



## BB OBSERVATIONS

- Economy is to face multidimensional challenges
- Global uncertainties threaten growth momentum
- Recent price hike of petroleum, fertiliser may intensify cost-push shocks
- Depreciation of taka vs dollar may stoke inflation further
- Lower-income groups facing more adversity from inflation than others
- Liquidity in banks maintained downward trend last fiscal year



**“The rise in inflation, particularly food inflation, was much pronounced in rural areas, with a disproportionately higher impact on lower-income groups.**

Bangladesh Bank said

## BY THE NUMBERS

- GDP growth target: 7.5pc for FY23
- Inflation in July: 7.48pc
- Forex reserves stood at \$36.85b on Sep 21
- Inflation target: 5.6pc for FY23
- Taka depreciated 20.7pc against dollar in last one year
- BB injected \$7.62b in FY22 to help businesses clear import bills

## Govt to purchase Tk 597cr fertiliser to boost stock

STAR BUSINESS REPORT

The government yesterday placed more orders to buy fertiliser in order to augment the stock for the vital agricultural input to ensure smooth cultivation of crops in the coming seasons, particularly the boro when Bangladesh's main rice crop is produced.

In a virtual meeting, chaired by Finance Minister AHM Mustafa Kamal, the cabinet committee on purchase approved a number of proposals to import 90,000 tonnes of fertiliser at Tk 597 crore.

State-run Bangladesh Chemical Industries Corporation (BCIC) will buy the fertiliser in three separate lots from three companies.

The fresh order came a week after the committee gave the nod to two public agencies – the Bangladesh Agriculture Development Corporation and the BCIC – to buy a total of 90,000 tonnes of fertiliser from Qatar and Morocco under a state-to-state contract.

### State-run Bangladesh Chemical Industries Corporation will buy the fertiliser in three separate lots from three companies

The government has kept strengthening the stock to supply the vital agricultural input to farmers at subsidised rates amid the ongoing economic uncertainty stemming from the Russia-Ukraine war, which has disrupted the global supply chain and sent the prices higher.

Supplying adequate fertiliser to farmers will be particularly crucial for Bangladesh in the coming seasons as the spectre of a food crisis is deepening globally amid the dragging war. Food prices have already soared to record highs this year internationally and to a significant extent locally.

The agriculture ministry projects a requirement for 55.5 lakh tonnes of chemical fertiliser for the current fiscal year of 2022-23 and most of it would be met through imports because of inadequate domestic production.

State-run factories produce 10 lakh tonnes of urea and insignificant quantities of triple super phosphate and diammonium phosphate. Farmers used more than 55 lakh tonnes of fertiliser in 2021-22 and most of the demand was met through imports.

As per yesterday's approved proposals, 30,000 tonnes of bagged granular urea fertiliser will be procured from Karnaphuli Fertiliser Company at a cost of Tk 197 crore while another 30,000 tonnes of bulk granular urea from Muntajat of Qatar at a cost of Tk 200 crore.

READ MORE ON B3

# Economic growth momentum at risk for global volatility: BB

AKM ZAMIR UDDIN

The economy faces multidimensional challenges as the volatile global scenario threatens to create an adverse situation for the growth momentum of Bangladesh, the central bank warned yesterday.

“Looking ahead, headwinds to current growth momentum could emerge from unfavourable developments in global economies,” said the Bangladesh Bank in its quarterly review.

“Compounding adverse effects of elevated global commodity and energy prices, and the recent price hike of petroleum and fertiliser prices in the domestic market may intensify the cost-push shocks to the economy.”

The BB forecast a challenging outlook for the economy at a time when the spectre of the world falling into recession has intensified.

The common people in Bangladesh, like those in most other countries, are paying a heavy price for escalated petroleum costs, fuelled by the Russia-Ukraine war, and runaway inflation.

They now count Tk 109 for a litre of diesel and kerosene while the price of petrol has risen to Tk 125 and octane to Tk 130. Before August 6, a litre of diesel and

kerosene cost Tk 80 each. It was Tk 86 for petrol and Tk 89 for octane.

“A significant depreciation of the taka against the dollar may also stoke the inflationary pressure further,” said the BB quarterly for April and June.

The exchange rate stood at Tk 103 against the US dollar yesterday, down 20.7 per cent year-on-year.

“Mounting inflationary and exchange rate pressures due to high import prices and subsequent balance of payments adversities are prominent,” the BB said.

“The rise in inflation, particularly food inflation, was much pronounced in rural areas, with a disproportionately higher impact on lower-income groups.”

In July, inflation fell to 7.48 per cent from a nine-year high of 7.56 per cent in June. The government has not published the figure for August.

Bangladesh paid \$82.49 billion for imports in the last fiscal year while it earned \$49.2 billion by shipping goods abroad, causing the trade gap to rise to \$33.2 billion.

Elevated global commodity and energy prices created significant challenges to the external sector of the economy.

Although the import decreased to some extent in July,

it still surged to \$5.86 billion, up 23.2 per cent from a year prior.

