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Financial account deficit goes past \$2b

AKM ZAMIR UDDIN

The deficit in Bangladesh's financial account widened further in the first nine months of the ongoing fiscal year, an indication that the current instability in the foreign exchange market will continue in the coming months.

A financial account is a component of a country's balance of payments (BoP) that covers claims or liabilities to non-residents concerning financial assets. Its components include foreign direct investment, medium and long term loans, trade credit, net aid flows, portfolio investment, and reserve assets.

Between July and March of 2022-23, the financial account registered a deficit of \$2.21 billion in contrast to a surplus of \$11.92 billion a year ago, data from the Bangladesh Bank showed. The deficit was \$1.97 billion in July-February.

Historically the financial account of Bangladesh has experienced a surplus almost every year.

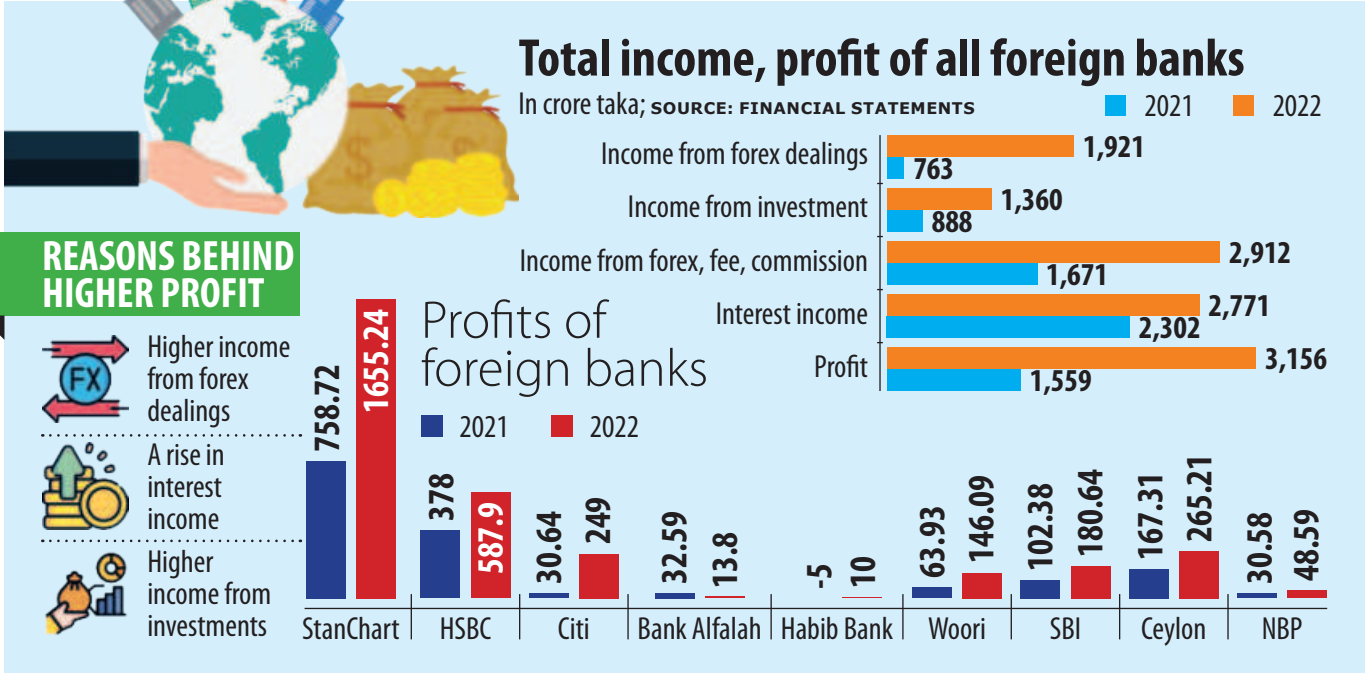
For example, it was \$944 million in FY16, \$4.25 billion in FY17, \$9.01 billion in FY18, \$5.13 billion in FY19, \$7.54 billion in FY20, \$14.07 billion in FY21, and \$13.67 billion in FY22, according to the World Bank data.

Economists say although the deficits in both trade and the current account narrowed substantially between July and March, the foreign exchange reserves will continue to face stress in the days ahead owing to the large deficit in the financial account.

The reserves stood at \$30.36 billion on Tuesday in contrast to \$42.20 billion in May last year, a decrease of 28 per cent year-on-year.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, says that the large deficit

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Foreign banks' forex income soars

AHSAN HABIB

The earnings of foreign banks operating in Bangladesh rocketed in 2022 buoyed by their incomes from the dealings of international currencies.

The income from foreign exchange dealings, particularly sales, surged 151 per cent year-on-year to Tk 1,921 crore for the nine multinational banks that have a presence in the country.

