DHAKA THURSDAY MAY 18, 2023, JAISHTHA 4, 1430 BS ● starbusiness@thedailystar.net

Star BUSINESS

Govt keeps borrowing big amounts from BB

AKM ZAMIR UDDIN

The government has kept borrowing a hefty amount of funds from the Bangladesh Bank as commercial banks are unable to meet the financing requirement of the state because of the liquidity crunch.

Between July 1 and May 10 this fiscal year, the government borrowed Tk 67,906 crore from the central bank, BB data showed. It borrowed Tk 31,403 crore from the BB in the entire previous fiscal year.

"Borrowing from the central bank means an injection of money into the market," said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

"It will put an adverse impact on inflation and the balance of payments (BoP)."

Owing to the fund injection, the volume of notes and coins in circulation is increasing. In Bangladesh, this money can multiply by as much as five times, according to a number of central bankers.

"So, the Tk 67,906 crore borrowed by the government may end up being Tk 339,530 crore. The extra money in the hands of people will create additional demand for goods, which, will in turn drive up prices," Mansur said.

Inflation fell slightly to 9.24 per cent in April after the Consumer Price Index jumped to a seven-month high of 9.33 per cent in March. It was 6.17 per cent in February last year.

The injection of a large amount of money will also bring about a negative impact for the BoP, said Mansur, also a former official of the International Monetary Fund.

READ MORE ON B3

MAJOR TARGETS IN BUDGET FOR FY23

GDP GROWTH
Initial target **7.5**%
Revised target **6.5**%
Now estimated provisional growth **6.03**%

ADP
Initial spending target Tk **2.56** lakh crore
Revised target Tk **2.36** lakh crore
Execution as of April Tk **1.19** lakh crore

AVERAGE INFLATION
Initial target **5.6**%
Revised target **7**%
Average as of April **8.64**%

REVENUE COLLECTION
Initial target Tk **370,000**cr
Revised target Tk **330,000**cr
Collected Tk **247,390**cr in Jul-Apr

SOURCES: IMED, BB, FINANCE MINISTRY

Due to the weakness in the macroeconomic policy, the government had set the targets without acknowledging the reality.
Mustafizur Rahman
Distinguished fellow of CPD

WHAT SHOULD BE DONE?
- Stabilise macro economy
- Give subsidy to sectors that need the most
- Expand social safety net programmes
- Speed up foreign-funded projects

WHY TARGETS WERE MISSED?
(As per experts)
- No special measures were taken
- Global crisis was not reflected in steps taken
- Lack of structural changes
- Persisting challenges
- Lack of proper policy measures

Major targets of current budget still unmet

MD ASADUZ ZAMAN

The government is far away from achieving the major targets set for the current fiscal year when the national budget was unveiled in June last year, owing to its failures to assess the global scenario before fixing the goals, experts said.

The major targets that the government might miss at the end of 2022-23 include gross domestic product (GDP) growth, inflation, revenue and annual development programme (ADP).

Initially, the government set a 7.5 per cent GDP growth target. Later, the target was revised downwards twice, cutting it to 6.5 per cent owing to the continuing stress in the economy stemming from the dragging fallout of the coronavirus pandemic and the Russia-Ukraine war.

The GDP is estimated to have grown by 6.03 per cent in FY23, said the Bangladesh Bureau of Statistics (BBS), which arrived at the figure on the basis of the data of the first half of FY23.

The estimate is, however, higher than the projection made by the World Bank, the International Monetary Fund and the Asian Development Bank.

The government has also not been able to rein in the rising trend of inflation in the last 10 months.

It had targeted to keep the average inflation within 5.6 per cent in FY23 and it was revised upwards to 7 per cent as consumer prices surged owing to the war-induced disruption in the international commodity market and the global energy crisis.

The Consumer Price Index averaged 8.64 per cent as of April, BBS data showed.

The government's revenue collection target is also set to be missed.

The National Board of Revenue was given a task to raise Tk 370,000 crore in FY23. It collected Tk 247,390 crore in the 10 months to April, which was 67 per cent of the target.

This means taxmen will have to collect Tk 122,600 crore in the remaining two months of the year, which is ending in June.

If the NBR misses the target, it would be the 11th consecutive year that the revenue goal will remain unachieved.

The situation is the same regarding the implementation of the development budget: Tk 119,064 crore was spent in July-April against the revised target of Tk 236,560 crore, which accounted for half of the target.

MA Razzaque, research director of the Policy Research Institute of Bangladesh, described the targets on GDP growth, inflation, revenue collection and ADP spending as the "heart" of the national budget.

"But so far, we have been in the slow lane when it comes to attaining the goals," he said.

He said 2022-23 has been a very difficult year for Bangladesh and the budget was formulated at a time when the impacts of the pandemic were still significant and the war in Ukraine was raging.

READ MORE ON B3

Nagad Finance gets NBFI licence

STAR BUSINESS REPORT

Bangladesh Bank yesterday issued a licence for Nagad Finance PLC to provide services as a non-bank financial institution (NBFI) in the country's financial sector.

Nagad Ltd, which currently operates the mobile financial service (MFS) window of the Bangladesh Post Office, also plans to roll out an MFS under the new NBFI.

The MFS will act as a subsidiary of Nagad Finance with 51 per cent of its shares to be held by the NBFI while the rest will be owned by existing directors of Nagad Ltd.

A central bank official said Nagad Finance would have to take prior approval from the BB to roll out the MFS.

