

Indian bank asks exporters to trade with Bangladesh in rupee, taka

REUTERS, New Delhi

Top lender State Bank of India has asked exporters to avoid settling deals with Bangladesh in the dollar and other major currencies as it looks to curb exposure to Dhaka's falling reserves, according to an internal document and a source.

Bangladesh's \$416-billion economy is battling rising prices of energy and food as the Russia-Ukraine conflict widens its current account deficit, and dwindling foreign exchange forces it to turn to global lenders such as the International Monetary Fund (IMF).

"The country is facing a shortage of foreign currency due to higher import bills and weaknesses of Bangladesh taka against dollar in recent times," the SBI said in an August 24 letter sent to its branches and seen by Reuters.

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Policy on cards for cross-border electronic transmissions

REFAAT ULLAH MIRDA

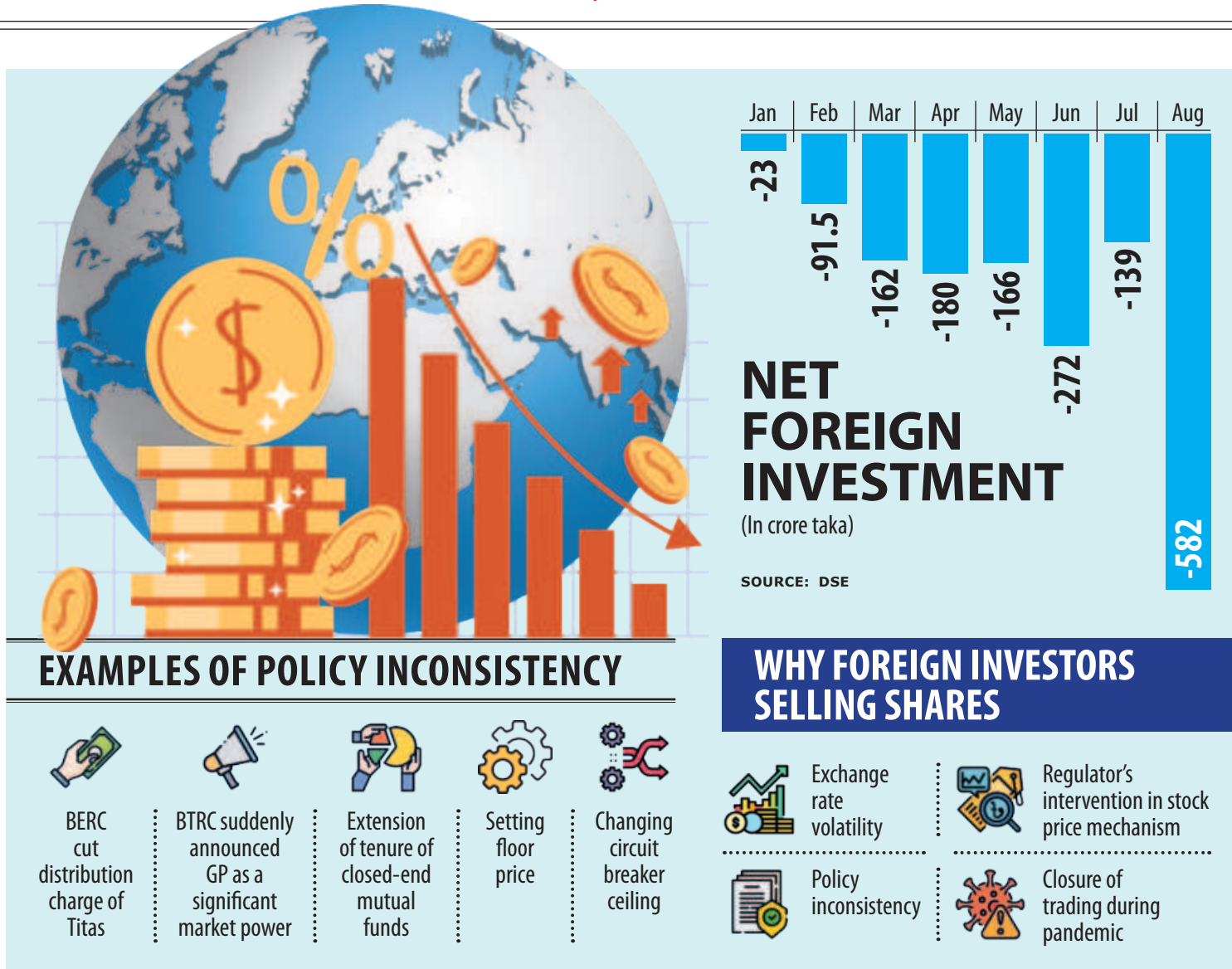
The government is going to formulate a policy on cross-border electronic transmissions in a bid to help guide the country's thriving e-commerce industry in this regard, according to a senior official of the commerce ministry.

