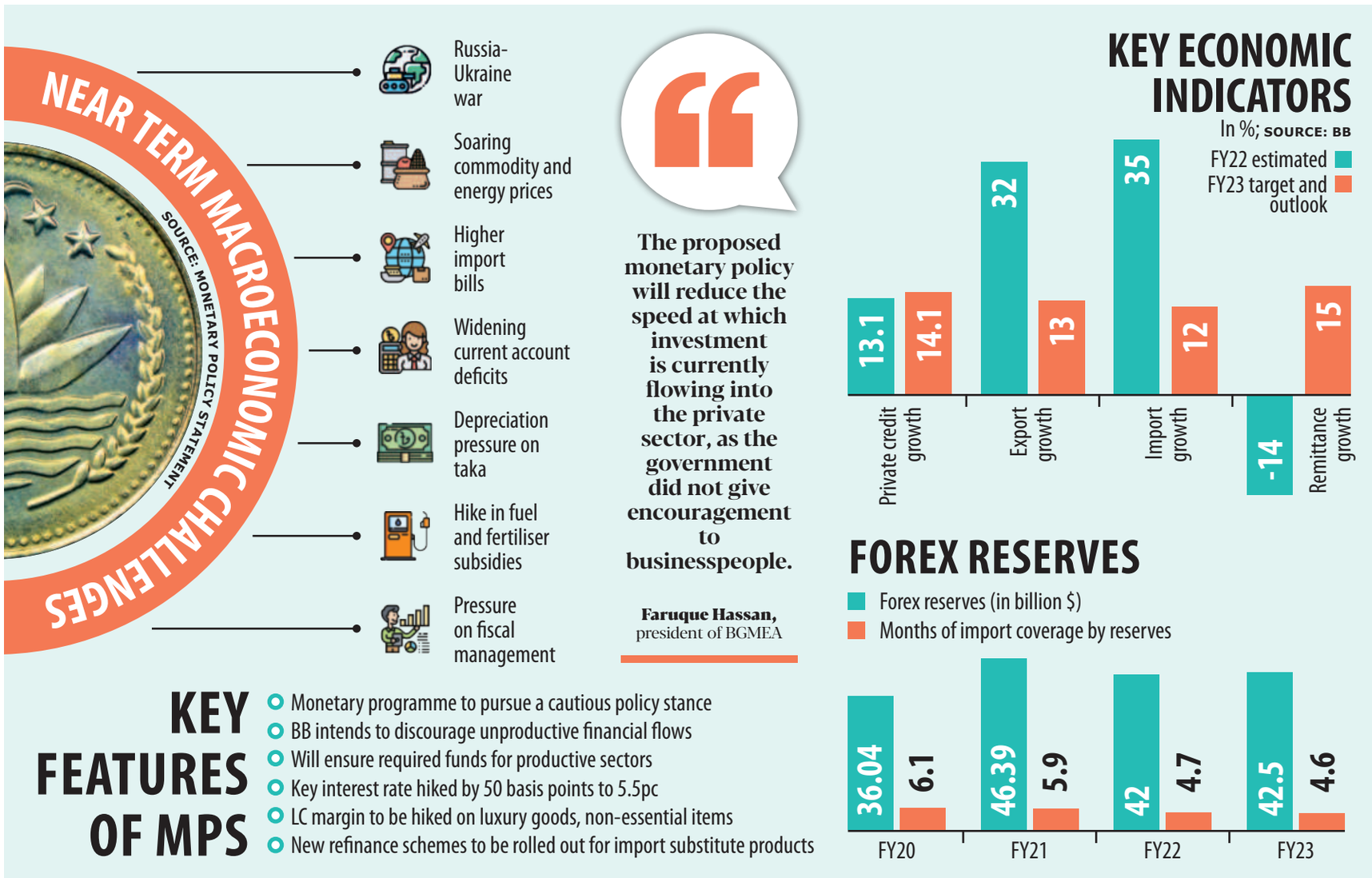

FOREX MARKET

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

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Businesses frown at monetary policy

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 employment 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 will not come about to create employment."

In case of the import of luxury items, the government can even impose a ban for at least six months to save the greenbacks, Babu added.

For instance, the government should count the number of cars waiting to be released at the ports.

"If there are enough cars to serve the local markets for the next six months or one year, the government should not allow the import of cars, especially the luxury ones, for that time period."

Md Saiful Islam, president of the Metropolitan Chamber of Commerce and Industry, echoed Babu.

He said the government should put in all kinds of efforts so that exports continue to grow in these trying times for the stability of the macro-economy.

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 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 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 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, he said.

"We think the definition of luxury goods need to be

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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

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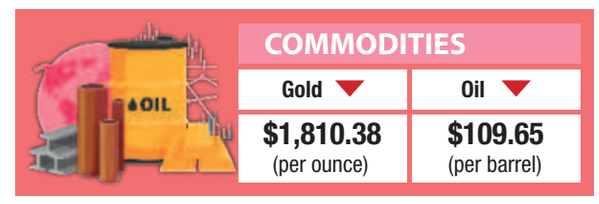

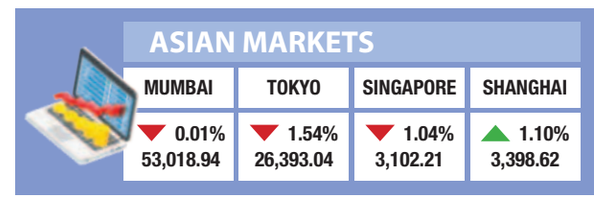

Tk 678,064cr budget passed

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.

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

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, flood dim cattle sales prospects

SOHEL PARVEZ

Bangladesh has enough cattle to meet demand during the coming Eid-ul-Azha but buyers are likely to face higher prices to buy the animals for slaughter in order to perform their religious duties marking the day.

Farmers said soaring prices of feed has their increased cattle rearing cost and they have no scope but to ask for higher prices, though there are concerns that spiralling living costs for inflation and recurrent floods in the northeast and northwest regions will dampen sales. Inflation hit an 8-year high of 7.42 per cent in May.

"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 the Covid-19 induced economic fallout.

For the current year, Bangladesh has 1.21 crore animals, including bulls and goats, available for Eid-ul-Azha and farmers, traders and the Department of

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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