



With just two days to go before animals are sacrificed marking Eid-ul-Azha, seasonal traders have set up shops by the roads to do brisk business selling cattle feed and materials used in meat processing, such as blocks of wood and palm leaf mats. The photo was taken near Mohammadpur Townhall Market in Dhaka yesterday.

PHOTO: PRABIR DAS

More austerity needed to rein in inflation

Speakers say at ICAB discussion

STAR BUSINESS REPORT

The government should adopt more austerity measures to rein in inflation and keep the macroeconomy stable since the global economic crisis derived from the Russia-Ukraine war and supply chain woes will not be resolved anytime soon, speakers said yesterday.

They also suggested both the government and the Bangladesh Bank take initiatives to cut import payments to avert the balance of payments crisis.

The Institute of Chartered Accountants of Bangladesh (ICAB) organised the discussion on the monetary policy for the current fiscal year and existing economic issues at its office in the capital.

Selim Raihan, executive director of the South Asian Network on Economic Modeling, said the government was providing subsidies on petroleum products in order to give a respite to the

common people.

“But the subsidy is coming from the pockets of the ordinary people, so the government should take more austerity measures.”

This is because the ongoing global crisis derived from the war and the coronavirus pandemic will not end anytime soon, he said.

“So, the government should take effective measures to tackle instability.”

According to the economist, some borrowers are facing challenges in securing loans from banks due to the 9 per cent lending interest rate cap, whereas the influential ones can access credits easily.

Raihan recommended the central bank address the default loan issue in the banking system to bring down the interest rate on loans.

Prof M Shamsul Alam, state minister for planning, said that the country was going through a challenging time owing to the instability in the global market.

“Inflation has gone up because of higher import payments, but there is no need to panic.”

He stated that the central bank had already taken various measures, including imposing a 100 per cent margin on the import of non-essential and luxurious items, to curb imports.

“These initiatives would reduce imports.”

The state minister claimed that banks used to set interest rates through meeting among themselves but this contradicted the free market economy.

“So, the government has imposed the cap to protect the interest of the commoners.”

Md Shahadat Hossain, president of the ICAB, said the hiking of the central bank’s policy rate by 50 basis points to 5.50 per cent in the monetary policy would have an adverse impact on the credit flow to the private sector.

“Both production and employment generation may face an impediment,” he

said, adding that the standard of living will be under stress owing to higher inflation.

NKA Mobin, a vice-president of the association, said that although the central bank’s monetary policy had emphasised ensuring economic development, it had set a lower private sector credit growth.

The private sector credit growth goal has been set at 14.1 per cent for the current fiscal year in contrast to 14.8 per cent the year before.

“The lower target of the credit growth will create an additional pressure on the banking sector,” Mobin said.

Muhammad Abdul Mazid, a former chairman of the National Board of Revenue, Ferdous Ara Begum, chief executive officer of the Business Initiative Leading Development, Mahmuda Akter, executive president of the Bangladesh Institute of Capital Market, and Fouzia Haque, another vice-president of the ICAB, also spoke.

Govt approves \$1.3b investments in economic zones

STAR BUSINESS REPORT

The government yesterday gave the nod to private sector investments of \$1.3 billion in the country’s economic zones.

Bangladesh Economic Zone Authority (Beza) in a press release said 28 investment proposals, which would create around 36,000 jobs, were approved by the Prime Minister’s Office.

The government allotted 363.5 acres of land in favour of the investee companies.

Of the investment plans, 15 were on Bangabandhu Sheikh Mujib Shilpa Nagar.

Of the 15, Walton Hi-tech Industries will invest in electrical and electronic, home and electrical appliances, and automobiles.

Abdul Monem Economic Zone will invest in a manufacturing plant for building materials and construction items while Indian company RHPL Health will pour funds into a detergent and personal hygiene products factory.

The Bangladesh Garments Accessories & Packaging Manufacturers & Exporters Association, Kiam Metal Industries, Healthcare Pharmaceuticals, Fakir Knitwears, and Israq Spinning Mills will also invest in the economic zone.

“Kiam planned to invest around Tk 423 crore but it will be much higher now due to a rise in the import cost of machineries for an increase in the price of dollars,” said Md Mizber Rahman, managing director of Kiam Metal Industries.

