Star BUSINESS

BB questions 27 banks for exceeding forex limit in cards

STAR BUSINESS REPORT

Bangladesh Bank yesterday asked 27 banks to explain why they had allowed their credit card holders to spend dollars breaching a ceiling set by the foreign exchange rules.

Some 71 credit card holders of the banks spent between $12,500 and $20,000, ignoring the annual central bank limit of $12,000.

Md Serajul Islam, spokesperson of Bangladesh Bank, said the banks have been instructed to give a reply within five working days.

A BB official, on condition of anonymity, said the central bank had recently carried out inspections at several banks on their usage of dollars when the anomalies were discovered.

Some 71 credit card holders of the banks spent between $12,500 and $20,000, ignoring the annual central bank limit of $12,000

The development has come to the surface at a time when the country is facing a shortage of foreign exchange due to an escalation of import payments.

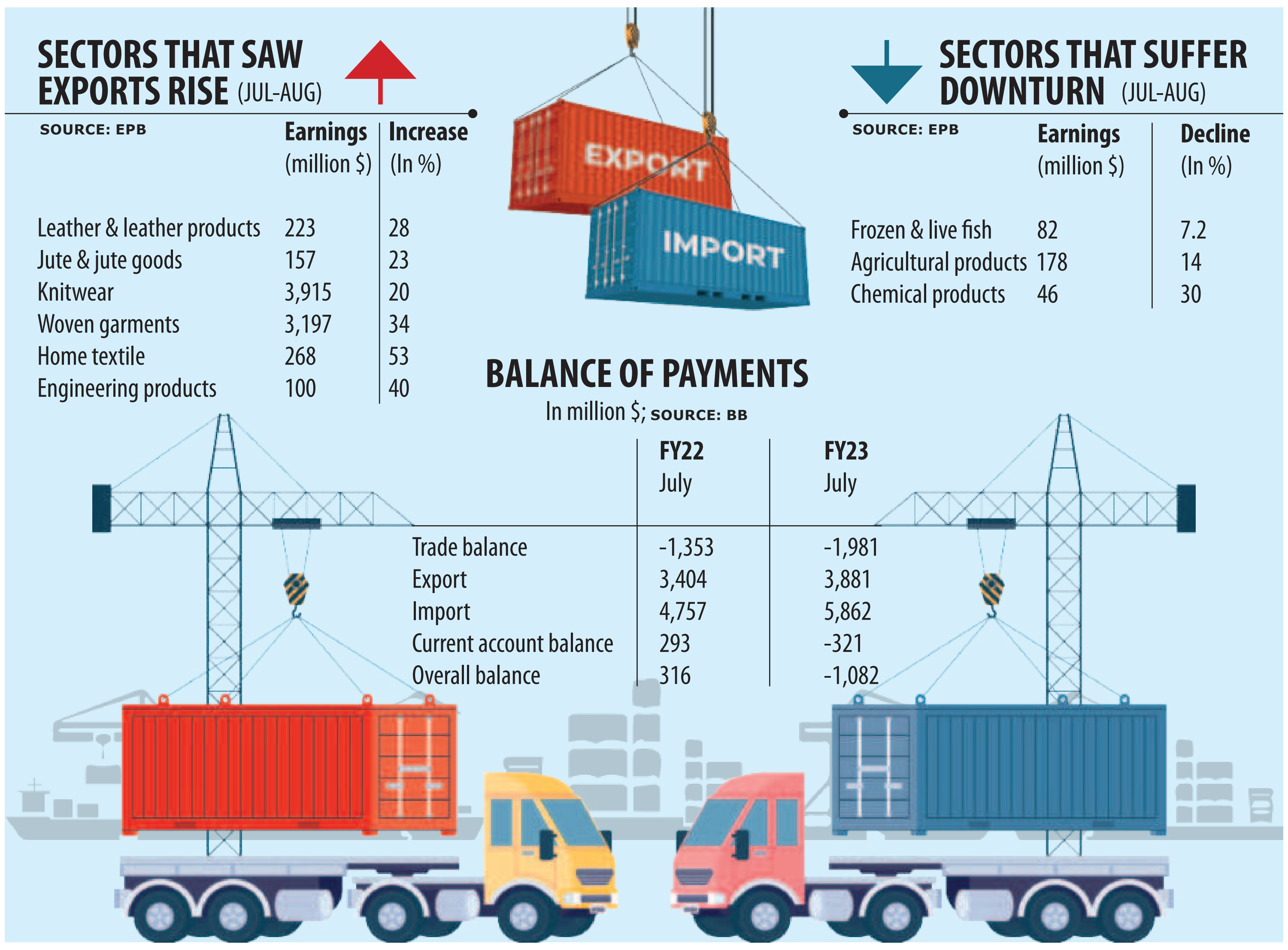
The BB has recently asked banks to impose a 100 per cent margin on opening letters of credit (LCs) for non-essential items, meaning that importers have to pay full import payments in advance.

