A farmer goes through flat beans being cultivated in Bogura sadar upazila. Characterised by its wide and flat pods, the winter vegetable is a good source of vitamin A, K, C, proteins and folate. Some 169,655 tonnes were produced on 55,076 acres of land in FY21, as per the Bangladesh Bureau of Statistics. The photo was taken yesterday. PHOTO: MOSTAFA SHABUJ

Coordinated efforts needed to fight inflation in South Asia

Experts tell SAFA International Conference 2022

STAR BUSINESS REPORT

Coordinated efforts are needed to fight runaway inflation and increase trade in the South Asian countries, experts said at the daylong SAFA International Conference 2022 yesterday.

The pandemic-induced economic slowdown disrupted the global supply chain, which got further aggravated by the Russia-Ukraine war, they said.

In the post-pandemic world, when all global powers are rethinking about their value chains, South Asian countries must think about further enhancing sub-regional cooperation, they added.

They spoke at the conference of the South Asian Federation of Accountants (SAFA) hosted by the Institute of Chartered Accountants of Bangladesh (ICAB) at Pan Pacific Sonargaon in Dhaka.

At the event, Commerce Minister Tipu Munshi said Bangladesh should now work for strengthening its regional connectivity and raise its trade with the South Asian peers to ensure sustainable growth on its way to becoming a developing country by 2026.

"We have many challenges. However, we can go forward by working together regionally."

There is no shortage of rationale for increasing regional trade cooperation among South Asian countries, said Bangladesh Bank's former governor Atiur Rahman.

The trade between Bangladesh, Bhutan, India, and Nepal increased by six times between 2015 and 2019, he said.

But still unexploited regional trade potential for Bangladesh remains to be as high as 93 per cent, he added.

To utilise the untapped potential, South Asian countries need to invest more on improving regional connectivity, he suggested.

Rahman made the remarks while presenting a keynote paper on regional connectivity for sustainable growth.

In the post-pandemic world, when all global powers are rethinking about their value chains, South Asian countries must think about further enhancing sub-regional cooperation, analysts said

Prof Dr Javed Siddiqui of the accounting and finance division in Alliance Manchester Business School UK, gave a keynote speech on the event's technical session one moderated by Bangladesh Bank Board Director Mahbub Ahmed.

Senior Commerce Secretary Tapan Kanti Ghosh moderated the technical session two where ICAB's Council Member Sabbir Ahmed presented another keynote paper on "Current trend of regional economy: role of Professional Accountancy Organizations".

There is a strong correlation between the number of accountants working in economies with gross domestic product per capita and an even stronger correlation with the UN Human Development Index, said Ahmed, who is also a partner of the Hoda Vasi Chowdhury & Co, Chartered Accountants.

Professional accounting bodies can play active role in improving a country's ease of doing business index through providing practical insights and sharing best practice examples from other countries, he further said.

ICAB President Md Shahadat Hossain also spoke. ICAB organised the last SAFA Conference in 2019.

Three more green garment units get LEED certification

STAR BUSINESS REPORT

Three more local garment factories have achieved the green building certification from the United States of Green Building Council (USGBC).

The factories are CA Knitwear Ltd in Bhobanipur area of Gazipur, Silken Sewing Ltd in Baniarchala area of Gazipur, and Sultana Sweaters Ltd in Meherabari area of Mymensingh.

The USGBC provided the factories with platinum-rated Leadership in Energy and Environmental Design (LEED) certification.

With the three, a total of 176 garment factories have been given LEED certificates in the country.

Of them, 57 are platinum rated while 105 gold-rated, 10 silver-rated and four are only certified, according to the Bangladesh Garment Manufacturers and Exporters Association.

Meanwhile, some 550 more are awaiting certification, the BGMEA said.

Innovation, skills dev a must for SME startups

Analysts say

STAR BUSINESS REPORT

Advancements in the ICT sector have changed the world a lot, so innovation and skills development are now a must for the survival of startups in the small and medium enterprise (SME) sector, experts said yesterday.

They were addressing a workshop titled "Business Masterclass-Master the Chaos in Your Business" at the Dhaka Chamber of Commerce and Industry (DCCI).

The event was organised by the DCCI Business Institute (DBI), a subsidiary of the DCCI, in cooperation with Mumbai-based Beyond Red Ocean Consulting. With advancements of information communication and technology, trends of operating businesses have changed a lot, said DCCI acting president Arman Haque.