“We are going to manufacture glassware along with cookware,” he said, reasoning that 80 per cent of the local demand of glassware was at present met by imports.

West’s inflation to impact exports of Bangladesh: ICCB

STAR BUSINESS REPORT

Developed nations are having to take tough steps to control record levels of inflation, which is a concern for Bangladesh as it will dampen exports demand to these countries, according to the International Chamber of Commerce-Bangladesh (ICCB).

In an editorial released yesterday, the ICCB said Bangladesh is already facing adverse effects of the Russia-Ukraine war, which has caused a reducing in exports to these nations as well as a rise in import bills, mainly for oil and food.

Besides, domestic inflation recently reached 7 per cent, which is the highest in a decades.

“Countries are preparing for the worst depending on their immediate and long-term concerns. For the West, it is pre-eminently a security concern and they are gearing up accordingly,” the ICCB said.

“But for the rest of the world, the humanitarian sufferings and economic concerns come first as the war has disrupted the entire supply chain, making production, business and life unpredictable,” it added.

Rawhide traders upbeat

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skins and hides from seasonal traders who collect those from individuals.

Khan said rawhide merchants have been demanding clearing all arrears of 2015 and 2016. This year tanners could not clear arrears of those two years due to low sale of their previous stocks of tanned hides, he said.

The dues accumulating in those two years marked the beginning of a downturn in the rawhide business as rawhide merchants at that time could not buy as much hides and skins from seasonal traders as they would have liked.

The slump in business has continued till date.

Khan also said prior to the payments made this year, the arrears of 2015 and 2016 amounted to Tk 110 crore. Now less than Tk 100 crore was due as tanners have already made some payments, he said.

It is expected that tanners will gradually clear all arrears so that rawhide merchants can properly maintain their business, said Khan.

The Ministry of Fisheries and Livestock estimates that some 1.2 crore animals could end up being sacrificed this year, two lakh more from that last year.

Khan recommended proper application of salt at the collection stage, saying it would help preserve rawhides for at least two months.

The commerce ministry also suggested the same and to sell the skins when

prices go up in the markets.

The government has directed not to bring any rawhide from around the country to Dhaka and Savar Tannery Industrial Estate (STIE) for one week from Eid day.

It has also allowed 14 companies to export 60 lakh square feet of rawhide this year. The export had been banned for some 30 years or so.

Shahin Ahmed, president of Bangladesh Tanners Association, is also hopeful of securing good business this year as the rawhide merchants have already been paid. “Our preparation is also good so far,” he said.

Tanners could avail Tk 170 crore from four banks this year against their demand for Tk 600 crore, he said.

He also complained that the STIE was yet to be fully functional even though a huge amount of money and time had been spent behind it.

The STIE has no chrome recovery and solid waste management facilities, for which tanners fail to meet international regulations and to secure better prices from international retailers and brands, he said.

Furthermore, the local environment is also being damaged, he said.

Local tanners have to sell tanned hides and skins at a price 40 per cent below the international rate for this non-compliance and for not having a much-needed Labour Working Group certification.

The central effluent treatment plant (CETP) of the STIE has a capacity to

treat 25,000 cubic metres of wastewater per day. But during Eid-ul-Azha, 42,000-45,000 cubic metres ends up being generated each day.

To cope with the additional pressure during Eid, the estate authorities have divided the 134 tanneries that are up and running into groups and allotted them time slots for discharging wastewater.

“We have initiated a system so that the capacity of the CETP can be properly used,” said Mustak Ahmed, managing director of the STIE and a deputy secretary to the industries ministry.

Forex reserves

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Syed Mahbubur Rahman, managing director of Mutual Trust Bank, said that remittances would face sluggishness after Eid. Remittances contracted in 2021-22, the first time in six years, as many remitters opted for the informal channels to send their money. The inflow stood at \$21.03 billion.

The central bank is now injecting US dollars on a regular basis into the money market, helping banks settle import bills.

It supplied a record \$7.62 billion in the last fiscal year of 2021-22 and \$209 million in the current fiscal year.

Still, the BB has failed to stop the depreciation of the exchange rate of the local currency. The taka traded at Tk 93.45 to a dollar yesterday compared to Tk 84.80 a year ago.