Contacted, Tanvir A Mishuk, managing director of Nagad Ltd, said the new NBFI would begin its journey on July 1 this year. Mishuk will serve the NBFI as a director on its board.

He said the NBFI would mobilise deposits from underprivileged persons by rolling out different savings schemes.

For instance, people will be able to keep small-scale deposits on a daily basis at the NBFI, which will help to create the habit of saving among the masses.

Similarly, the NBFI will also disburse loans among people of the low-income group at a single-digit interest rate.

Straw left over after the threshing of paddy being taken to the market for sale at Madhobkathi village in Khulna's Dumuria upazila. There are many uses of straw such as a cattle feed additive and for thatching, mushroom cultivation and composting. Each bundle of straw sells for Tk 3 to Tk 5. The photo was taken yesterday.

PHOTO: HABIBUR RAHMAN

Import of manmade fibre surges amid rising demand

REFAYET ULLAH MIRDHA

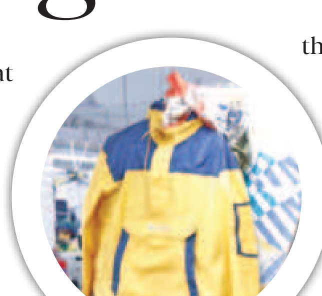
Imports of manmade fibre (MMF), such as polyester staple fibre (PSF) and viscose staple fibre (VSF), are surging in Bangladesh due to higher demand from local garment makers and exporters.

In 2022, local spinners imported 1.10 lakh tonnes of PSF at a cost of about Tk 1,243 crore. The year before, some 1.34 lakh tonnes of PSF were imported for around Tk 1,280 crore.

Between January and April of the current year, Bangladesh imported 30,653 tonnes of PSF worth roughly Tk 330 crore, according to data from the Bangladesh Textile Mills Association (BTMA).

Similarly, the country imported 92,898 tonnes of VSF worth about Tk 1,734 crore last year, up from 73,230 tonnes for Tk 1,265 crore in 2021, the data shows.

In the first four months of 2023, a total of 48,431 tonnes of VSF worth Tk 931 crore were imported.



The BTMA suggests that MMF imports have risen as local garment makers are increasing the production of non-cotton garment items in a bid to get better prices and grab a bigger share of the global market for this segment.

Moreover, prices of MMF are lower than cotton, said Monsoor Ahmed, additional director of the BTMA, which is a platform for the primary textile sector.

The demand for clothing has increased a lot in line with the global supply chain's recovery from the Covid-19 pandemic and so, the price of cotton has also gone up in international markets.

As a result, local manufacturers started increasing their MMF imports, he said, adding that MMF-based garment items fetch better prices than their cotton-based counterparts.

Ahmed also said the MMF sector has witnessed a surge in investment over the past three or four years because of the rise in demand from local garment suppliers.

For example, investment in the MMF sector currently stands at nearly $2.5 billion while it was nothing five years ago.

At present, there are six dedicated MMF textile mills in operation while others are waiting to begin production.

Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), said local production of MMF-based yarn and fabrics has increased a lot over the last two years.

READ MORE ON B3

Govt to import 12,500 tonnes of refined sugar

STAR BUSINESS REPORT

The cabinet committee on government purchase yesterday approved a proposal to import 12,500 tonnes of refined sugar.

The committee gave the approval for state-run agency Trading Corporation of Bangladesh (TCB) to purchase the refined sugar from Virginia-based company Accenture Technology for Tk 66.27 crore.

Being bought under international open tender, each kilogramme is costing Tk 82.85, Sayeed Mahbub Khan, additional secretary of the cabinet division, told journalists after the meeting.

Meanwhile, the meeting also approved three proposals of the Ministry of Industries and four proposals of the Ministry of Agriculture over the purchase of different fertilisers.

Of them, 30,000 tonnes of urea fertiliser will be purchased from Karnaphuli Fertilizer Company Limited for Tk 120.3 crore and another 30,000 tonnes from SABIC Agri-Nutrients Company of Saudi Arabia for Tk 106.25 crore.

For Bangladesh Agricultural Development Corporation, around 40,000 tonnes of di-ammonium phosphate (DAP) fertiliser will be bought from Maaden in Saudi Arabia for Tk 229.33 crore, 50,000 tonnes of muriate of potash fertiliser from Canadian Commercial Corporation for Tk 225.23 crore and 30,000 tonnes of triple superphosphate fertiliser from OCP of Morocco for Tk 126.57 crore.

Another 40,000 tonnes of DAP fertiliser will be bought from the same Moroccan company for Tk 233.42 crores while for TSP Complex Limited Chittagong, 10,000 tonnes of phosphoric acid will be purchased from United Arab Emirates for Tk 60.90 crore.

Baggage tax on gold likely to be same as import

MOHAMMAD SUMAN, *Ctg*

The National Board of Revenue (NBR) is planning to increase the amount of tax payable for gold brought in under baggage rules in order to encourage legal import of gold and use of legal channels for remittance transfers.

Sources in the NBR believe most of the gold being brought into the country in this manner were an intentional attempt at bypassing higher import taxes and at smuggling the gold to neighbouring countries.

Moreover, it was part of the hundi process, a cross-border money transfer method that bypasses the legal banking system.

Under the upcoming Baggage Rule-2023, a passenger will have to pay Tk 40,000 in tax for each gold bar (weighing approximately 116 grams), which is double that currently payable.

