

BANGABAZAR FIRE Nagad to donate Eid campaign earnings

STAR BUSINESS DESK

Nagad, a mobile financial service (MFS) provider in Bangladesh, has announced that all earnings from its ongoing mega campaign for Eid-ul-Fitr will go towards helping businesses at Bangabazar Complex bounce back from the losses suffered due to a recent fire at the apparel market in Dhaka's Gulistan.

Besides, Zunaid Ahmed Palak, the state minister for ICT, recently declared that 100 traders based in Bangabazar will be given Tk 50,000 each, according to a press release from Nagad.

Nagad's campaign generated about Tk 19.65 lakh in earnings for the MFS provider as of April 5.

However, some 5,000 businesspeople suffered losses of more than Tk 1,000 crore due to the blaze, which began on Tuesday morning last week.

"The money we will give them may not have that much of an effect, but it proves that if the government and private sector join hands, they can stand by the people during any crisis," said Tanvir A Mishuk, managing director of Nagad.



Aluminium houseware and crockery are popular among households in Bangladesh as they are comparatively longer-lasting than earthenware products and other alternatives. At present, aluminium household goods are being sold for Tk 380 per kilogramme. The picture was taken recently from a market in Khulna city's Zero Point area.

PHOTO: HABIBUR RAHMAN

World Bank could lend \$50b more over decade with reform: Yellen

AFP, Washington

The World Bank's ongoing reform could result in a \$50 billion lending boost over the next decade, Treasury Secretary Janet Yellen told AFP ahead of stakeholders' meetings next week where key changes are expected to be announced.

Central bankers, finance ministers and participants from more than 180 member countries are expected to gather in the US capital for the International Monetary Fund and World Bank's spring meetings in the coming week.

A key topic of discussion will be the World Bank's evolution, amid a push for lenders to revamp and meet global challenges like climate change. The United States is the largest shareholder of the World Bank Group.

"I expect there to be an update of the bank's mission to add building resilience against climate change, pandemics, and conflict and fragility to the core goals," Yellen said in the interview with AFP Thursday.

She added that there needs to be a recognition that these challenges aren't separate or conflicting but rather, inextricably linked.

"Second, there will be an announcement that the bank is stretching its financial capacity to meet these objectives, and adopting changes or endorsing changes that could result in an additional \$50 billion in extra lending capacity over the next decade," Yellen said.

The move would be a significant resource boost marking a 20 percent rise in the International Bank for Reconstruction and Development's (IBRD) sustainable lending level. The IBRD is the World Bank's middle-income lending arm.

Yellen also said there would be an announcement on updating the bank's operational model to "orient it towards the goals that we're setting."

Among other things, this includes creating more incentives for the mobilization of both domestic and private capital.

"We seek additional reforms during the rest of this year," Yellen said.

In March, the World Bank submitted an evolution plan to be discussed with its development committee on April 12, during the spring meetings.

Noting that World Bank President David Malpass has laid a "solid foundation"



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for the ongoing work, Yellen added that she expects US candidate Ajay Banga to be elected to the helm of the organization and continue the revamp.

Banga was the sole nominee for the position after Malpass announced this year that he would step down early.

Also, on policymakers' agendas next week are support for war-torn Ukraine and debt restructuring.

"We have seen some movement by China on participating in debt restructuring for Sri Lanka, which is a

hopeful sign," Yellen said.

As global growth slows, the World Bank previously warned that the outlook is especially tough for the poorest economies – which face sluggish growth driven by heavy debt burdens and weak investment.

Yellen had earlier said that China should move more quickly on some debt restructurings.

Discussions on this front will continue next week as a newly formed global sovereign debt roundtable gathers, she told AFP.

"We're having useful technical discussions on important elements of debt restructuring. China has been participating, and we all continue to press China for improvements," she said.

Washington will continue pushing for a speedier and more predictable operation of the G20 "common framework" for debt restructuring as well.

On Ukraine, Yellen said: "Once again, we will work with all of our allies to insist that Russia cease its brutality in Ukraine."

She added that the United States would press for economic support alongside its partners on this front.

Brac Bank launches remittance application FXPAY

STAR BUSINESS DESK

Brac Bank has launched FXPAY, an end-to-end commercial remittance application to provide accessible, fast and secure remittance services to institutional customers.