In order to limit excessive exchange rate volatility and help importers clear bills, the BB intervened in the foreign exchange market with net sales of around \$7.4 billion in FY22. It has supplied more than \$3 billion this fiscal year so far.

As a result, the foreign

banking sector, the BB said.

A rise in defaulted loans and provisioning shortfall, on the one hand, and advancement in profitability and maintaining adequate liquidity, on the other, reflected a mixed performance of the banking sector in FY22.

Defaulted loans hit an all-time of high Tk 125,257 crore in June.

The central bank has taken several measures to curb unnecessary and luxury imports. The rationing of power supply and the austerity policy of the government might provide some respite in terms of containing local demand.

The BB thinks that sustaining growth momentum, stabilising the exchange rate, and curbing inflation warrant prudent and coordinated fiscal and monetary policy actions.

The government and the BB have continued their supportive measures, including stimulus packages and refinance schemes for the productive sectors, improving the availability of essential products.

“This will help maintain price stability while keeping the growth momentum going,” said the central bank.

The economy might face further pressure in the days ahead owing to the potential recession.

On Tuesday, World Trade Organisation Director-General Ngozi Okonjo-Iweala said she believes the world is heading towards a global recession due to multiple colliding crises.

Russia's war in Ukraine, the climate crisis, food prices and energy shocks plus the aftermath of the Covid-19 pandemic were creating the conditions for a world recession, she said.



exchange reserve declined to \$41.8 billion at the end of FY22 from \$46.4 billion in FY21. It slipped further to \$36.85 billion on September 21.

What's more, liquidity in the banking system maintained mostly a downward trend throughout the last fiscal year as banks bought dollars in exchange for the taka.

Besides, the rising growth of private sector credit and a declining deposit growth eroded the liquidity position in the

In addition, the capital market witnessed some volatility with a downward trend in the final quarter of FY22 reflected in a downturn in price indices, market capitalisation, and turnover.

“The weak performance can be attributed to a downturn in the share price index in emerging market economies, commodity prices instability in both global and domestic markets, sharp depreciation of the taka, and financial tightening in advanced economies,” said the BB.

## Eskayef injectables facility gets US FDA approval

STAR BUSINESS REPORT

The injectables manufacturing facility of Eskayef Pharmaceuticals, one of the leading pharmaceutical companies of Bangladesh, has received approval of the United States Food and Drug Administration (US FDA).

This is the first and only injectables manufacturing site in Bangladesh to achieve such an accreditation going through a stringent quality assessment process, said a press release of the company.

This approval will allow Eskayef

to export injectable pharmaceutical products from its state-of-the-art facility to the US market.

“It is a moment of great pride for Eskayef,” said Simeen Rahman, Group CEO of Transcom and managing director and CEO of Eskayef Pharmaceuticals.

“Being a Bangladeshi company, we are now able to showcase our strength in the US market with our high-tech injectable products,” she said.

“In this journey, our sharp focus is on technology driven molecules and

READ MORE ON B3



## US to assign commercial attaché in Dhaka as trade spikes

STAR BUSINESS REPORT

The US will have a commercial attaché posted in its embassy in Dhaka by this year as trade between Bangladesh and the US is fast rising, said Peter D Haas, US ambassador to Bangladesh, yesterday.

Last fiscal year, Bangladesh exported goods worth \$10.41 billion to the US, which includes garments worth \$9.01 billion, while importing goods amounting to more than \$3 billion.

Haas suggested improving labour standards to attract more foreign direct investment (FDI) from the US.

With rising bilateral business ties, many US companies are expressing interest at investing in Bangladesh, he said.

He suggested diversifying exports from Bangladesh as pharmaceuticals and goods related to information technology have a lot of potential apart from garments.

The Russia-Ukraine war will unfortunately have long-term negative impacts on global trade, he added.



Bangladesh exported goods worth \$10.41 billion to the US last year, including \$9.01 billion garments, and imported products worth more than \$3 billion.

PHOTO: RAJIB RAIHAN

He also suggested creating an enabling business climate so that the US and other international companies come here with the FDI.

Haas was speaking at a discussion on “US-Bangladesh Bilateral Relations: Business and Trade as Keys to Expansion” organised by the American

Chamber of Commerce (AmCham) in Bangladesh.

Businesspeople of both countries, civil society members, diplomats and exporters attended the meeting at The Westin Dhaka.

Syed Ershad Ahmed, president of AmCham, said as of today, Bangladesh ranked 100 out of 102

countries in a logistics quality and compliance index.

“If we can improve ports management and customs clearance efficiency, bilateral trade between BD and US definitely would further increase by about 20 per cent,” he said.

“Majority of our infrastructures are underutilised with poor maintenance that immediately require increase in capacity building with competent and skilled human resources,” he said.

Ahmed said the 100 “special economic zones” and several hi-tech parks which were being constructed would comprise more than 600,000 freelancing IT professionals and help attract FDI in Bangladesh.

Bangladesh is the right destination for IT investments for the US and other countries, he said.

“In order to achieve the vision of Bangladesh becoming a ‘developed nation’ by 2041 and the Sustainable Development Goals (SDGs), we have to attract more global partners and thereby diversify the country's existing portfolio,” he said.