Cross-border electronic transmissions refer to the transmission of information in electronic form, such as digital copies of books purchased online.

"The formulation of this policy is important as e-commerce transactions have been growing with consumers buying large quantities of products and services from both home and abroad," Hafizur Rahman, additional secretary to commerce ministry, told The Daily Star yesterday.

The ministry will hold a meeting with the stakeholders concerned tomorrow to formulate the cross-border electronic transmission policy that

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Foreign funds in stocks flying off amid forex worries

AHSAN HABIB

Foreign investors in Bangladesh's stock market are selling shares en masse as the local currency's depreciation against the US dollar coupled with various policy changes over the past few years has lowered their confidence in securing adequate returns.

Sell-offs by foreign investors reached a one-and-a-half year high in August after the Bangladesh Securities and Exchange Commission (BSEC) set a floor price on July 28 to end the freefall of major market indices amid global economic tension.

Foreign investors bought shares worth Tk 86 crore in August while their sales amounted to Tk 668 crore, according to data from Dhaka Stock Exchange (DSE).

As such, net foreign investment stood at Tk 582 crore in the negative that month.

The last time sell-offs by foreign investors had reached such a level was back in February 2021, when it totalled Tk 734 crore.

The DSE has not officially disclosed such data since 2019 due to a verbal order from the BSEC but The Daily Star was able to collect this information independently from a confidential source.

Following the massive sell-off last month, companies with good performance records, where most foreign investors park their funds, saw massive erosions in their share value.

"When apprehensions over the local currency's depreciation rise, foreign investors sell shares...their

profits could get eaten away by the devaluation," explained Shah Md Ahsan Habib, a professor of the Bangladesh Institute of Bank Management.

"So, foreign investors started offloading their shares when the exchange rate was at Tk 82 to Tk 85 per US dollar amidst fears that the taka will fall further," he added.

Habib went on to say that ensuring the exchange rate was market-driven and introducing more stocks with good performance records would help

attract foreign investors. Mohammed Rahmat Pasha, managing director of UCB Capital, said foreign investors want a clear picture of where the currency was going.

If the value goes up by 10 per cent, they can make a profit of that same percentage by simply

for blue chip stocks, as it makes their risk management difficult.

Foreign investors bought shares worth Tk 57 crore while selling shares worth around Tk 197 crore in July, when net foreign investment was around Tk 139 crore in the negative, shows the DSE data.

A top official of another brokerage house that deals with foreign trade echoed Pasha, saying that foreign investors do not want to take risks amid foreign exchange instability because it poses the risk of erosion of their funds even if the value of the shares rise.

For instance, if foreign investors had made a profit of Tk 80 on their shares in 2019, they would have got \$1. Now, investors will have to make profit of Tk 95 to earn the same dollar as the local currency has depreciated.

This trend involving the sale of shares by foreign investors is not new though, according to a merchant banker preferring anonymity.

This washing of hands of local stocks after sudden policy changes that affect investments took place several times over the past few years, he said.

Even roadshows abroad organised by the BSEC were

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encashing their shares, he said. "So, they are selling shares and waiting until it (the exchange rate) becomes stable," he told The Daily Star.