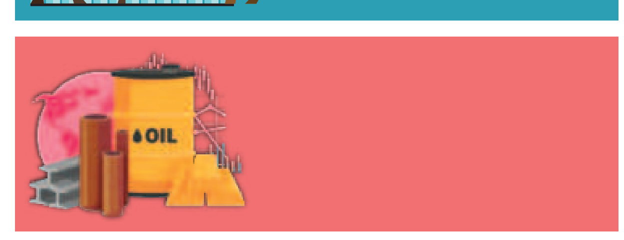
Under the existing law, a passenger can bring two gold bars (up to 234 grams). Anything extra is acceptable through the payment of a fine. The new rule would enable confiscation of anything extra or undeclared.

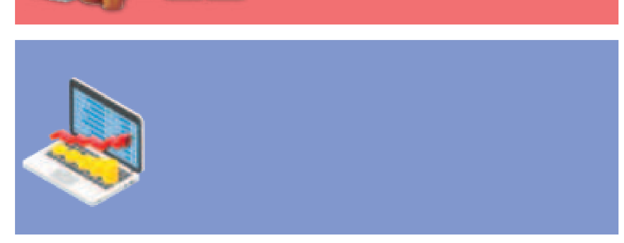
This change, to be proposed in the upcoming budget, is being made based on the recommendations of the Customs Intelligence and Investigation Directorate (CIID) and customs officials concerned.

"Intelligence agencies found evidence that gangs are smuggling gold to neighbouring countriesusing the facility," a top NBR official told The Daily Star on condition of anonymity

"As a result, this law is to be implemented as soon as possible from next June-July," said the official.

READ MORE ON B2





US default could trigger recession

Treasury secretary says

REUTERS, *Washington*

US Treasury Secretary Janet Yellen on Tuesday warned that a default on government debt would likely leave millions of Americans without income payments, potentially triggering a recession that could destroy many American jobs and businesses.

Yellen told a gathering of community bankers that the unprecedented economic and financial crisis would be exacerbated by possible disruptions to the federal government's operations, including air traffic control, law enforcement, border security and national defense, and telecommunications systems.

The accompanying financial crisis could multiply the severity of the downturn, she said in remarks prepared for delivery, adding, "It is very conceivable that we'd see a number of financial markets break - with worldwide panic triggering margin calls, runs and fire sales."

Yellen said the standoff over the federal debt limit is already driving borrowing costs higher and adding to the country's debt burden

Yellen on Monday told Congress the Treasury expects to be able to pay the US government's bills only through June 1 without a debt limit increase, heaping pressure on Republicans in Congress and the White House to reach a deal in coming days.

Failure to reach a deal would result in severe economic and financial consequences, she said.

"Our economy would suddenly find itself in an unprecedented economic and financial storm," she said, adding that 66 million Social Security beneficiaries and millions of veterans and military families would likely go unpaid. "And the resulting income shock could lead to a recession that destroys many American jobs and businesses," she said.

Yellen said the standoff over the federal debt limit is already driving borrowing costs higher and adding to the country's debt burden, and urged Congress to avoid the "eleventh-hour brinkmanship" over the debt ceiling in 2011 that led to the first-ever downgrade of the US credit rating.

"Time is running out. Every single day that Congress does not act, we are experiencing increased economic costs that could slow down the US economy," Yellen said in remarks to the Independent Community Bankers of America.

"The US economy hangs in the balance. The livelihoods of millions of Americans do too. There is no time to waste.

Congress should address the debt limit as soon as possible."

Towhid Samad, chairman of Bangladesh General Insurance Company, handed over a full claim settlement cheque to a fire ravaged Bangabazar shop owner, who is a client of Islami Bank Bangladesh Ltd, at the insurer's head office in Dhaka recently. Officials from both the insurer and the bank were present. PHOTO: BANGLADESH GENERAL INSURANCE COMPANY

MHM Fairoz, managing director of Singer Bangladesh Ltd, and Arefin Shuvo, an actor and model, exchanged signed documents of an agreement at a programme held at Singer's corporate office in Dhaka recently. High officials from Singer Bangladesh and their creative agency Mighty Byte were present. PHOTO: SINGER BANGLADESH

Nazeem A Choudhury, deputy managing director of Prime Bank, and Mohammad Fawaad, director of operations at Crowne Plaza Dhaka Gulshan, exchanged signed documents of a memorandum of understanding on discount offers and services at the latter's office in the capital recently. Masudul Haque Bhuiyan, head of cards and ADC of the bank, and senior officials from both organisations were present. PHOTO: PRIME BANK

Netherlands to support young entrepreneurs of Bangladesh

STAR BUSINESS REPORT

The Netherlands government has offered a new incubation programme for young entrepreneurs in Bangladesh to support them with business solutions along with skills, funding and resources.

This programme titled "Orange Corners Incubation Programme" in Bangladesh aims to support young, early-stage entrepreneurs to enable them to turn their smart ideas into sustainable businesses, according to a press release.

It is designed to build capacity of early-stage entrepreneurs through world-class training, funding opportunities of up to 50,000 Euros, and a global network to take their businesses to new heights through this initiative. Applications for the programme are open till early June 2023.

The top applicants will be invited to attend a selection boot camp in late June 2023, among which, teams with highest potential will be onboarded to the first cohort of the incubation programme in July 2023, with at least 50 per cent female representation to support women-led businesses in Bangladesh.

Orange Corners is a global initiative of the foreign ministry of the Netherlands, which supports young entrepreneurs across Africa, Asia and the Middle East to enable them to start and grow sustainable businesses.

