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Uncertainties abroad may affect growth momentum at home: BB

AKM ZAMIR UDDIN

The Bangladesh Bank yesterday said the ongoing global uncertainties may have an adverse impact on the country's growth momentum and the inflationary situation.

"The overall growth momentum of the economy is expected to continue in the face of prompt policy initiatives of BB and the government," according to a Bangladesh Bank publication named "Quarterly".

The central bank releases the publication every three months, describing the economic indicators of the country in detail.

The inflationary situation in Bangladesh is anticipated to soften again on the back of an improved inflation scenario of the major trading partner economies.

"The overall growth momentum of the economy is expected to continue in the face of prompt policy initiatives of BB and the government."

But the outlook is subject to considerable uncertainties, which could emerge from the continuous unfavourable global developments, including the Russia-Ukraine war and the tight global financial conditions, the central bank warned in its publication.

The real GDP growth of FY22 exhibited a marginal downward revision to 7.10 per cent from the 7.25 per cent estimate in the midst of the combined risks posed by challenges to the post-pandemic recovery and the war-induced global uncertainties.

Given the recent macroeconomic developments, the government has revised the GDP growth target to 6.50 per cent, previously set at 7.50 per cent for FY23.

The BB thinks that inflationary pressure will ease further in the days to come.

Inflation in Bangladesh climbed to 8.78 per cent in February, breaking a five-month declining trend.

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MACROECONOMIC TRENDS

Shrinking fiscal space for lower revenue collection

Over-dependence on BB for budget deficit financing

Tight liquidity of banks amid deteriorating governance

Rising commodity prices at home

Balance of payments remains at risk

A drop in ADP expenditure

RECOMMENDATIONS

Raise tax-free income threshold to Tk 3.50 lakh

Increase minimum wage by at least 5%

Cut duty on essential commodities

Increase volume of essential goods sold thru OMS

Provide subsidised credit for agriculture

Continue stimulus for SMEs

Extend cash assistances for low-income people

Reduce the burden of capacity charges in power sector

Launch market-based tariff for power and energy

Find strategy to withdraw cash incentive for export

Introduce market-based exchange rate

Raise budget allocation for health and education

“Because of the storms, project implementation has become slower, jobs are not being created, corruption is rising and adequate revenue is not being generated.”

Fahmida Khatun
Executive director of CPD

Contain risks from external, internal ‘storms’

CPD urges govt

STAR BUSINESS REPORT

The budget for the next fiscal year should target containing risks stemming from global turbulence and the absence of discipline in macroeconomic management, good governance and reforms, said the Centre for Policy Dialogue (CPD) yesterday.

Fahmida Khatun, executive director of the think-tank, described Covid-19 and the Russia-Ukraine war as the external storms while a lack of good governance as the internal storm. She also termed the absence of reforms and weak institutions as storms.

"Because of the storms, project implementation has become slower, jobs are not being created, corruption is rising and adequate revenue is not generated. If the risks can't be contained, the foundation of the economy would be weak."

She suggested strengthening the foundation in the budget to ensure macroeconomic stability and discipline.

Fahmida made the comments while speaking at an event titled "CPD's Recommendations for the National Budget FY2023-24" at her office in the capital.

Towfiqul Islam Khan, a senior research fellow of the CPD, said storms can't be stopped but preparation should be taken to face them strongly.

He said the government has ignored undertaking reforms and did not ensure good governance thinking that storms would never come.

Khondaker Golam Moazzem, research director of the CPD, called for massive reforms since the storm is getting stronger. "Only implementing the

price falls in the international market, the prices should drop in the domestic market as well."

About the recent macroeconomic situation, the CPD said the government's fiscal space shrank due to lower revenue collection so it went for restraining public expenditure. Net foreign financing was lower

conditions of the International Monetary Fund would not be enough to mend the economy."

He pointed out that the government is giving subsidies in the fuel and power sector mostly due to structural weakness.

For instance, most of the subsidy is being given in the form of capacity charge, he said, questioning the logic of raising in the power generation capacity sharply.

He said the prices of fuel and power should be market-based so that people bear the high prices when they rise globally.

"At the same time, when the

and saving certificate sales also dropped, forcing the government to increase its dependence on the central bank for the financing of the budget deficit.

Overall liquidity in the banking system declined by Tk 66,581 crore as the currency circulation outside banks increased by 24 per cent by the end of January of 2023.

In Bangladesh, inflationary pressure is still deepening though international prices of major imported commodities have recorded significant declines.

"The sharp deterioration in the balance of payment is

resulting in a drastic decline in foreign exchange reserves and a significant depreciation of the local currency against the US dollar," said Fahmida, while presenting a paper.

Exports grew more than 9 per cent year-on-year in the July to February period of the current financial year. But non-RMG exports declined 9.9 per cent. Remittance inflow grew by 4.3 per cent.

And the central bank will not have much room to pump foreign exchange and may not have any other option but to allow the local currency to depreciate as the ongoing pressure on the balance of payment is likely to continue, according to the CPD.