In addition, foreign investors are taking a wait and see approach amidst concerns about the country's macroeconomic situation, he said.

"Hopefully though, they will invest again next year," Pasha added.

Responding to a query, he said foreign investors do not like the idea of floor prices, particularly

\$250M BUDGET SUPPORT WB first wants to know about forex reserves

STAR BUSINESS REPORT

World Bank has sought to know about Bangladesh's current economic situation, especially the state of forex reserve and inflation, ahead of providing \$250 million in budgetary support.

A 10-member delegation of the international lender held a meeting in this regard with State Minister for Planning Shamsul Alam at his office in Dhaka yesterday.

"They wanted to know especially what we think about our foreign exchange reserves, whether the reserves will increase or decrease. Moreover, they want to know about the overall state of the macroeconomy," Alam told the media after the meeting.

The delegation also wanted to know the reasons behind the reserves falling below \$48 billion and how Bangladesh can raise it, he said.

Besides, they wanted to know about the current status of inflation and steps taken to control it, he said.

The WB delegation also wanted to know about the reasons behind the reserves falling below \$48 billion and how Bangladesh can raise it

Responding to the queries, Alam stated to have said, "We are facing challenges. But our situation is better than other South Asian countries."

"Our inflation has not increased as much as it was supposed to increase following the international market," he said.

"According to FAO (Food and Agriculture Organization) data, food prices have increased by 50 per cent. And in the case of inflation, the government has taken many steps in order to control it. We have reduced many imports," he added.

"In particular, our current account deficit and deficit in the balance of payments led to our reliance on reserves," said Alam.

"But since July our overall condition is good. Because exports have increased by 25.31 per cent in the last two months since July. On the other hand, imports increased by 23 per cent," he said.

Remittance flow through official channels has also increased, he said, adding, "We have been receiving remittances of \$2 billion per month for

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STOCKS	
DSEX ▲	CASPI ▲
1.00%	1.00%
6,600.87	19,393.98

COMMODITIES	
Gold ▼	Oil ▼
\$1,665.38 (per ounce)	\$82.82 (per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.51%	▼ 1.11%	▼ 0.37%	▼ 0.35%
59,141.23	27,567.65	3,256.31	3,115.60



The deadly explosions and fire inside BM Container Depot in Sitakunda, Chattogram on the night of June 4 left at least 51 people dead and 250 others injured.

PHOTO: STAR/FILE

Customs seeks explanations from BM Container

Warns of cancelling licence

FM MIZANUR RAHAMAN and MOHAMMAD SUMAN, Ctg

Custom House Chattogram has served a notice to BM Container Depot asking why its private bonded warehouse licence should not be cancelled following the recent deadly explosions and fire inside it.

The incident inside the inland container depot (ICD), a Dutch-Bangladesh joint venture in Sitakunda, 20 miles north of the country's main port in Chattogram, on the night of June 4 left at least 51 people dead and 250 others injured.

The notice was served to the depot's managing director on September 15 after a customs probe committee submitted a report that spoke of six specific reasons for the deadly blasts.

The ICD has already started running operations partially from August 29.

After repeated appeals from the ICD authority, Custom House Chattogram on August 22 gave the permission for partially running operations on two conditions,

sources said.

The notice sought a written explanation in 30 days on the alleged violation of rules of an off-dock installation and operation policy and a private ICD policy, and negligence in the discharging of duties.

The probe report said no standard of the United Nations were followed in storing jerrycans containing hydrogen peroxide of export-oriented Al-Razi Chemical Complex inside the ICD.

The ICD and Al-Razi Chemical Complex belong to the same owners.

The ICD authority did not inform customs about delays in the shipment of the huge amount of chemicals after assessment, the report said.

The ICD did not follow rules of The International Maritime Dangerous Goods Code in handling and storing goods such as hydrogen peroxide.

In addition, the ICD authority did not properly inform fire service officials of the fire originating from chemicals.

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