The income was fuelled by the depreciation of the taka against the US dollar that affected import costs but benefitted exporters.

The taka has been under pressure for nearly a year



after the Russia-Ukraine war-induced fallout sent the prices of commodities higher. As a result, import-dependent nations such as Bangladesh were forced to pay more to clear import bills.

The foreign banks' profit and loss reports were

dominated by investment income and income from commissions and charges while interest income grew marginally.

Local banks normally depend on their core business of gaining interest from lending.

The foreign banks disclosed their financial reports recently.

The reports showed that their total profit surged 102 per cent year-on-year to Tk 3,156 crore in 2022.

"The foreign banks' cost of funds and operation is low, so they can log hefty profits every year," said Salehuddin Ahmed, a former governor of the Bangladesh Bank.

"Due to their bright global images and practice of quick delivery of services, the banks are preferred by entrepreneurs for international trade."

Ahmed said people also want to keep funds with the banks even though the deposit rate is low.

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Forex reserves cross \$30b

STAR BUSINESS REPORT

After a continuous fall in recent months, Bangladesh's foreign currency reserve rose slightly yesterday after an injection of \$507 million as the budget support from the World Bank, officials said.

The reserve rose to \$30.36 billion from \$29.77 billion two days ago, according to the central bank's latest statistics. This means the reserves have fallen by about 28 per cent from the \$42.20 billion seen in May last year.

The reserves have been under strain for months due to higher imports against the lower-than-expected export earnings and remittances. It slipped below \$30 billion after making routine payments of \$1.18 billion to the Asian Clearing Union (ACU) against the imports for March-April.

The ACU is an arrangement through which participating countries settle import payments for intra-regional transactions.

The fund from the WB came after Bangladesh signed a deal with the multilateral lender on April 29.

The disbursement of the fund has helped improve the reserve situation, albeit slightly, and gave some breathing space to the country, which

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ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.29%	▼ 0.41%	▼ 0.02%	▼ 1.15%
61,940.20	29,122.18	3,242.29	3,319.15



Farmers use umbrellas to seek some shelter from the sweltering heat as they harvest coriander at Shahnagar village under Bogura's Shajahanpur upazila on Tuesday.

PHOTO: MOSTAFA SHABUJ

Heat wave hits summer vegetables

MOSTAFA SHABUJ and SOHEL PARVEZ

The heat wave sweeping over large parts of the country is hampering growth and flowering of vegetables, reducing supplies and leading to consumers being forced to dole out more in their purchases.

Take the case of Bogura, one of the major vegetable producing districts. Farmers in the northwest district said many of them could not grow and harvest vegetables properly, which was hampering supply of the perishables to the market.

Many of them are having to opt for irrigation in the fields as a drought-like situation is preventing the cultivation of the greens, according to data by the Department of Agricultural Extension (DAE).

Farmers cultivated summer vegetables on around 6,500 hectares of land in the district in 2022. This year, the area used has reduced to nearly 4,500 hectares.

Nationally, farmers have so far grown summer vegetables on 2.96 lakh hectares until May 7 this year against a target of 3.66 lakh hectares.

Farmers were not able to prepare

the land for a lack of rain and are still having to do with delayed rains, said Farid Uddin, sub-assistant agriculture officer at the DAE's Bogura office.

Abdul Mannan, a farmer of Shahnagar village of Bogura's



Due to excessive heat and a lack of rain, plants did not grow well. I have to irrigate every two days, so the cost has increased.

Abdul Mannan
A farmer from Bogura

Shajahanpur upazila, planted bitter gourds on 20 decimals of land.

"But due to excessive heat and a lack of rain, the plant did not grow well. I have to irrigate every two days, so the cost has increased," he said.

Farmers are attempting to grow pointed gourd, bitter gourd and yardlong beans but their leaves are

curling due to a lack of rain, said Zahir Uddin, another farmer at Baro Pathar village of the same upazila.

"The yield we are getting is half of what we got the previous year," he said. Several farmers in other districts, namely Habiganj, Dhaka and Manikganj, echoed Zahir.

Growers said the temperature rises during summer but the extent of heat was higher this year and this was affecting plant growth.

Normally, according to farmers, they do not have to irrigate their vegetable fields during this time as it rains.

"This time it has to be irrigated a lot. The yield is halving and the cost is doubling. The top of the plant is drying up in the heat. Even the water is not working," said Atiqul, another farmer of Bogura.

Md Kobbad Ali, a farmer in Savar of Dhaka district, said the heat wave came about from the first week of last month.

"We did not feel such hot temperatures in the past," he said, adding that the heat wave stymied the growth of crops. "We are getting smaller sized crops," he added.

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