DHAKA WEDNESDAY MAY 10, 2023, BAISHAKH 27, 1430 BS ● starbusiness@thedailystar.net

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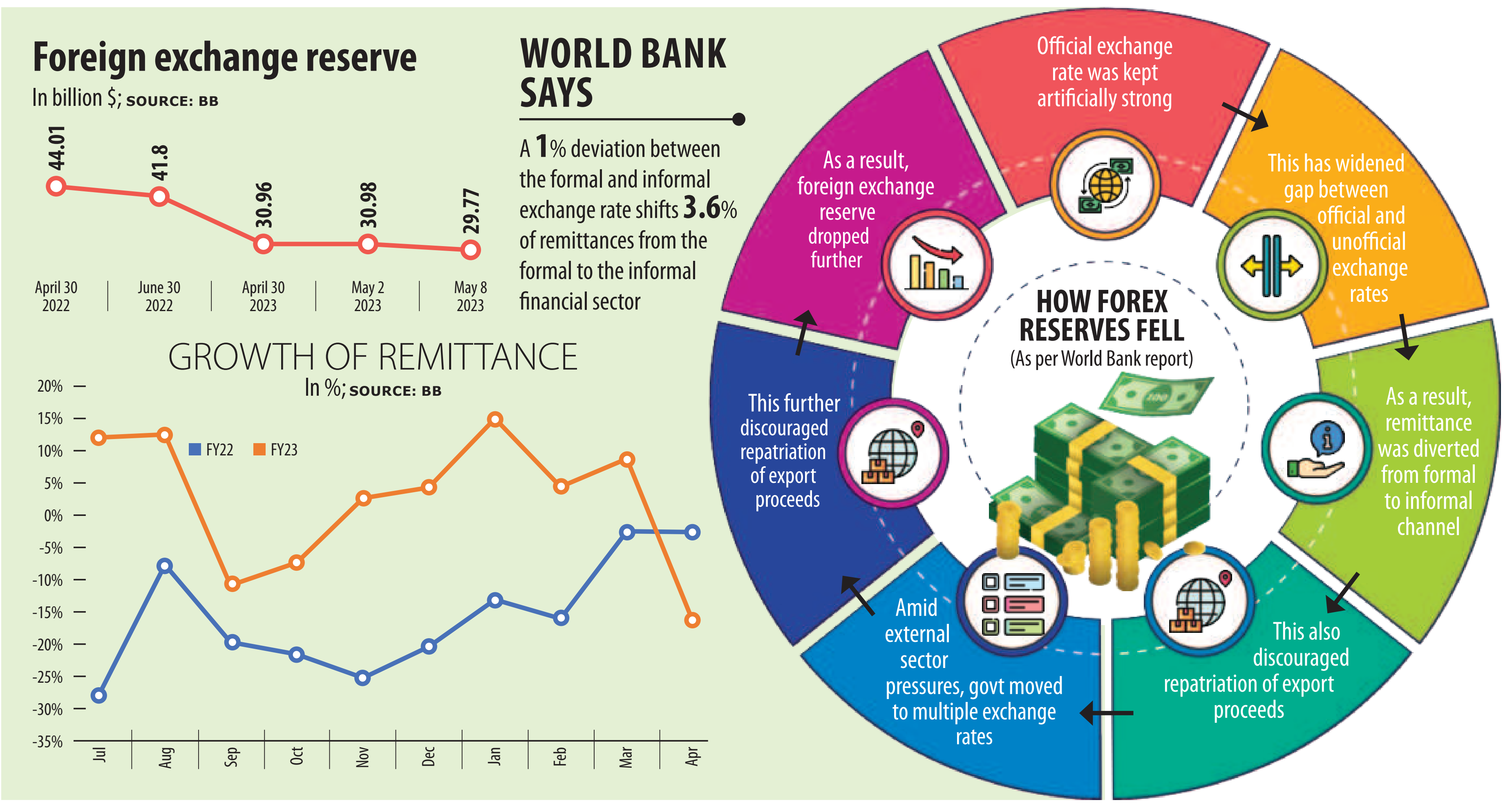

Wide gap in formal-informal exchange rates led to forex reserve slide: WB

STAR BUSINESS REPORT

A wide gap in formal and informal exchange rate has been one of the factors behind the sharp fall in the foreign exchange reserves in Bangladesh as it shifts remittances from official channels to unofficial routes and impedes repatriation of export proceeds, said the World Bank.