Oil prices steady

REUTERS, *Tokyo*

Oil prices were steady on Wednesday after a surprise rise in US crude inventories stoked demand concerns as economic worries competed with a tighter supply outlook for later in the year.

Brent crude futures rose 19 cents, or 0.3 per cent, to \$75.10 a barrel. West Texas Intermediate US crude was up 20 cents or 0.3 per cent to \$71.06 at 1145 GMT. The International Energy Agency on Tuesday predicted demand would outpace supply by 2 million barrels per day (bpd) in the second half of the year, with China making up 60 per cent of oil demand growth in 2023.

PRICES OF KEY ESSENTIALS IN DHAKA CITY

	PRICE (MAY 17, 2023)	% CHANGES FROM A MONTH AGO	% CHANGE FROM A YEAR AGO
Fine rice (kg)	Tk 60-Tk 75	0	5.47 ↑
Coarse rice (kg)	Tk 46-Tk 50	1.5 ↑	3.23 ↑
Loose flour (kg)	Tk 55-Tk 60	1.77 ↑	36.9 ↑
Lentil (kg)	Tk 90-Tk 100	-2.56 ↓	-13.64 ↓
Soybean (litre)	Tk 180-Tk 185	6.41 ↑	-2.14 ↓
Potato (kg)	Tk 35-Tk 40	29.31 ↑	74.42 ↑
Onion (kg)	Tk 70-Tk 75	107.14 ↑	70.59 ↑
Egg (4 pcs)	Tk 47-Tk 50	11.49 ↑	22.78 ↑

SOURCE: TCB

Syed Waseque Md Ali, managing director of First Security Islami Bank, virtually inaugurates two sub-branches of the bank -- Badsha Mia Bazar sub-branch in Cumilla and Tanbazar sub-branch at Tanbazar in Narayanganj -- from the bank's head office in Dhaka yesterday. Among others, Abdul Aziz and Muhammad Mustafa Khair, additional managing directors, and Md Zahurul Haque and Md Masudur Rahman Shah, deputy managing directors, were present. PHOTO: FIRST SECURITY ISLAMI BANK

Dollar jumps, stocks waver

AFP, *London*

The haven dollar climbed and global stock markets wavered Wednesday as investors fretted over the slow progress of talks seeking to raise the US debt ceiling.

All eyes remain on Washington, where lawmakers remain deadlocked in negotiations to lift the country's borrowing limit to pay its debts and avert a market-rattling default.

The euro slid to \$1.0821, the lowest level since early April, in a broad dollar rally as the greenback benefitted from its status as a safe bet in times of economic turmoil.

Asian and European equities were handed a tepid lead from Wall Street, where disappointing retail sales data and weak Home Depot earnings highlighted soft consumer demand.

But analysts said the readings were unlikely to give the Federal Reserve room to pause its interest-rate hiking campaign yet.

Baggage tax on gold

FROM PAGE B1

The sources said all concerned, including the prime minister and finance minister, have provided policy support.

An NBR source said about 99,791 kilogrammes of gold bars worth Tk 87,500 crore were brought into the country through luggage in the last four years till 2022.

However, about 52 per cent, or at least 52,195 kg worth Tk 44,366 crore, was brought in 2022 alone.

The amount is also equal to three to four years' demand of the country, said the sources.

The government received about Tk 1,714 crore in duties from the gold in the last four years.

In 2018, the NBR allowed 18 companies to import gold but up until now only three have imported a nominal amount.

"Individuals bringing gold into the country under the baggage rules have to pay less in taxes than the ones importing gold for business," Mohammad Fakhrul Alam, director general of the CIID told The Daily Star.

"The smugglers are taking advantage of this facility...this is impacting our remittance inflow," he said.

"We sent some suggestions to the NBR to change the baggage rules. Besides, I have heard that some suggestions have been forwarded from other organisations and agencies. However, I still don't know what changes will be made," he added.

"The cost of importing gold is almost double that under the baggage rules. As a result, smugglers are using baggage rules to bring in gold," said Anwar Hossain, vice president of Bangladesh Jewellers' Association, told The Daily Star.

"Gold bars and jewellery worth around Tk 73,000 crore come to Bangladesh under baggage rules every year and most of this gold goes to neighbouring countries," he said.

"The money of the gold was supposed to be remitted by migrants but it arrives in the form of gold," he added.

The BASIS urged the government to allow tax-free imports of laptop and desktop computers as well as zero VAT on local software purchases. PHOTO: STAR/FILE

BASIS calls for long-term policy support

Suggests tax reductions in budget proposal for FY2023-24

National BUDGET FY2023-24

MAHMUDUL HASAN

Players in the ICT industry of Bangladesh have urged the government to adopt long-term policies, which include extending income tax exemption for the sector by six years and incentivising exports of IT-enabled services (ITES).

The Bangladesh Association of Software and Information Services (BASIS) recently submitted these demands to the National Board of Revenue, citing that such measures would help diversify the country's export basket and thereby combat the ongoing US dollar crisis.

In addition, BASIS urged the government for tax-free imports of laptop and desktop computers as well as zero VAT on local software purchases.

"We are in a new reality this year as the ongoing [Russia-Ukraine] war has disrupted much of the world, leading to the US dollar crunch in our country," said Russell T Ahmed, the president of BASIS.

"And with the government having announced its plans for Smart Bangladesh, we need these benefits and policy support to attract investment for the ICT sector," he added.