Call money rate

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Syed Mahbubur Rahman, managing director of Mutual Trust Bank, says the banking sector has been facing liquidity stress for several months.

“A spike in fund withdrawal ahead of Eid has tightened the liquidity situation.”

Although the withdrawal of cash from banks will return to normalcy after the Eid festival, the liquidity strain would not ease anytime soon, Rahman said.

Another managing director of a private commercial bank, on the condition of anonymity, says the call money rate has gone up because of the increase in the benchmark lending rate of the central bank.

The BB raised the policy rate, or repurchase agreement (repo) rate, by 50 basis points to 5.50 per cent on June 30 as part of its effort to implement a contractionary monetary policy to contain inflation. The move had made borrowing costlier for lenders.

The chief executive said that the central bank has hardly injected any fund in the form of repo support into cash-strapped banks in recent days, intensifying the liquidity crunch.

“Some banks have hoarded excess dollars to cash in on the greenback shortage in Bangladesh. Now, the central bank’s move will force them to sell their dollars to tackle cash shortage.”

Apparel exports to US log 51pc rise

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Apparel shipment to non-traditional markets grew by 25.4 per cent to \$6.37 billion in the just concluded fiscal year.

All countries other than the USA, the UK, the EU and Canada are non-traditional markets for Bangladesh.

Among the non-traditional markets, shipment to Japan only has crossed the \$1-billion mark, hitting \$1.09 billion.

Apparel shipments to Australia stood at \$812.24 million, India \$715.41 million, Russia \$583.78 million and China \$222.33 million.

Bangladesh’s garment export to the USA may cross \$10 billion at the end of 2023 fiscal year as shipment to American markets is still good despite the region is in the risk of being hit by inflation in near future, said Faruque Hassan, president of Bangladesh Garment Manufacturers and Exporters Association.

The EU markets are also showing very positive signs and it is expected that the earnings from the EU will see a double-digit growth at the end of the current fiscal year, he also said.



Ziaul Hasan Siddiqui, chairman of the board of directors of Sonali Bank, presided over its 15th annual general meeting at its head office yesterday. The meeting approved financial statements, balance sheets, profit and loss accounts and directors’ and auditors’ reports for 2021. Abdullah Harun Pasha, additional secretary to Financial Institutions Division, Md Ataur Rahman Prodhon, CEO and managing director, and directors were present.

PHOTO: SONALI BANK

Austerity steps okay

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The economist suggested mobilising concessional foreign loans in the form of budgetary support.

“For this, it will have to carry out structural reforms. An injection of foreign funds will help stabilise the exchange rate and contain inflation.”

The government has already begun the process to secure foreign finances.

“We have got the opportunity to receive \$8 billion. But the government is primarily considering to take up \$4 billion to \$4.5 billion,” said a finance ministry official.

An IMF mission is scheduled to visit Dhaka this month.

The government is also likely to get \$500 million this year from the World Bank and \$1 billion from the Asian Development Bank and other multilateral agencies.

State Minister for Planning Shamsul Alam agreed that the devaluation

of the taka is an incentive to exporters and remitters. But the economic decision cannot be taken instantly since one is connected to the other.

“The issue of withdrawing incentives for remittances and exporters is under consideration. We may reconsider it if the taka weakens further,” he said.

Prof Mustafizur Rahman, a distinguished fellow of the Centre for Policy Dialogue, said revenue collection can be increased through proper management and governance.

“There are a lot of anomalies. The loopholes should be identified and plugged in. This is the time to show zero-tolerance.”

At the same time, it is possible to reduce costs by eliminating wastages, leakages and corruption and ensuring timely implementation of development projects, he added. The CPD earlier estimated that public

expenditures increased by Tk 30,000 crore just because of the revision of development projects.

Selim Raihan, a professor of the economics department at the University of Dhaka, thinks it appears that there had not been preparation related to overall energy policy on the government’s part to face this sort of situation.

“Steps should have been taken to explore energy and mineral resources.”

Prof Raihan said the increased import costs of energy will widen the subsidy pressure.

“Import growth has been unprecedented and it has to be managed.”

Between July and May, imports went up by 39 per cent to \$75.4 billion.

“There are many projects having unnecessary and inflated expenditures. These have to be cut,” said Prof Raihan.

“The next six months will be crucial in economic management.”