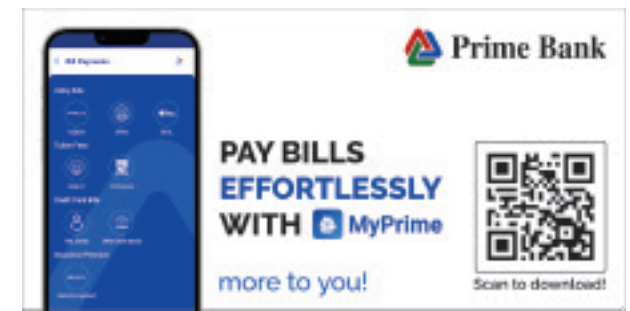


Star BUSINESS



FY22 closed with record \$18.7b current account deficit

SOHEL PARVEZ

Bangladesh closed its financial year 2021-22 with an \$18.7 billion current account deficit, the highest on record, as export earnings failed to narrow the gap with skyrocketing imports, Bangladesh Bank data released yesterday showed.

The nation paid \$82.49 billion for imports while it earned \$49.2 billion by shipping goods abroad, causing the trade gap to rise to \$33.2 billion last fiscal year, which, along with a downturn in remittances, has created intense pressure on the forex market and resulted in a steep rise in cost of the US dollar.

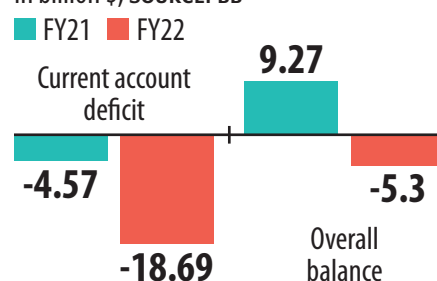
"It is unprecedented," said Selim Raihan, a professor of economics at the University of Dhaka.

The widening gap has fanned worries regarding the overall stability of the economy, which has done better than its Asian peers even during the worst days of the coronavirus pandemic, prompting the government to go for austerity measures, allow depreciation of the taka, and tighten rules to curb the import of luxury and non-essential goods.

Prof Raihan said the widening current account deficit was a short term yet strong shock for the economy.

BALANCE OF PAYMENTS

In billion \$; SOURCE: BB



"The good thing is that the steps taken by the policymakers were timely and the impact of the measures has started to become visible."

Imports, which surged more than 40 per cent in the initial months of FY22 amid rising commodity prices, supply chain disruptions and the war in Ukraine, went up 36 per cent at the end of the fiscal year, thanks to the tightening of the rules since May and the currency depreciation that has made imported goods costlier.

The depreciation of the taka might give a boost to export and remittance.

Opening of the letters of credit for imports dropped below \$5.5 billion in July from more than \$7.9 billion in June, said Md Serajul Islam, a spokesperson of the central bank.

Mustafizur Rahman, a distinguished fellow of the Centre for Policy Dialogue, said the demand for dollars may decrease if remittance and exports grow and import falls.

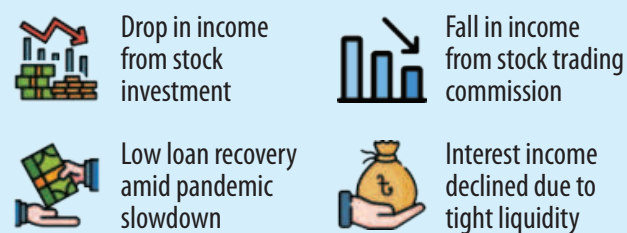
This may reduce the gap between the actual rate of the greenback in the foreign exchange market and the inter-bank rate, he said.

"Uncertainty will remain," he said, citing slowing orders for exports.

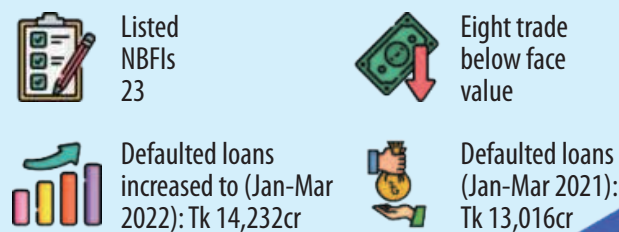
Atiur Rahman, a former governor of the BB, said overall imports might decline during the current quarter of 2022-23.