Ahmed went on to say that long-term policy commitments from the government are key in this regard.

"For example, the National Board of Revenue [NBR] mainly tries to meet its annual revenue target by any means, but we need sustainable policies in place of such practices," he said.

With income tax exemptions for 28 types of ITES companies scheduled to end by June 2024, BASIS urged the revenue authority to extend the benefit by about six years to 2030.

The government previously declared ICT as a priority sector in its policies and set the target of exporting $5 billion worth of the industry's products and services by 2025.

With this backdrop, BASIS said it is important to increase the cash incentive on exports of ITES services to 20 per cent considering how the existing 10 per cent incentive has already taken earnings from the sector to new highs.

BASIS made these demands in its budget proposals to the NBR for fiscal year 2023-24, beginning in July.

Bangladesh will lack the scope to offer cash incentives after graduating from a least developed country in 2026 and so, raising these benefits now would help explore new markets and thereby bring in more foreign currency.

Ahmed then said that as value addition in IT exports is almost 100 per cent while providers only need adequate equipment, the government should withdraw the VAT on laptops. The government imposed 15 per cent VAT on imported laptops for the current fiscal, taking the total taxation to over 30 per cent.

Coupled with other factors, such as the hike in global prices for digital devices, several people said the government's decision has significantly impacted sales as prices have risen by 50 per cent.

"Laptop sales dropped by 40 per cent after the imposition of VAT and a grey market has boomed. So, I think revenue collection from laptop imports should be stopped," said Ahmed Hasan, managing director of Ryans IT.

> With the government having announced its plans for Smart Bangladesh, we need these benefits and policy support to attract investment in the ICT sector.
>
> **Russell T Ahmed**
> President of BASIS

Earlier, people could buy a laptop with Tk 30,000 but now, they need Tk 50,000.

"VAT on laptops should be withdrawn as this would ultimately bring discipline to the market," he added.

BASIS President Ahmed said another crucial thing for the government is to withdraw the 15 per cent VAT on local software purchases and give a certain percentage of cash incentive to the buyers.

"This would save a huge amount of foreign reserves," he added.

Other demands of BASIS include reducing the corporate tax for internet service providers to 10 per cent, withdrawing duty from cyber security products, and forming a Tk 300 crore fund for women entrepreneurs in the ICT sector.

Since a huge amount of foreign software is imported every year and there is an ongoing US dollar crisis, the NBR should increase the customs duty so that imports reduce, according to AKM Fahim Mashroor, chief executive officer of bdjobs.com

"This will create an opportunity for locally-made software," he said.

Mashroor then said the VAT on mobile handsets should also be reduced as sales have fallen drastically with prices having risen in recent months.

"If common people cannot afford smartphones, the digital or Smart Bangladesh initiative will not be successful," he added.

The government imposed 5 per cent VAT on handset sales this year but this means that 15 per cent VAT is ultimately paid as there are three stages of sales, said Mohammad Mesbah Uddin, chief marketing officer of Fair Electronics, Samsung's local assembly partner.

The mobile manufacturing industry is facing a grave crisis as many people are now unable to buy devices due to price hikes.

"So, the VAT should be exempted in the upcoming budget," he added.

Global debt on the rise

Emerging markets cross $100tr mark

REUTERS, *New York*

A measure of debt across the globe rose in the first quarter to almost $305 trillion, and the rising cost to service that debt is triggering concern about the financial system's leverage, a widely tracked study showed.

The Institute of International Finance, a financial services trade group, said on Wednesday global debt rose by $8.3 trillion in the first three months of this year compared to the end of 2022 to $304.9 trillion, the highest since the first quarter of last year and second-highest quarterly reading ever.

"Global debt is now $45 trillion higher than its pre-pandemic level and is expected to continue increasing rapidly," said the IIF in its quarterly Global Debt Monitor.

After peaking near 360 per cent in 2021 the debt-to-output ratio has stabilized around 335 per cent, above pre-pandemic levels.

> **The Institute of International Finance said global debt rose by $8.3 trillion in the first three months of this year compared to the end of 2022 to $304.9 trillion**

Aging populations and rising healthcare costs continue to put spending pressure on governments, while "heightened geopolitical tensions are also expected to drive further increases in national defense spending over the medium term," wrote IIF researchers.

The report partly focused on the effects of last year's rapid rise in rates in some bank balance sheets.

"Although recent bank failures appear more idiosyncratic than systemic," the report said, "fear of contagion has prompted significant deposit withdrawals from US regional banks."

The IIF voiced its concern that tighter lending practices among smaller banks would hurt some businesses and households harder.

"Given the central role of regional banks in credit intermediation in the US, worries about their liquidity positions could result in a sharp contraction in lending to some segments."

The IIF also noted the growth of shadow banking, or credit intermediation from non-bank financials.

"Shadow banks now account for more than 14 per cent of financial markets, with the majority of growth stemming from a rapid expansion of US investment funds and private debt markets."

Specifically, the report mentioned the "large portion" of corporate debt held by life insurance companies, "raising concerns over their increased exposure to less liquid assets."

The report showed 75 per cent of the IIF's emerging market (EM) universe saw an increase in debt levels in dollar terms in the first quarter, with the overall figure crossing over $100 trillion for the first time. China, Mexico, Brazil, India and Turkey posted the biggest increases, the data showed.

IMF official sees 'sizeable' upside inflation risks

REUETRS, *Washington*

The International Monetary Fund's no. 2 official said on Wednesday she sees sizeable risks that inflation will remain high or accelerate in many emerging markets and urged central banks to keep monetary policies tight.