"Conducting business has become very challenging for SMEs now. In order to adapt to the new scenario, there is no alternative but to prepare ourselves," he said.

Haque also urged startups to focus more on innovation and skills development to overcome these challenges.

Malay Chakraborty, business coach of Beyond Red Ocean Consulting, said the SME entrepreneurs around the world face various obstacles in operating their businesses.

Due to these hurdles, 70 per cent of startups fail to continue running their business and are forced to quit within five years, he said.

"In order to survive in this sector, the entrepreneurs must focus on their skills development, time and asset management," Chakraborty added.

Lift interest rate cap, let monetary policy work

FROM PAGE B1

while reserves expanded rapidly from $1.1 billion (3 months of imports) to a peak of $48 billion in August 2021 (8 months of FY2021 imports).

This comfortable BoP situation has come under pressure since September 2021, which has been accentuated since March 2022 following the Ukraine War and the associated heightening of global inflation. Despite record foreign exchange earnings, the value of imports surged due to global inflation, resulting in a record current account deficit in FY2022 ($18.7 billion).

Reserves fell rapidly and short-term debt accumulated. Reserves continued to decline in the first three months of FY2023, notwithstanding import controls. By the end of September 2022, reserves had fallen to $36.5 billion (4.7 months of projected FY2023 imports), an astounding loss of $11.5 billion in a 13-month period. Despite import controls that are threatening to hurt manufacturing growth and exports, there are no signs that the BoP pressure is easing.

With a short-term debt growing to $20.7 billion in June 2022 and continued BoP pressure, it is little comfort to see reserves dwindle at such a rapid pace. While the Ukraine war and global inflation are beyond the control of the Bangladesh policy-makers, Bangladesh can't afford to see the BoP situation get out of control. There are no signs that the war or global inflation is going to end very soon.

On top, Europe has already entered into a recessionary phase and the US risks falling into one. An extended period of global stagflation could seriously hurt Bangladesh's exports that would be a very unfortunate outcome.

Bangladesh does have a good track record of getting out of tight BoP situations as it did in FY2012 by using a judicious mix of foreign exchange, monetary and fiscal policies to reduce aggregate demand, lower the pressure on the exchange rate and stabilise the macroeconomy. So, there is hope this time also policy-makers will rise to the occasion. Unfortunately, however, the macroeconomic management over the past 12 months or so has failed to arrest the deteriorating situation. So far, policy-making has been either ineffective or gone in the wrong direction.

Furthermore, the adoption of the 6/9 interest rate policy has severely handicapped the government's ability to reduce the demand pressure on the BoP and domestic inflation

The government started well by announcing its intention to free up the exchange rate and protect the reserves. Unfortunately, the policy has remained more on paper. There was an initial correction of the over-valued Bangladesh currency, but its correction course was arrested as the Bangladesh Bank has continued to inject reserves into the exchange market to prevent further depreciation of the taka.

Additionally, the BB has adopted three exchange rates: one for exports, one for remittances and one for imports. These multiple currency practices are undermining the earlier BB announcement that it will implement market-based foreign exchange management. The heavy loss of reserves is the price paid by the BB to protect the over-valued exchange rate. This must stop to put the macroeconomy on a sustainable path.

Furthermore, the adoption of the 6/9 interest rate policy has severely handicapped the government's ability to reduce the demand pressure on the BoP and domestic inflation. The absurdity of this policy is indicated by the fact that domestic inflation now exceeds 9 per cent, whereas the maximum lending rate has been capped at 9 per cent, indicating that the real lending rate has now become negative.

It is obvious that at negative real borrowing rates, there will be excess demand for credit. Indeed, the private sector credit growth has surged in recent months approaching a 14 per cent annualised growth rate in September 2022 as compared with 8.4 per cent in FY 2021. So, instead of cutting credit growth to reduce demand, inflationary pressures have been magnified by credit acceleration, adding to the BoP pressure.

The required policy corrections are obvious. The exchange rate must be freed up truly with one uniform rate and no further injection of reserves that are already at a low level.

In order to moderate the depreciation of the exchange rate, the BB can intervene through a tightening of domestic credit by letting go of the 6/9 policy. It can monitor the progress of the required correction by using its normal monetary policy instruments such as the bank rate and open market operations.