In addition, the central bank has also asked banks to inform it 24 hours in advance before opening any LC of a minimum of $3 million so as to contain import payments.

Under such a situation, the breaches of the credit card limit will not fare well, said the BB official.

Earlier in April, the BB banned two officials of Sikder Group and 10 members of the Sikder family from using international credit cards for two years as they exceeded their limits taking loans from National Bank.

The lender gave them $10.58 million (about Tk 91 crore), breaching the credit card limit set by the central bank.



SECTORS THAT SAW EXPORTS RISE (JUL-AUG) — SOURCE: EPB

	Earnings (million $)	Increase (In %)
Leather & leather products	223	28
Jute & jute goods	157	23
Knitwear	3,915	20
Woven garments	3,197	34
Home textile	268	53
Engineering products	100	40

SECTORS THAT SUFFER DOWNTURN (JUL-AUG) — SOURCE: EPB

	Earnings (million $)	Decline (In %)
Frozen & live fish	82	7.2
Agricultural products	178	14
Chemical products	46	30

BALANCE OF PAYMENTS — In million $; SOURCE: BB

	FY22 July	FY23 July
Trade balance	-1,353	-1,981
Export	3,404	3,881
Import	4,757	5,862
Current account balance	293	-321
Overall balance	316	-1,082

July trade deficit far below FY22's monthly average

AKM ZAMIR UDDIN

Bangladesh's trade deficit widened by 46.4 per cent year-on-year to $1.98 billion in July, but it was far below than the monthly average recorded in the last fiscal year, an encouraging sign for the economy.

If the current trend continues in the coming months, the ongoing instability in the foreign exchange market may peter out and the taka's slide against the US dollar may come to a halt.

The trade deficit, which happens when import bills exceed export receipts, hit a historic high of $33.24 billion in the last fiscal year that ended in June, data from the Bangladesh Bank showed, meaning a monthly average deficit of nearly $3 billion.

The escalation of import bills, driven by higher costs of commodities amid pent-up demand, supply shocks and global energy crisis caused by the dragging pandemic and the Russia-Ukraine war, has created volatility in the external sector of Bangladesh.

Imports surged to $5.86 billion in July, up 23.2 per cent from a year prior. Exports grew 14 per cent to $3.9 billion and remittance flow rose 11.76 per cent to $2.09 billion.

A number of economists say it is tough to make a precise comment on the trend on the basis of a single month's data.

"The trend of the trade deficit, however, signals that it has started to narrow in contrast to the monthly trend seen in the last fiscal year," said Mustafizur Rahman, a distinguished fellow of the Centre for Policy Dialogue.

Both the Bangladesh Bank and the government have recently taken a number of measures to curb import payments, which hit a record high of $82.49 billion in FY22.

The BB has asked banks to impose a 100 per cent margin on the opening of letters of credit for non-essential items, meaning that importers have to make a full import payment in advance. The measure has already had a positive impact on import payments.

AB Mirza Azizul Islam, a former finance adviser to a caretaker government, terms the falling trend of the trade deficit as a welcoming development.

He, however, expressed concerns about the declining foreign exchange reserves.

The reserves stood at $39.08 billion on September 1 in contrast to $48 billion a year ago, BB data showed.

"The taka will weaken further against the greenback if the reserves keep depleting. Under such a situation, inflation will worsen," Islam said.

In July, inflation, a measure of changes in prices of a basket of commodities, fell to 7.48 per cent from a nine-year high of 7.56 per cent in June.

The forex reserves have been facing pressure for more than a year as the economy rebounds from the business slowdown caused by Covid-19, sending imports to an unprecedented level. The Ukraine war has intensified pressure on the reserves.