The observation comes as the country's foreign exchange reserves dropped 29.45 per cent to $29.77 billion in a span of one year owing to higher import bills against moderate export and remittance earnings, Bangladesh Bank data showed.

"The widening of the exchange rate gap and the uncertainty about exchange rates, in general, diverted remittance inflows away from official channels, especially as remitters can obtain more favourable market rates through unofficial channels," the WB said in a report.

In Bangladesh, a one-per cent deviation between the formal and informal exchange rate shifts 3.6 per cent of remittances from the formal to the informal financial sector, said the multilateral lender's latest regional economic update titled "Expanding Opportunities: Toward Inclusive Growth."

On the subject, a two-day conference began in Dhaka yesterday. The Brac Institute of Governance and Development (BIGD) and the WB jointly organised the event at the Brac Centre Inn.

According to the report, interventions in the foreign exchange market and declining official remittance inflows have reduced foreign reserves in most countries.

As countries sold US dollars to stabilise the exchange rate, the move brought down the level of reserves. The decline in official remittance inflows and export proceeds put further downward pressure on the reserves of the countries.

The report said as the official exchange rate was set at an artificially strong level that is inconsistent with the market, the gap between the interbank and the informal market widened in Bangladesh.

In 2021-22, external sector pressures rose due to rising commodity prices, a strengthening US dollar, sharp increases in imports, and declining official remittance inflows.

In response, the BB sold US dollars, which drew down foreign reserves. To address the mounting pressures, the central bank floated the exchange rate in June last year.

The policy led to a rapid exchange rate depreciation of 11 per cent against the US dollar. As a result of the reversal, the gap between official and unofficial exchange rates widened in August, which depleted foreign exchange liquidity in banks.

The taka has lost its value by about 25 per cent against the US dollar in the last year.

In September last year, Bangladesh moved to a multiple exchange rate regime with a less favourable rate for export proceeds than for remittances. The policy further discouraged exports and the repatriation of proceeds.

The rate has varied between as low as Tk 99.6 to as high as Tk 107 per USD so far.

Because of the gap between the exchange rates for imports and remittances, importers have incentives to over-invoice imports to buy more US dollars from banks and send the profits back as remittances. This rate arbitrage leads to a further decline in US dollar liquidity in banks, the report said.

"Parallel exchange rates discouraged the inflow of foreign currencies."

The report also talked about the asset quality of the banking sector, saying the asset quality of banks deteriorated.

"The NPL ratio has risen due to higher import costs, poor payment discipline of borrowers, and weak regulatory enforcement."

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Bangladesh cuts import reliance for lifesaving vaccines

JAGARAN CHAKMA

Bangladesh has cut its reliance on the global markets for lifesaving vaccines as a number of local manufacturers are producing quality jabs, saving a significant volume of foreign currencies, industry people say.

Currently, Bangladesh is almost self-sufficient in manufacturing regular and specialised vaccines thanks to the efforts of local manufacturers.

Three local pharmaceutical companies -- Incepta Pharmaceuticals, Popular Pharmaceuticals and Globe Biotech -- are involved in the manufacturing of more than 14 types of vaccines, including those for antivenom, Hepatitis B, inactivated influenza, rabies, tetanus and typhoid.

SM Shafiuzzaman, secretary-general of the Bangladesh Association of Pharmaceutical Industries (Bapi), says the dependency on the overseas markets for vaccines has reduced in the last one decade as local manufacturers produce quality products.

Md Ayub Hossain, additional director-general of the Directorate General of Drug Administration (DGDA), echoed Shafiuzzaman.