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REASONS BEHIND PROFIT FALL



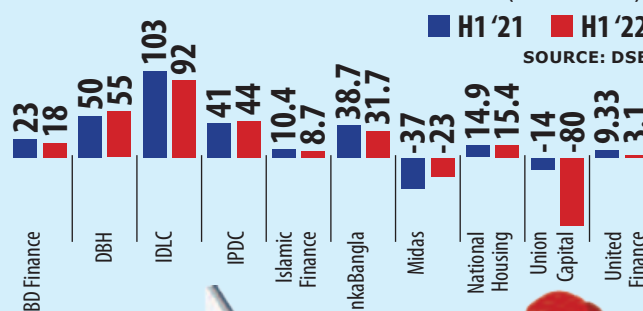
MARKET SCENARIO



Whereas companies logged a handsome profit in 2021, they either incurred losses or posted lower income this year due to the downward trend in stocks

MOMINUL ISLAM
Chairman of Bangladesh Leasing and Finance Companies Association

Profits of listed NBFIs (In crore taka)



AILING STOCK MARKET pulls down NBFIs' profit

AHSAN HABIB

Most of the non-bank financial institutions in Bangladesh delivered lower profits in the first half of 2022 due to the shrinkage of income from the ailing stock market.

Of the 23 NBFIs listed on the Dhaka Stock Exchange, 10 have published their financial reports for the six-month period and eleven have not made their earnings data public for several quarters since their health is in a precarious situation.

Among the 10, five companies reported lower profits in January-June and two suffered higher losses.

The earnings for the rest three went up slightly.

"The main reason for the profit erosion is lower income from the share market investment," said Mominul Islam, chairman of the Bangladesh Leasing and Finance Companies Association, a platform of NBFIs.

"Whereas companies logged a handsome profit in 2021, they either incurred losses or posted lower income this year due to the downward trend in the stock market."

The DSEX, the benchmark index of the premier bourse in Bangladesh, tumbled 6.96 per cent in the first half of this year, data from the DSE showed. The index had surged 9.46 per cent during the same period last year.

Turnover, another important indicator of the market, was also lower this year, hurting the incomes from

commissions and brokerage incomes of NBFIs, said Islam, also the managing director of IPDC Finance.

Profits of IPDC Finance rose 7 per cent year-on-year to Tk 44 crore in January-June. DBH and National Housing witnessed profits of Tk 55 crore and Tk 15.4 crore respectively.

On the other hand, the profits of United Finance fell 66.7 per cent to Tk 3.1 crore.



Islamic Finance and Investment logged 16 per cent lower profits of Tk 8.7 crore and LankaBangla Finance took home Tk 31.7 crore, a decrease of 18 per cent, financial reports showed.

The profits of BD Finance went down by 23 per cent to Tk 18 crore while IDLC's profits declined 10.6 per cent to Tk 92 crore.

The main business of the NBFIs was also hit due to the narrowing of the gap between the interest rate on deposits and the lending rate, Islam said.

"The liquidity in the financial sector tightened in 2022 compared to the previous year."

The central bank maintained a

moratorium facility throughout 2020 to help borrowers keep their head above the water amid lockdowns related to the coronavirus pandemic.

Under the facility, borrowers were allowed to avoid slipping into the default zone even if they failed to repay loans. The relaxed policy continued last year as well.

The facility kept non-performing loans of NBFIs at a reduced level, allowing them to set aside a lower amount for provisioning.

Since the payment holiday was lifted, bad loans are rising again in the NBFI sector.

The default loans of NBFIs surged by Tk 1,216 crore, or 9.34 per cent, to Tk 14,232 crore in the January-March quarter of 2022 compared to a quarter ago, Bangladesh Bank data showed. Default loans were up 37.45 per cent year-on-year.

At the end of March, bad loans amounted to 20.63 per cent of the total credits disbursed by institutions.

"Profits for most NBFIs shrank mainly due to the impact of the pandemic and the fall in income from the stock market," said M. Jamal Uddin, managing director of IDLC Finance.

"The stock market maintained a downward trend in the first half of 2022, so the income from the capital market investment was lower. Besides, leasing companies had to keep provision on the unrealised loss of the investments. So, profits fell."

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Revenue collection crosses Tk 3 lakh crore for first time

REJAUL KARIM BYRON and DWAIPAYAN BARUA

Revenue collection grew 15.51 per cent year-on-year to Tk 300,179 crore in the just-concluded fiscal year of 2021-22, according to the provisional data of the National Board of Revenue (NBR).

This is for the first time the NBR's revenue collection crossed the Tk 3 lakh crore mark.

