

star BUSINESS



Pvt sector foreign debt sees first fall since 2020

SOHEL PARVEZ

For the first time since December 2020, private sector borrowing from external sources declined as the appetite among firms eroded for increased borrowing costs.

Firms' total external debt dropped 2 per cent to \$25.4 billion at the end of September 2022 from 25.95 billion in June. At the same time, external debt in the public sector decreased as well.

Meanwhile, the private sector's foreign debt grew 29 per cent year on year from \$ 19.68 billion in September 2021, showed Bangladesh Bank data.

However, analysts say the pressure of repaying loans will not ease soon, which is needed to cut the demand for US dollar and bring stability in the foreign exchange market.

This is a reflection of the

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Reduced VAT on edible oil to continue for a while

STAR BUSINESS REPORT

The National Board of Revenue (NBR) may retain a VAT reduction of 5 per cent on edible oil for four more months to April 30 so that consumers do not feel the burden of the indirect tax on prices, said a senior official yesterday.

"We are working to keep the VAT rate for edible oil low during the month of Ramadan in order to contain the prices. We expect to issue a notification in this regard soon," said the official.

The move comes as the value added tax (VAT) reduction on soybean and palm oil ceased to come into effect on December 31.

The NBR in March slashed the VAT on soybean oil and unrefined palm oil from 15 per cent to 5 per cent during imports and exempted the indirect tax at the production and trading stages until June 30, 2022.

This was amidst a public outcry over the soaring of prices of the key essential commodities, slow delivery by mills and stockpiling by a section of traders.

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"Remitters are sending money through informal channels for the higher dollar rate. Money launderers and their agents are taking advantage of the situation."

Selim Raihan
Executive director of Sanem

TAKEAWAYS

- Govt pays 2.5% incentive on remittance
- Submission of income documents not mandatory for cash incentives
- Experts blame hundi for lower remittance
- Informal channels attractive for higher dollar rate than banks
- Even before pandemic, only 51% of remittances came thru formal ways

REMITTANCE FLOW OVER THE YEARS

(In billion \$); SOURCE: BB & BMET

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Remittance (billion \$)	13.83	14.94	15.27	13.61	13.53	15.54	18.35	21.75	22.07	22.07

BANGLADESH'S FINDING JOBS ABROAD

In lakh; *Estimate; SOURCE: BMET



REMITTANCE FLAT at \$22b despite record worker outflow

MD FAZLUR RAHMAN and SUKANTA HALDER

Bangladesh received \$22.07 billion in remittance in 2022, almost unchanged from a year earlier, although a record number of workers went abroad for jobs in the just-concluding year, Bangladesh Bank data showed yesterday.

It was 3.67 per cent higher than the \$21.29 billion flown to the country in 2021. It stood at \$21.74 billion in the previous year.

State-run Bureau of Manpower, Employment and Training (BMET) put remittance earnings at \$22.07 billion in 2022.

Last year's receipts, however, beat the World Bank's projection. Recently, the Washington-based lender said Bangladesh is projected to receive \$21 billion in remittances in 2022 from \$22 billion a year earlier.

The country fetched \$1.7 billion in remittance in December, up 4.29 per cent year on year and the highest in four months.

The tepid growth in the funds transferred by migrant workers came although 2022 likely saw the highest number of migrant workers leaving the country as oil-rich economies rebounded strongly for the higher commodity prices.

As of November, more than

10.29 lakh people went to other countries in search of jobs, BMET data showed. In 2022, more than 11 lakh people might have found jobs abroad, sources said.

"From that point of view, 2022 was a remarkable year," said Zahid Hussain, a former lead economist of the World Bank's Dhaka office, on Thursday.

The previous high was registered in 2017 when 10.08 lakh Bangladeshis found jobs in other countries.

With a view to encouraging remittance through legal channels, the government hiked the rate of incentives by 0.5 percentage points to 2.5 per cent in January last year.

The government also withdrew the mandatory provisions for the submission of earning documents of the remitters in the case of availing cash incentives against remittances exceeding

the amount of \$5,000.

Still, the remittance has not picked up proportionately as workers reportedly send half of their money to the beneficiaries back home using informal channels owing to the better rates of the US dollar offered by hundi operators, depriving the country of much-needed American greenback.

Experts say unofficial channels are attractive to migrant workers since they can send money easily and receive better rates. The exchange rate gap between the formal and informal channels is also to blame.

And even before the pandemic and the latest volatility in the foreign exchange market, only 51 per cent of the remittances used to flow to Bangladesh through formal ways and the rest through hundi, a cross-border illegal money transfer system.



And Zahid Hussain estimated that Bangladesh is losing at least half a billion US dollars in remittance to informal channels every month because of the multiple exchange rates.

"Bangladesh is running after \$4.5 billion from the International Monetary Fund over the three-year period but if the country makes just one reform, \$6 billion would flow into the country every year," he said.