> **The dependency on the overseas markets for vaccines has reduced in the last one decade as local manufacturers produce quality products**
>
> **SM Shafiuzzaman**
> Secretary-general of Bapi

Both the government and entrepreneurs have given efforts to develop vaccines and reduce import reliance over the decade, said Hossain.

Incepta is the pioneer in vaccine production and has the capability to manufacture 50 crore doses of vaccines every year.

"Bangladesh is about to become self-sufficient in manufacturing vaccines thanks to the efforts of pharmaceutical companies and the government's policy support," said Abdul Muktadir, chairman and managing director of Incepta Pharmaceuticals.

The pharma giant produces 14 types of vaccines at its plant and has its own research and development wing to develop vaccines.

"We have four vaccines in the pipeline, including one for treating pneumonia in children," Muktadir said.

He says vaccine manufacturing is time-intensive and requires higher investments. "But the return comes slowly, so manufacturers do not feel interested in investing in vaccine manufacturing."

The entrepreneur, however, hopes some companies will enter the vaccine manufacturing segment in the future.

Popular Pharmaceuticals have been manufacturing four types of human vaccines since 2011 to treat tetanus, rabies, Hepatitis B, and human papillomavirus. It has a manufacturing capacity of producing 5 lakh doses of shots per month.

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Banks asked to display hotlines properly

STAR BUSINESS REPORT

Bangladesh Bank yesterday asked banks to display their respective hotline in a noticeable place in all branches and sub-branches such that customers can submit allegations to authorities concerned to resolve their problems.

Banks have also been instructed to display Bangladesh Bank's hotline of 16236 in a similar way so that clients can submit their allegations to the central bank.

The hotline will have to be tagged with the complaint boxes, which have been set by all banks, according to a BB notice issued yesterday.

The banking regulator said telephonic communication was playing an important role in widening digital banking. Such type of communication is an effective channel to ensure improved banking and resolve complaints.

A BB official said banks would have to give more importance to improving telephonic communication so that clients can resolve their problems while availing banking services efficiently.

Under such a situation, the central bank issued the notice to boost telephonic communication.

Sugar prices recently reached a record high, going for as much as Tk 142 per kg at retail. Considering the needs of low-income people, the government is set to import 12,500 tonnes of the sweetener for sale at subsidised rates. The photo was taken from a shop in Khulna city last night. PHOTO: HABIBUR RAHMAN

> **The buying price of each kg sugar will be Tk 82.94 and each litre of soybean oil will be Tk 146.10**
>
> **Sayeed Mahbub Khan**
> Additional secretary of Cabinet Division

Govt buying sugar, edible oil to sell at subsidised rates

STAR BUSINESS REPORT

The government will procure 12,500 tonnes of sugar and 1.10 crore litres of soybean oil from foreign markets so that low-income groups in Bangladesh can buy the commodities at subsidised rates, according to Sayeed Mahbub Khan, additional secretary of the Cabinet Division.

The Trading Corporation of Bangladesh (TCB) will procure the sugar from a local agent of Smart Matrix Pte Limited in Singapore while the soybean oil will come from Guben Traders Private Limited in India.

The move comes as global inflationary pressure stemming from global crises, namely the Russia-Ukraine war, has driven up domestic prices of edible oil and sugar.

A meeting of the Cabinet Committee on Government Purchase (CCGP) yesterday approved separate proposals for procuring the essential food items with Finance Minister AHM Mustafa Kamal in chair.

The price of each kilogramme (kg) sugar will be Tk 82.94 and each litre of soybean oil will be Tk 146.10, Khan told reporters after the meeting.

Sugar prices recently rose to a record high at wholesale and retail markets in Dhaka and Chattogram due to an ongoing supply crunch.

The sweetener is currently selling for Tk 135 to Tk 142 per kg even though the government had set the price at Tk 104 about one month back.

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STOCKS

DSEX ▲	CASPI ▲
0.19%	0.15%
6,273.59	18,504.14

COMMODITIES

Gold ▲	Oil ▼
$2,031.21 (per ounce)	$72.43 (per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
Flat	▲ 1.01%	▼ 0.45%	▼ 1.10%
61,761.33	29,242.82	3,242.95	3,357.67