FXPAY is a 360-degree commercial remittance system capable of performing business-to-business, business-to-consumer, consumer-to-business and consumer-to-consumer transactions in compliance with regulations.

The system can perform automated tax, value-added tax, encashment certificate, no objection certificate, Nostro funding checking and client intimation via email or text, the bank said.

Selim RF Hussain, managing director and CEO of the bank, inaugurated the service at the bank's head office in Dhaka recently, said a press release.

"This commercial remittance application is part of their digital transformation journey and will provide convenience to customers while facilitating more remittance inflow, contributing to the country's foreign exchange reserve," said Hussain.

The application saves time by allowing multiple tasks to be performed instantly, ensuring faster customer service, the bank said.

Rouble hits 12-month low against dollar

AFP, Moscow

The Russian rouble on Friday fell to its lowest rate against the dollar in a year, dipping to 82 rubles to the US unit on the Moscow Stock Exchange (MOEX).

Russia has been under massive sanctions imposed over the Ukraine offensive for more than a year.

Russian President Vladimir Putin – who has until now said Moscow is largely resisting the sanctions – conceded last week that the punishments could have "negative" consequences for his country.

PRICES OF KEY ESSENTIALS IN DHAKA CITY			
	PRICE (APR 8, 2023)	% CHANGES FROM A MONTH AGO	% CHANGE FROM A YEAR AGO
Fine rice (kg)	Tk 60-Tk 75	0	3.85 ↑
Coarse rice (kg)	Tk 46-Tk 50	0	3.23 ↑
Loose flour (kg)	Tk 55-Tk 58	-4.24 ↓	41.63 ↑
Lentil (kg)	Tk 95-Tk 100	0	0
Soybean (litre)	Tk 168-Tk 175	0.88 ↑	10.65 ↑
Potato (kg)	Tk 22-Tk 25	23.68 ↑	30.56 ↑
Onion (kg)	Tk 30-Tk 40	0	16.67 ↑
Egg (4 pcs)	Tk 42-Tk 45	0	27.94 ↑
SOURCE: TCB			



Md Habibur Rahman, managing director of Standard Bank, exchanged signed documents of an agreement with Chowdhury Liakot Ali, director of the Sustainable Finance Department of Bangladesh Bank, at the BB headquarters in Dhaka last month over disbursing loans for export-oriented and production-based industries from a Tk 5,000 crore "Green Transformation Fund" of the central bank.

PHOTO: STANDARD BANK



Ala Uddin Ahmad, chief financial officer of MetLife Bangladesh, and Md Mosharraf Hossain, executive vice-president of Dutch-Bangla Bank, exchanged signed documents of an agreement over payment convenience through Rocket app at the latter's head office in Dhaka last month. Other senior officials were present.

PHOTO: METLIFE BANGLADESH



Mohammad Ashrafal Alam, chief operating officer of Aarong, cuts a ribbon to inaugurate an outlet of the lifestyle retail chain at City Centre on Boro Kalibari Road in Tangail Sadar yesterday.

PHOTO: AARONG

Challenges that could persist

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Private investment had been stagnant at around 23 to 24 per cent of GDP for about a decade before the pandemic, as a shortage of skilled labour, opaque regulations, and limited credit availability outweighed discretionary government incentives.

"The incentive to defer investment has increased with rising global uncertainty, higher capital goods prices, an unpredictable domestic foreign exchange regime, energy shortages, and political uncertainty ahead of upcoming elections," said the WB.

Higher inflation puts poverty gains at risk.

Lower income households, already impacted by the two years of the pandemic, are struggling to make ends meet, as evident from the long queues formed when the Open Market Sales trucks are on the street to distribute low-priced essentials.

Inflation momentum may ease with favourable base effects from the first half of FY24 and some cooling in international commodity prices with slower growth in advanced economies.

EXPORT CONTINUES TO FACE PRESSURE

The export boom of the last two years has benefited from pent-up demand globally as countries eased Covid-19 policy restrictions. However, the global economy is slowing, particularly with challenging financial sector conditions in Europe and the United States, the two largest markets for Bangladesh.

"The rising risk of a global growth recession would exert downward pressure on Bangladesh's exports," said the WB.