Revenue collection underwent a drastic fall in FY20, the first-ever negative growth in the country's history, against the backdrop of the pandemic, which put the economy in a state of induced coma for essentially a quarter.

The tax receipts, however, rose 20 per cent year-on-year in fiscal year 2020-21. As the base year went into the negative zone, it caused a jump in growth in FY21.

A finance ministry official said the 15.51 per cent growth in the just concluded fiscal year amidst the pandemic and Russia-Ukraine was satisfactory.

He said though they have been targeting to cross Tk 3 lakh crore mark in revenue collection for the last couple of years, this was for the first time they were able to achieve it.

A finance ministry official said the 15.51 per cent growth last fiscal year amidst the pandemic and Russia-Ukraine was satisfactory

It indicates that the country's economy is on the path of recovery from the pandemic-induced losses, he opined.

In FY22, income tax collection grew the highest 20.08 per cent to Tk 1,02,337 crore, up from Tk 85,224 crore in FY21, according to the NBR's provisional data.

The highest growth in terms of income tax indicates a recovery of the domestic economy, said the ministry official, adding that the government was laying emphasis on enhancing the coverage of the income tax net.

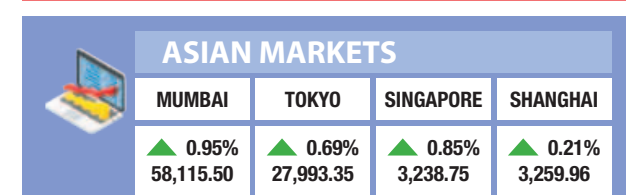
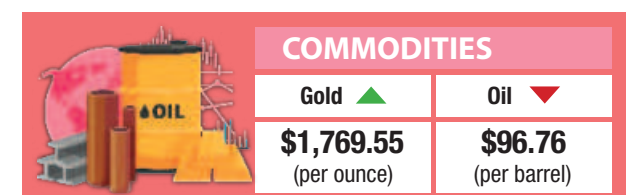
However, receipts of VAT did not see much of a growth, which contradicts the official's remarks on the revival of the domestic economy.

The collection of VAT, the biggest source of revenue for the government, was up by only 11.19 per cent to Tk 1,08,418 crore, against Tk 97,507 crore in the previous year.

Receipts from customs tariff at the import and export stages shot up 15.91 per cent year-on-year to Tk 89,423 crore in FY22, compared to Tk 77,150 crore in the previous FY21.

Such a rise might have been caused by a hike

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BB sets interest rate ceiling on NRBs' forex deposits

STAR BUSINESS REPORT

The central bank yesterday set the interest rate ceiling on the non-resident foreign currency deposits in order to mobilise funds from Bangladeshis living abroad and individuals of Bangladeshi origin.

In a notice, the Bangladesh Bank said the interest rate cap would be the benchmark reference rate plus 2.25 per cent for the deposits with a tenure of one year to three years. A benchmark reference rate is an interest rate that determines other interest rates and varies from currency to currency.

The ceiling will be the benchmark reference rate plus 3.25 per cent for the deposits with the tenure ranging from three years to five years, said the BB.

On July 17, the BB withdrew the interest rate ceiling on non-resident foreign currency deposits to increase the supply of the dollar and arrest the ongoing volatility in the foreign exchange market.

Until then, banks set the interest rate in line with the euro currency deposit rates followed by the lenders in the eurozone and offered interest rates ranging from 0.25 per cent to 0.80 per cent to depositors. But savers were not encouraged to keep funds at banks for low interest rate.

"The interest rate ceiling is aimed at attracting foreign currency deposits from NRBs," said a central banker.



A farmer transports water hyacinths for his cattle amidst a dearth of grass as vast tracts of land in Sylhet remain inundated following recent floods. The photo was taken from the Ilashpur bridge on the Sylhet-Fenchuganj road recently.

PHOTO: SHEIKH NASIR

BSEC urges listed firms to raise stock investment

STAR BUSINESS REPORT

The stock market regulator yesterday urged the Bangladesh Association of Publicly Listed Companies (BAPLC) to increase their investment in the market.

The call came at a meeting between the Bangladesh Securities and Exchange Commission (BSEC) and the association at the office of the regulator in Dhaka.

The BAPLC is the only organisation in Bangladesh that represents the publicly listed companies in the country.

BAPLC President M Anis Ud Dowla led the association at the meeting, which was presided over by BSEC Commissioner Shaikh Shamsuddin Ahmed.

At the meeting, sponsors and directors of the companies were asked to buy shares through

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