"We need a market-based uniform rate of the buying and selling of the US dollar."

Bangladesh maintains different dollar rates for exporters, importers, exchange houses, and remitters.

Hussain said migrant workers have gone to the countries where economies are booming for the price hikes in commodities and inflation is ranging at 3 to 5 per cent.

"So, their capacity to send remittance has not declined."

Selim Raihan, executive director of the South Asian Network on Economic Modeling, also pointed to hundi for the lower remittance flow.

"Remitters are sending money through the informal channels for the higher dollar rate. Money launderers and their agents are taking advantage of the situation," he said.

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BB rolls out Tk 10,000cr export facilitation fund

STAR BUSINESS REPORT

Bangladesh Bank yesterday rolled out an export facilitation fund of Tk 10,000 crore in order to help exporters gear up their businesses.

An exporter will be allowed to take a loan of a maximum of Tk 200 crore from the fund, which is a pre-finance scheme by nature.

Under the pre-finance scheme, the central bank finances businesses through banks in response to their applications.

Exporters will have to use the fund to import raw materials.

Banks will avail the fund at an interest rate of 1.5 per cent from the central bank. The end users will pay 4 per cent to avail the fund from banks, according to a Bangladesh Bank notice.

The BB said the fund would help exporters to tackle challenges in external trade stemming from its journey towards becoming a developing nation from a least developed one.

In addition, it will also help exporters address the challenges emanating from the ongoing Russia-Ukraine war.

Lenders will have to repay the fund within six months. But they can extend or reduce the repayment tenure for clients.

If any exporter fails to repatriate the worth of the exported goods on time due to any unexpected situation, the central bank will extend the repayment facility for another three months on a case-to-case basis.

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Economy stable Finance minister tells The Daily Star

REJAUL KARIM BYRON

Although Bangladesh stepped into a new year with various economic pressures stemming from global events, Finance Minister AHM Mustafa Kamal said he was confident that the country would not backtrack but make steady progress from where it was now.

"Our economy is stable. I hope (in 2023) the country will stably go forward," he told The Daily Star.

Last year, after the start of the Russia-Ukraine war, Bangladesh's economy faced pressure as at one end its foreign currency reserve had started to decline while at the other end inflation had started to increase.

Back in June, the government in the national budget estimated that the country's GDP will grow by 7.5 per cent.

However, global lenders, including the World Bank and International Monetary Fund (IMF), estimated that Bangladesh's GDP growth will remain between 6 per cent and 6.5 per cent.

In December, the finance ministry, while reviewing the budget, revised the GDP growth estimate to 6.5 per cent.

The finance minister said many voiced concerns that Bangladesh's foreign currency reserve would see a significant decline but it still remains at \$34 billion, which was equal to five months' import bills whereas the global standard was three months.

According to Bangladesh Bank statistics, as of December 29 last year, the country's foreign currency reserve stood at \$33.84 billion.

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Prime Minister Sheikh Hasina is seen admiring some decorative items on display at the Dhaka International Trade Fair in Dhaka's Purbachal yesterday. While inaugurating the month-long annual event, the premier again laid emphasis on the need to diversify Bangladesh's export basket.

PHOTO: PID

Pay at least production cost to get smooth supply of power, gas

PM tells businesses

UNB, Dhaka

Prime Minister Sheikh Hasina yesterday asked businesspeople and industrialists in Bangladesh to at least pay the cost of generating and procuring electricity and gas if they want to avail an uninterrupted supply of energy.

"If you want uninterrupted electricity and gas, then you have to at least pay the production cost or procurement cost. How long will we [the government] provide subsidy?" she said.

The premier made this comment while inaugurating the 27th edition of the Dhaka International Trade Fair (DITF)-2023, where Bangladesh-made products are on display for promotion in the international market.

The commerce ministry and Export Promotion Bureau (EPB) organised the month-long largest annual commercial and trade event at its permanent venue – the Bangabandhu Bangladesh-China Friendship Exhibition Centre – at Purbachal on the outskirts of Dhaka.

Hasina said the government cannot

provide the huge subsidy on electricity and gas for an unlimited period of time as it comes from the pockets of the mass people.

"We cannot give such a huge amount of public money as subsidy, so businessmen and industrialists have to pay attention to this matter," she added.

At the programme, the prime minister declared jute and jute products as the Product of the Year-2023.

She then said the demand for jute, which was once called the country's golden fibre, will never end as jute products are environment friendly.

"We have been able to invent the jute genome, so we can produce so many products," she added.

The prime minister also mentioned that jute is an all-purpose crop and every part of it – from leaves to sticks – can be used.

"So, we have to give importance to jute. We have opened up our public jute mills and anyone can lease one of them," she said.

In this regard, she said the lessee can operate the mill directly or induct modern

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