In July, the reserves stood at $39.60 billion, enough to settle import bills for 5.3 months. It was $45.82 billion in the same month a year ago that could help the country pay import bills for 6.7 months.

Monzur Hossain, a research director of the Bangladesh Institute of Development Studies, thinks stabilisation of the exchange rate is important to keep the financial sector stable.

Amid dollar shortages, the local currency has lost more than 11 per cent of its value against the US dollar on the inter-bank platform, where banks buy and sell American greenback among themselves.

Although the dollar trades at Tk 95 on the platform, importers

READ MORE ON B3

HC recasts Envoy Textiles' board for row among directors

STAR BUSINESS REPORT

The board of directors of export-oriented Envoy Textiles has been temporarily reconstituted until the disposal of a case filed by Abdus Salam Murshedy, former managing director and one of the founders of the company, along with some other directors, as per a High Court order issued last month.

Becoming a public limited company in 2012 on starting commercial operations in 2008, the thread, fabric and garment maker has a paid-up capital of Tk 167 crore and a reserve of Tk 354 crore.

It provided 5 per cent cash dividend in both 2021 and 2020. Its stocks dropped 1.32 per cent to Tk 45 yesterday.

The case was filed under the Companies Act, 1994 against the company and other directors challenging some amendments to an "Article of Association" of the company.

A group of the directors called NRC (Nomination and Remuneration Committee) meeting to change its managing director Murshedy when he filed a case to stop the process, said a person who is familiar with the issue but not authorised to talk to the media.

As the group has over 51 per cent shareholding they have the right to change Murshedy, he said.

READ MORE ON B3

Export buoyancy may not continue

REFAYET ULLAH MIRDHA

Bangladesh recorded robust export earnings riding on the main export earner knitwear and woven garments in the first two months of the current fiscal year.

But the upward momentum may not continue in the coming months as garment markets see a slowdown in orders amid high inflation in the major export destinations owing to the Russia-Ukraine war, fear exporters.

Export earnings amounted to $8.59 billion in the July-August period of the current fiscal year of 2022-23 and receipts from garments account for 83 per cent of the total, according to data released by Export Promotion Bureau (EPB).

Garment shipments grew 26 per cent year-on-year to $7 billion during the period.

Of the amount, $3.9 billion came from knitwear shipments, which grew by 20 per cent year-on-year.

Shipment of woven garment rose 34 per cent year-on-year to $3.19 billion, EPB data showed.

Mohammad Hatem, executive president of the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), said up until August factories had their hands full with work orders from international retailers and brands.

As a result, receipts from garment items were more than usual, he said.

Moreover, the international retailers and brands paid arrears to local suppliers in the last couple of months, he also said.

The booking of work orders from October to March next year has already slowed down because of high inflationary pressure in European markets and in the US, the two main export destinations for Bangladesh, he said.

The international retailers and brands are holding back work orders for different reasons, such as a price fall of cotton in international markets and clothing items remaining unsold in stocks.

READ MORE ON B3

If cash funds and e-money transfers to MFS agent points face disruption, the end users might face difficulties in receiving uninterrupted services, the Bangladesh Bank said.

PHOTO: STAR

Fund transfer among MFS distributors to become easy

STAR BUSINESS REPORT

Mobile financial service providers in Bangladesh would be able to launch an inter-distributor cash management system to facilitate e-money and cash funds transfer during weekends and public holidays.

The Bangladesh Bank yesterday issued a circular to this effect.

Distributors of MFS providers face difficulties in securing e-money from banks against the deposits of cash funds in bank accounts and withdrawing funds from bank accounts after making e-money refunds during weekends and public holidays.

If cash funds and e-money transfers to MFS agent points face disruption, the end users might face difficulties in receiving uninterrupted services, said the BB.

READ MORE ON B3

STOCKS

DSEX ▼	CASPI ▼
0.28%	0.38%
6,489.93	19,081.64

COMMODITIES (AS OF FRIDAY)

Gold ▲	Oil ▲
$1,712.5 (per ounce)	$87.26 (per barrel)

ASIAN MARKETS (FRIDAY CLOSINGS)

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.06%	▼ 0.03%	▼ 0.57%	▲ 0.04%
58,803.33	27,650.84	3,205.69	3,186.48