The opening up of the T-bills to the general public is a positive step that will strengthen the monetary policy. The BB must now move to eliminate the 6/9 policy and let monetary policy work.

The author is vice-chairman of Policy Research Institute of Bangladesh.

Revenue collection growth slows

FROM PAGE B1

foreign currency earning sector.

Last month, consumer prices rose 8.2 per cent in the US and 10 per cent in the eurozone, the two biggest markets for the country.

Similarly, remittances declined 11 per cent to $1.54 billion in September, the lowest in seven months, despite a surge in the outflow of migrant workers.

The revenue collection in the July-September quarter was 92.25 per cent of the Tk 71,256 crore target set for the NBR during the period.

Receipts from customs tariffs grew the highest 16.44 per cent to Tk 22,433 crore. It was Tk 19,266 crore during the same quarter of FY22, NBR data showed.

The higher growth was largely caused by the escalated costs of commodities in the global markets and the sharp depreciation of the local currency against the US dollar amid the Russia-Ukraine war.

Income tax collection rose 11.55 per cent to Tk 20,087 crore in the July-September quarter, up from Tk 18,007 crore in FY22.

However, receipts of VAT saw poor growth, which indicates a decline in the purchasing power of people amid the spiralling costs of commodities.

The collection of VAT, the biggest source of revenue for the government, was up 10.06 per cent to Tk 23,215 crore, against Tk 21,094 crore in the previous year.

In Bangladesh, inflation rose 7.48 per cent in July, 9.5 per cent in August and 9.1 per cent in September.

The collection target for the NBR has been set at Tk 370,000 crore for FY23, which is 12.12 per cent more than Tk 300,000 crore generated in FY22.

A senior official of the NBR, however, said the VAT collection in September would be higher than the provisional level as businesses file related returns by the 15th of the subsequent month.

"We will get the actual picture regarding the VAT collection by October 22. Similarly, the collection from income tax will also increase. So, the overall collection will be higher than the preliminary receipts."

The official said the pace of collection from import tariffs did not increase much as most of the items that were imported had either zero or concessional import duty.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, said: "The sluggish growth of VAT collection indicates that economic activities are slowing down. The growth in the collection that we see now is because of inflation."

The economist, however, noted that it was too early to reach a conclusion on the basis of preliminary figures.

"But the revenue performance is very poor as 30 per cent growth in tax collection is needed. A big shortfall is looming on the horizon."

The former economist at the International Monetary Fund thinks the government will have to compromise fiscal management because of the current level of revenue collection.

The government has reduced subsidy payment pressure by hiking petroleum prices. But subsidy pressure for fertiliser and for other purposes is deepening.

"At the same time, the government will have to spend for social protection to protect the poor from prices spiral," he said.

According to Mansur, the ultimate solution lies in reforms in the financial and fiscal sectors but the government is not undertaking them.

"The government itself is putting itself in a tight position by not bringing in reforms."

Owing to the lower tax collection, the government's fiscal space has narrowed, he said. "During difficult times, the government needs to spend but it does not have the capacity to do so currently."

Towfiqul Islam Khan, senior research fellow of the Centre for Policy Dialogue, also said fiscal space is critical during the present crisis faced by the economy.

He said the ability of the government to mobilise tax revenue would determine its scope to provide policy support to general people facing the uphill task of surviving amid the higher inflationary pressure.

"The best way for the government is to curb tax evasion, which is rampant in Bangladesh. And, when commodity prices go up, tax evasion also soars, particularly in the area of trade."

IT exports

FROM PAGE B1

"We will be able to do more high-value tasks if we can develop IT professionals."

BACCO's Sharif said the changes in curriculum and the collaboration between academia, the government and industry are a must to fill the skill gap.

"We have been seeing a scarcity of programmers, especially in the last two years. There is an increased demand for programmers due to the growing demand of software companies," said Rashad.

"If we can't produce enough skilled programmers, we might lose the export potential."

In Bangladesh, there are about six lakh freelancers and more than 2.5 lakh people are employed in IT firms and the IT sections of businesses, financial organisations and government organisations.

Raisul said the growth will be slower this fiscal year compared to FY22.

"The coming months will be challenging and high growth will not continue," he said, adding that export orders for software, however, will not reduce.

"The future is a bit uncertain as the global economy is not in good shape," said Sharif.