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RISE IN REMITTANCE, DIP IN IMPORTS

Some breathing space for now

AKM ZAMIR UDDIN

The country's economy has got a welcome respite from the ongoing volatility, thanks to a rise in remittance inflow and decrease in imports last month.

Imports in July fell by 31 percent to $5.50 billion from $7.96 billion a month ago while remittance went up by 14 percent to $2.09 billion from $1.83 billion, shows Bangladesh Bank data.

Economists say the volatility in the financial sector may ease within the next few months as import payments are likely to decline further with the prices of some commodities falling in the global market.

There is, however, no room for complacency as the global economy is yet to get into a better shape. The government and the central bank should continue to monitor the foreign currency market, they said.

Talking to The Daily Star, Md Serajul Islam, spokesperson for the BB, said rising remittance and falling imports will help shore up the foreign exchange reserves.

The central bankrecently took a set of measures to reduce import payments, and the move is paying off, he said.

Banks were asked to take up to 100 percent advance payments from businesses for opening letters of credit (LCs) to import luxury and non-essential items.

Moreover, the BB also instructed banks to provide it with information on LCs worth above $3 million, a measure that helped squeeze import payments.

The directives came as the country's import payments kept rising for several months since the end of last year.

The import payments stood at $82.49 billion in FY22, up 36 percent in FY 21, while remittance fell 15 percent to $21.03 billion in FY22.

Salehuddin Ahmed, a former BB governor, said that rising remittance and decreasing imports would help protect the foreign exchange reserves, but the BB should keep monitoring the forex market.

The country's forex reserves stood at $39.48 billion on July 28 this year, compared to $46.15 billion on December 30 last year.

"We do not know what will happen in the global economy in the days to come. We should consider the latest development as a short-term phenomenon," Salehuddin said.

The BB should take more steps to reduce money supply to the market to tackle both inflation and imports, he noted.

He also hoped that export earnings might increase in the coming days.

Export earnings stood at $49.26 billion in FY22, up 33.45 percent year-on-year.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, said that falling prices of some commodities in the international market would help Bangladesh manage its volatility in the financial sector.

For instance, wheat price in the global market was $459 per tonne in June compared to $522 in May, while Soybean oil price dropped to $1,752 from $1,963 a tonne, according to World Bank data.

He, however, said import payments are unlikely to fall substantially as the current price of petroleum may remain high.

Though Europe and North America may face recession due to the ongoing Russia-Ukraine war, the Chinese economy is rebounding from the slowdown triggered by the Covid pandemic, he pointed out.

Against this backdrop, the demand for oil may rise in the Asian market, he said.

Ahsan suggested that the central bank reduce its supply of dollars to banks to protect its reserves from further depletion.

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FOREX RESERVES
$39.48b
on July 27

IMPORTS in July
$5.5b

IMPORTS in June
$7.96b

REMITTANCE in July
$2.09b

REMITTANCE in June
$1.83b

"Rising remittances and decreasing imports will give a shield to the country's foreign exchange reserves but the central bank and the government should continue its monitoring to keep the economy stable."

Salehuddin Ahmed
A former governor of Bangladesh

EXPERTS SAY
- Import may decrease further in coming months
- Remittance may increase more
- Commodity prices in global market continue to decline
- Price of petroleum may not go down anytime soon
- Inflationary pressure may continue

RECOMMENDATIONS
- BB needs to adopt floating exchange rate
- It should inject less greenbacks into market
- Interest rate cap on loans needs to be withdrawn
- Steps should be taken for reducing domestic demand

INCREASE IN FERTILISER PRICE

Farmers braced for a hard time

PINAKI ROY

The government has raised the price of urea fertiliser for the first time in 11 years, burdening the farmers with an increased production cost.

The new hike of Tk 6 per kilogramme took effect yesterday, and farmers now have to pay Tk 22 for per kg fertiliser.

The last time the government increased the price of the fertiliser was in June 2011, when it was raised to Tk 20 from Tk 12 per kg. Two years later, the government reduced the price to Tk 16 per kg.

Experts said the recent hike will increase the production cost of paddy by up to Tk 600 to Tk 700 per acre, which will ultimately push up food prices amid already spiralling prices of essentials.

They said that though the price increase is not much, it will have a negative impact on farmers as it will reduce their profits and discourage them from cultivating more rice.

The government provides subsidy for fertilisers as part of its efforts to achieve food security.

M Asaduzzaman, former research director at Bangladesh Institute of Development Studies (BIDS), said the government might have taken the decision as per the prescription of the International Monetary Fund that always discourages subsidies.

"The decision has come when farmers are already apprehensive about reduced production due to less rainfall. Now the price increase of urea fertiliser will raise the production cost and ultimately increase the burden on the people," he said.

The government on July 24 sent a request to the IMF for a $4.5 billion loan.

Economist Binayak Sen said the government should have cut other subsidies rather than

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Bangladesh sees lowest July rain in 41 years

Growers of rain-fed crops suffering the most, rise in temperature adding to woes

MOHAMMAD AL-MASUM MOLLA

- Average rainfall in July over last 30 years – 496mm
- Rainfall this July – 211mm
- Average max temperature in July over last 30 years – 31.1°C
- Average max temperature this July – 33.7°C

While monsoon is supposed to be at its peak in July, the country witnessed less than half the average rainfall during the month this year.

According to Bangladesh Meteorological Department, the average rainfall this July was 211 millimetres – 57.6 percent lower than the average July rainfall over the last 30 years, and the lowest since 1981.

The average 30-year rainfall was 496mm.

In 2020, it was 553mm -- 11.3 percent higher than the average, while last year, it was 471mm -- 5.1 percent lower.

Low rainfall is affecting the country's rice production, as some varieties of the staple grain are heavily dependent on rain water.

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Workers sorting hilsa at Mahipur fish landing station in Patuakhali's Kalapara upazila on Sunday. Fishermen are happy with the good catch in the Bay of Bengal after the end of the 65-day ban on fishing on July 23 midnight. Wholesalers were selling the fish for Tk 24,000-Tk 45,000 per maund, depending on their sizes. *Bottom*, hilsa being loaded on to a truck at Notun Fishery Bazar in Chattogram city's Chaktai area yesterday.

PHOTO: STAR

VIOLENCE IN BHOLA

Police file cases against 600 unnamed

SUSHANTA GHOSH

At least 675 people have been accused in two cases filed over Bhola clashes that left one BNP activist dead and scores injured.

Of the 75 named accused, most are local leaders of the BNP.

The two cases, one for obstruction of police duty and the other for murder, were filed with Bhola Sadar Police Station yesterday morning.

The obstruction case has 75 named and 300 unidentified defendants and murder case has 300 unidentified defendants. Jasimuddin, a sub-inspector of Bhola Sadar police, is the complainant in both the cases.

According to police sources, almost all office-bearers of district BNP, including its president and secretary, stand accused in the case over obstruction of police duties.

At least seven people have been arrested so far in connection with the obstruction case.

Saiful Islam, superintendent of police in Bhola, said the two cases are related to each other. No one has filed a case with the police station on behalf

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