Earnings from merchandise export fell by 2.49 per cent year-on-year to \$4.64 billion in March as demand from key markets in the West declined amid high inflation and a slowdown in the economies, according to the

Export Promotion Bureau.

However, overall earnings grew 8 per cent year-on-year to \$41.72 billion in the July-March period of the current fiscal year 2022-23.

The WB said Bangladesh benefited from a diversion of export orders from China, particularly in the European market.

"Going forward, upsides are contingent on Bangladesh's ability to maintain export market share and take advantage of recession-induced shifts in preferences in advanced economies towards low-value apparels, electronics, and light engineering products."

VULNERABILITY OF REMITTANCE FLOWS

Official remittance flows are vulnerable to administered exchange rate policies and illicit capital outflows. A surge in labour migration and a substantial depreciation of the taka have so far not made a visible impact on the monthly size and variability in formal remittance inflows.

The WB said formal remittances suffered a setback with the introduction of the complex multiple exchange rate regime in mid-September 2022. A persistent gap between official and parallel market rates has disincentivized the use of official channels.

"On the other hand, demand for dollars in the informal markets has regained momentum. Capital flight can result in higher demand for informal remittance flows, in the context of formal sector capital restrictions."

EXTERNAL PRESSURE TO REMAIN ELEVATED

The current account deficit is expected to narrow to 2.1 per cent of GDP in FY23 from 4 per cent of GDP in FY22, as imports normalise with the moderation of commodity prices and exports grow modestly.

Short-term financing flows have contracted. Together with delays in the repatriation of export earnings and lower medium- and long-term government borrowing,

this has limited financial account inflows, although disbursements are expected to rise in the last quarter of FY23 with budget support from development partners.

FISCAL DEFICIT PROJECTED TO RISE

The fiscal deficit is projected to rise to 4.4 per cent of GDP in FY23, narrowing over the medium term.

In the near-term, revenue growth is expected to remain tepid as a result of declining imports. Over the medium term, revenues will rise with increasing trade, improving domestic economic activity, higher incomes, and ongoing efforts to strengthen tax administration.

Public expenditure is expected to match the rapid pace of GDP growth. The GDP growth is projected to decelerate to 5.3 per cent in the current financial year.

Subsidy expenditure is expected to rise in the near term, modestly widening the deficit in FY23. Over the medium term, growth in subsidy expenditures will be contained by pricing reforms.

Capital expenditure on infrastructure megaprojects is expected to keep pace with GDP growth. Over the longer term, rising public expenditure requirements to meet infrastructure needs, mitigate climate vulnerabilities, and accelerate human capital will require additional domestic revenues.

The multilateral lender said Bangladesh is facing near-term risks in sustaining economic growth, reining in inflation, and reducing the current account deficit without being disruptive to the supply side. "Relatively low external indebtedness and vaccination success enabled the economy to restart swiftly. However, the policy responses to mitigate external imbalances have so far been inadequate."

The uncertain availability of foreign currencies is an impediment to business development, as much as the

price of foreign currencies and the level of interest rates. These may compound the effect of costlier imports and weaken the taka further.

Contingent liabilities from high non-performing loans and insufficient capital in state-owned banks, as well as any recapitalisation of or facilitation of resolution processes for privately-owned financial institutions, could result in higher domestic debt.

"Finally, the fiscal deficit could rise unexpectedly in the run-up to the general election in January 2024 if additional spending measures are adopted or policy reform implementation is deferred."

WHAT BANGLADESH DO

The demand and supply side austerity measures introduced in response to a widening balance of payments (BoP) deficit slowed growth in attempts to relieve pressure on forex reserves and the exchange rate. Tariff hikes and import controls are blunt instruments with costly unintended consequences for investments, exports, and GDP growth.

"A better approach would be to minimise reliance on price and quantitative controls and instead use market-based monetary, fiscal, and structural policy instruments. An orderly approach is a prerequisite to avoid unnecessary adjustment costs that risk continuity along the long-term growth path," said the WB.

"Enhancing monetary policy would enable inflation targeting and support financial stability. Monetary policy needs to be fully dedicated to reining in inflation through interest rate channels."

Addressing banking sector vulnerabilities could strengthen financial intermediation and adoption of a market determined single, flexible exchange rate would reduce distortions and strengthen the external position, according to the report.