IMF First Deputy Managing Director Gita Gopinath told a conference hosted by the Central Bank of Brazil that markets were probably "too optimistic" about what it would take to bring down inflation in emerging markets.

"Despite encouraging signs, I am worried that price pressures seem entrenched in many economies and that upside inflation risks are sizeable," she said in remarks prepared for the event.

"Central banks must remain resolute in keeping policies tight and recognize that insufficient monetary tightening now may necessitate even more painful actions down the road," she said. That was a lesson learned from the high inflation period of the 1970s and it "very much applies today," Gopinath said.

She said fiscal restraint could support the fight against inflation by central banks and financial tools could improve tradeoffs in the event of pronounced financial stress, if judiciously used.

Gopinath said emerging market economies have maintained growth in recent years, helped by strong monetary policy frameworks and reforms that had lowered credit and currency risks.

But these countries still faced "considerable downside risks" from monetary policy tightening in advanced economies, and conditions may get "significantly worse," she said. Rate hikes in the United States, for instance, had come with still-benign conditions, but that could change in the period ahead, she said.

Gopinath said she was less optimistic than markets about lowering inflation in emerging markets, given that it had been unexpectedly high and persistent, and often rose faster than expected, she said.

Govt keeps borrowing

FROM PAGE B1

If money circulation rises, the demand for goods and services goes up, which pushes up imports, he said.

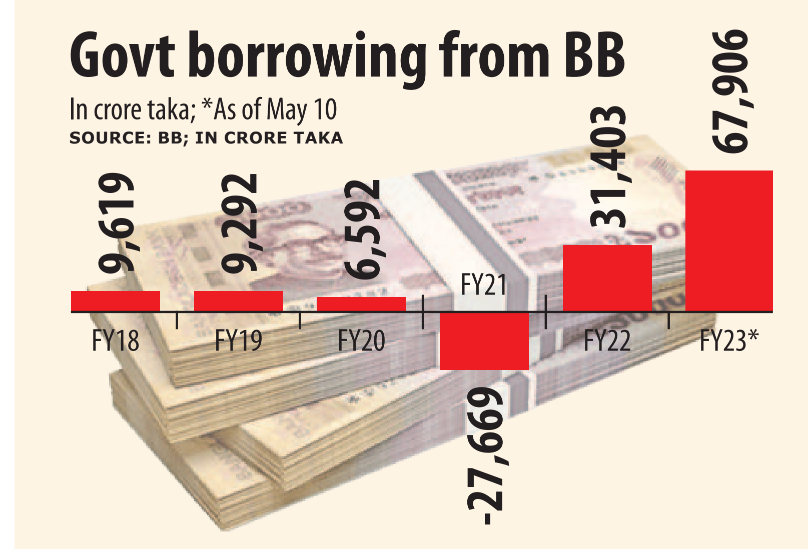
The country has been facing a downward trend in foreign exchange reserves for the last several months as export and remittance earnings are failing to offset the surge in import bills, driven by the higher global commodity prices.

"An increase in imports means the reserves will face further pressure," Mansur said.

The reserves stood at $30.34 billion last week in contrast to $42.20 billion in May last year, a decrease of 28 per cent year-on-year.

The government took on Tk 10,654 crore in loans from commercial banks between July 1 and May 10, sending its overall borrowing from the banking source to Tk 78,560 crore. The borrowing target for FY23 is Tk 106,334 crore.

The borrowing is expected to go up in the last two months of the fiscal year as the government would have to raise expenditures in order to implement its development and revenue programmes.



Major targets of current budget

FROM PAGE B1

"Under such circumstances, setting a 7.5 per cent growth target was unrealistic."

Razzaque, however, said although the average inflation is still high, the government should have managed it through proper policy measures.

Prof Mustafizur Rahman, a distinguished fellow of the Centre for Policy Dialogue, said the targets were set without considering the fallout of the Russia-Ukraine war.

"The government did not anticipate that the war would have a serious impact on the overall budget. As a result, the budget was business as usual."

He explained the government could not assess the impact the conflict would have on the foreign exchange and the exchange rate.

The reserve has fallen by about 28 per cent in the past one year while the taka lost its value by about 25 per cent against the US dollar.

"Due to the weakness in the macroeconomic policy, the government had set the targets without acknowledging the reality," said Prof Rahman.

The economist went on to say that the CPD had urged the government to revisit the budget two or three months after it was unveiled considering the global scenario.

"Now we can see where the budget stands when it comes to achieving its major targets."

CPD's Rahman said the government ignored the reality while setting the targets and there are structural weaknesses behind the slower ADP execution and lower tax collection.

About the budget deficit, he said the current deficit might go past 5 per cent of GDP and it may shoot up to 6 per cent in 2023-24.

"The higher deficit will bring about challenges as the government would have to rely on the banking sector to finance the shortfall. Then, it will have adverse effects on the private sector. And if the government borrows from the central bank, it will stoke inflationary pressure."

The government borrowed Tk 78,560 crore from the banking sector as of May 10, against the full fiscal-year target of Tk 106,334 crore.

The noted economist suggested the government focus on stabilising the economy and containing inflation, revisit subsidy allocation and give subsidies to the sectors that need the most.

In order to tackle inflationary pressures, he called for expanding social safety net programmes.

The government will have to adjust the interest rate of national savings certificates as people are not very keen about them owing to the lower return, he said, calling for fast-tracking the implementation of foreign-funded projects.