It said the government in the past tried to blame the war in Ukraine and the subsequent volatility in the global economy for the current economic situation. However, the crises accumulated over the years and were rooted in the weakness in domestic policies, lack of good governance, and inability to implement much-needed reforms.

The CPD projects that the revenue shortfall at the end of FY23 could reach Tk 75,000 crore and it may impact the implementation of development projects.

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Yarn sale falls despite Eid and Pahela Baishakh

Demand for clothing declines amid high living costs

REFAYET ULLAH MIRDHA

The sale of yarn for making the fabrics for domestic market has fallen in the peak season of Eid-ul-Fitr and Pahela Baishakh because of high prices of some basic commodities and for the high cost of living for consumers.

The fall in demand for yarn also resulted from an abnormal hike in gas and power prices which increased the cost of production.

Following the low demand and low sales, stocks of unsold yarn meant for making fabrics for the domestic market have been growing at the factory level.

Moreover, many small and medium entrepreneurs did not weave the fabrics ahead of Eid-ul-Fitr in bulk quantity as they thought that they will not be able to make a profit after paying higher gas and power tariffs.

"Usually, sales of yarn gained momentum way ahead of Ramadan in previous years. But this year the sale is still very low."

"As a result, the sale has been low until now," said Khorshed Alam, chairman of Little Group, which mainly produces yarn for the domestic market for making three pieces for women alongside lungis and saris.

"Usually, sales of yarn gained momentum way ahead of Ramadan in previous years. But this year the sale is still very low," he said.

Nearly 65 per cent of the yarn that he produced targeting the sales during Eid-ul-Fitr and Pahela Baishakh still remain unsold which is unusual compared to previous years.

Usually, the peak season of sales of yarn starts 45 days ahead of Ramadan and continues until the 10th day of Ramadan.

However, this time the sales are still low and only 35 per cent of yarn has been sold so far and the stocks are rising at the mills, said Alam, who is also the chairman of the standing committee on local spinning, weaving, dyeing and printing mills of Bangladesh Textile Mills Association (BTMA).

He also partially blamed sales of cheap yarn from India and China for lower sale of locally produced yarn in the markets.

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STOCKS			
	DSEX ▼	CASPI ▼	
	0.18%	0.26%	
	6,203.92	18,326.59	

COMMODITIES			
	Gold ▼	Oil ▲	
	\$1,946.00	\$70.70	
	(per ounce)	(per barrel)	

ASIAN MARKETS				
	MUMBAI	TOKYO	SINGAPORE	SHANGHAI
	▲ 0.22%	▲ 0.33%	▲ 0.82%	▼ 0.44%
	57,653.86	27,476.87	3,239.03	3,251.40

Higher costs take a toll on tractor sales

STAR BUSINESS REPORT

Tractor sales are in a slump as demand from farmers and brick kiln operators has waned amid higher fuel prices and vehicle costs due to the depreciation of taka against the US dollar, according to two leading dealerships.

The sale of tractors used for tilling cropland and carrying goods declined 12 per cent year-on-year to 5,304 units from 4,677 units during the July-February period of the current fiscal, said Subrata Ranjan Das, executive director of ACI Motors.

Other than tractors, sales of power tillers and diesel engines have also declined.

"We are seeing a lack of appetite in the field as price hikes for fuel and fertiliser have affected demand. Besides, the overall economy is under stress and this has impacted sales," he added.

Tractor usage in Bangladesh has increased over the years as the vehicle has

multiple applications, from tilling land to hauling goods, in both rural and suburban areas.

Tractor dealerships in the country sold 6,570 units in fiscal year 2016-17.

And by the end of fiscal 2021-22, total sales had risen 26 per cent to 8,285 units, according to an estimate by ACI, which markets India's Sonalika brand tractors.

Das then said demand for the vehicle started dropping in the second half of the last calendar year as prices rose 20 per cent due to increased import cost for devaluation of taka against the US dollar.

Taka lost 14 per cent in value against the greenback since June 30, 2022, shows Bangladesh Bank data.

The ACI official said construction activities have reduced significantly in the last three months, resulting in a decline in haulage.

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IMPORT OF TRACTORS AND POWER TILLERS
In million \$; SOURCE: BB

	LC opening	LC settlement
FY22	36.02	32.08
FY23	18.21	18.55

PHOTO: STAR/FILE

While tractors can make life easier for any farmer or individual looking to till land or haul something heavy, dealerships are seeing slower sales as higher costs, including that of the vehicle itself, have lowered demand.

No shortage of products in markets

Says industries minister

STAR BUSINESS REPORT

There is no shortage of products in the markets but problems remain in the supply of goods, said Industries Minister Nurul Majid Mahmud Humayun yesterday.

"There is no problem in the production as products are seen adorned in the shops of the markets. That means there are no problem with production," he said.

"However, the problem persists in the supply of the products," said Humayun while speaking at a deal signing ceremony at the industries ministry in Dhaka.

The industries ministry and ICT Division signed the memorandum of understanding (MoU) to create a smooth supply chain system and ensure

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