Prof Razzaque suggested the government undertake effective policy measures in the next budget for 2023-24 to restore macroeconomic stability.

Import of manmade fibre

FROM PAGE B1

Currently, of the total annual apparel exports, some 24 per cent are MMF-based garment items, but the BGMEA aims to take this percentage to 40 per cent by the end of 2030.

"Exporting more MMF garments could help the industry recover from the falling trend of shipments in this bad time," Hassan said.

Besides, the BGMEA has already sought 10 per cent cash incentives on exports of MMF-based garment items to encourage shipments, he added.

Prices of MMF-based apparel is higher than cotton-made garment items. For instance, if a T-shirt made from cotton costs $5 per piece, the same item would be priced at nearly $10 if made from MMF.

Globally, the demand for MMF-based garments is higher, accounting for some 74 per cent of all clothing items sold worldwide.

So, local garment exporters are more inclined towards MMF-based garments as they look to grab a bigger market share of the segment's roughly $750 billion global market.

Local garment suppliers have been trying to export to new markets so that any kind of bad impact in traditional markets like the US and EU can be offset to an extent, Hassan said.

So, exporting more MMF-based garments would help a lot to this end, especially in Asian markets.

Globally, the demand for MMF-based apparel has been growing because of the changing trends of fashion and lifestyle.

Indian rupee hits six-week low

REUTERS, *Mumbai*

The Indian rupee hit a more-than-six-week low against the US dollar on Wednesday, in line with the decline in other Asian currencies that tracked the fall in the Chinese yuan after weak economic data.

The rupee hit 82.4425 against the US dollar, its lowest since April 3, during the session, before recovering to close up 0.21% at 82.38.

The Chinese yuan fell to 7.02 against the dollar, its lowest since December, amid geopolitical tensions and as data on industrial output, retail sales and property investment showed China's post-Covid recovery losing steam.

The weak economic print from China has weighed on Asian currencies, said analysts.

House Building Finance to get €270.57m IDB loan

STAR BUSINESS DESK

Bangladesh House Building Finance Corporation will get a €270.57 million loan, equivalent to about Tk 3,000 crore, from Islamic Development Bank for its Rural and Peri-urban Housing Finance Project.

The bank approved the loan in its annual conference for 2023 in Jeddah, Saudi Arabia running on May 10-13, said a press release.

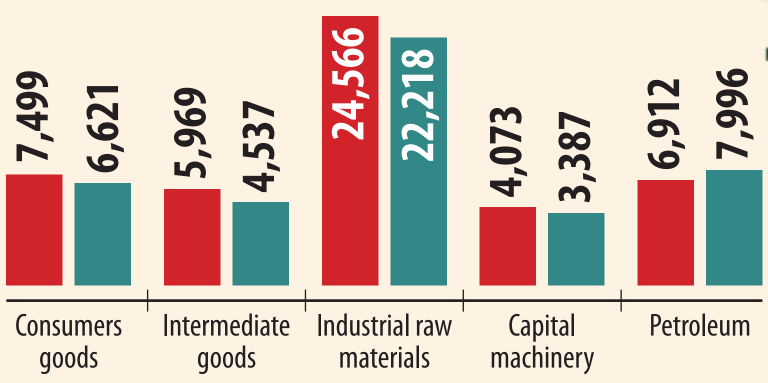
This is the second loan for the project. Earlier, the bank provided nearly Tk 1,000 crore for the project.

Md Abdul Mannan, managing director of BHBFC, expressed his gratitude to the secretary and the senior secretary of the financial institutions division, finance division and economic relations division of the finance ministry of Bangladesh for their all-out cooperation to this end.

BY THE NUMBERS
(For July-April of FY23)

- Overall, LC opening stood at $56.36b, down 26.80%
- Settlement was $62.39b, down 8.15%
- LC opening for rice and wheat stood at $1.94b, settlement $1.9b
- Importers opened LCs of $1.62b to buy refined edible oil
- LC opening for pulses was $288m, onion $98.60m
- Petroleum and petroleum products $7.63b, up 2.38%

Settlement of import LCs
In million $; SOURCE: BB



Banks used to open LCs amounting to $7 billion to $8 billion a month in the past whereas it has come down to about $5 billion currently

Syed Mahbubur Rahman
Managing director of Mutual Trust Bank

LC opening for most commodities, machinery dips

MD FAZLUR RAHMAN

Importers opened a lower volume of letters of credits (LCs) in July-April for the purchase of essential commodities such as rice, wheat, sugar, crude edible oil as well as raw materials and machinery key to the industrial sector, figures from the central bank showed.

On the other hand, the LC opening for pulses, spices, coal and petroleum products went up in the first 10 months of 2022-23, according to the monthly update of various economic indicators.

Overall, the opening and settlement of LCs fell 26.80 per cent and 8.15 per cent year-on-year in July-April owing to import controls enforced by the government and the central bank with a view to stopping the erosion of the foreign currency reserves.

Owing to higher commodity prices in the global market, the forex reserve has fallen by about 28 per cent in the past one year, sliding to $30.35 billion on May 10 from $41.95 billion on the same day last year.

BB data showed the LC opening stood at $56.36 billion in July-April, down from $76.99 billion from a year ago. The settlement fell to $62.39 billion from $67.93 billion.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, thinks the LC opening has dropped owing to both price adjustments and volume adjustments.

He explained that globally, commodity prices have fallen compared to the pre-war level. "So, we are being able to purchase commodities at reduced costs. This is good for us. But the import might have fallen in terms of volume as well, which is not good for us."

The former official of the International Monetary Fund says owing to the US dollar crisis, many businesses are not being able to import.

Central bank data showed that the opening of LCs for rice and wheat stood at $1.94 billion in July-April, down 14.38 per cent from a year ago. The settlement fell 11.21 per cent to $1.9 billion.

LCs worth $880 million were opened to procure sugar and salt from international markets, a decrease of 8.45 per cent from $961 million during the same period last year.

The settlement declined 17.19 per cent to $688 million.

Banks processed LCs amounting to $1.62 billion to help businesses buy refined edible oil in the first 10 months of FY23, an increase of 14.88 per cent from $1.41 billion a year earlier. The settlement surged nearly 50 per cent to $1.74 billion.

Syed Mahbubur Rahman, managing director of Mutual Trust Bank, said banks used to open LCs amounting to $7 billion to $8 billion a month in the past whereas it has come down to about $5 billion currently.

He, however, questioned whether Bangladesh would able to keep the imports at the current level since it is related to the economic growth, job creation and investments.

"Bangladesh is an import-dependent nation and we will have to ensure adequate imports to keep the wheels of the economy running."

Overall, the opening of LCs for consumer goods fell 18.19 per cent to $6.68 billion. It was $4.49 billion for intermediate goods, a drop of 31.39 per cent.

The LC opening for industrial raw materials went down by 31.85 per cent to $19.22 billion.

The LC opening for textile fabrics declined 28.85 per cent to $7.76 billion. Similarly, importers opened 42.52 per cent lower LCs at $2.02 billion to buy raw cotton and 53.73 per cent lower at $1.39 billion for cotton yarn.

BB data showed the LC opening stood at $56.36 billion in July-April, down from $76.99 billion from a year ago. The settlement fell to $62.39 billion from $67.93 billion.

Importers opened LCs amounting to $2.45 billion for capital machinery, a fall of 56.91 per cent from a year earlier, according to the central bank's monthly report.

The LC opening and settlement for fruit imports fell 34.56 per cent and 35.90 per cent to $294.70 million and $251.40 million, respectively, between July and April.

Banks opened the instruments amounting to $288 million to help traders import pulses, which were 30.48 per cent higher than a year ago. LCs worth $278 million were opened for spices, up 25.19 per cent year-on-year, while it fell 35.28 per cent to $98.6 million for onion.

The LC opening for the import of petroleum and petroleum products rose 2.38 per cent to $7.63 billion in July-April, driven by a large increase for the purchase of refined items.

LCs valued at $3.91 billion were opened to buy refined petroleum products, up nearly 30 per cent from a year ago. The settlement surged 58.87 per cent to $4.2 billion.

The opening of LCs for bringing in capital machinery for textile, leather, jute, garment, pharmaceuticals and packaging industries fell between 40 per cent and 70 per cent.

The LC opening for crude edible oil dropped 12.06 per cent to $388 million. Traders opened 30.48 per cent higher LCs for pulses at $288 million.

Rahman thinks there is no alternative to bringing the financial account of the balance of payments to the positive territory by the way of accelerating export and remittance earnings and attracting foreign portfolio investments and foreign direct investments.

The financial account covers claims or liabilities to non-residents concerning financial 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.

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

"There is no other way but to increase the supply of US dollars," Mansur said.

"We are getting some dollars from development partners. But the volume is not adequate. So, we will have to go for the floating exchange rate to improve the supply situation of the American greenback."

Why National Tea's share price plunged 60%?

STAR BUSINESS REPORT

The National Tea Company had a surprise for many stock traders yesterday as the company's share price plunged by a whopping 59.89 per cent.

The stock price of the state-run listed company dropped to Tk 251 yesterday though it was traded at Tk 626 on May 14.

Issuance of new ordinary shares and price adjustment followed by it actually caused the fall, according to the stock brokers.

The company will issue 2.34 crore ordinary shares of Tk 10 each at an issue price of Tk 119.53 each, including a premium of Tk 109.53, for which it received regulatory approval in April this year.

The adjustment was needed as the company was issuing ordinary shares to its existing 66 lakh shareholders to raise a paid-up capital of Tk 279.7 crore.

On May 15, the trading of National Tea's share remained suspended as it was the record date, which is the cut-off date established by a company in order to determine which shareholders are eligible to receive shares or a dividend.

The stock price of the state-run listed company dropped to Tk 251 yesterday though it was traded at Tk 626 on May 14.

However, National Tea's trading remained halted on May 16 also as the price adjustment was not complete.

Finally, the share price dropped after the completion of the price adjustment.

The purpose of issuance of placement share was to support the business growth (field and factory development), finance the working capital needs along with repayment of bank loan.

Of the 2.34 crore shares, 1.24 crore shares to be issued to the government, Investment Corporation of Bangladesh and Sadharan Bima Corporation.

Some 13.80 lakh shares to be issued to other directors and 95.39 lakh shares the general shareholders

Share subscription will open on July 10 and continue until September 10.

Euro zone inflation ticks up in April

REUTERS, *Frankfurt*

Euro zone inflation accelerated last month, Eurostat said on Wednesday, confirming preliminary data pointing to increasingly stubborn price growth among the 20 nations sharing the euro.

Overall price growth accelerated to 7.0 per cent in April from 6.9 per cent a month earlier, as rising services and energy costs offset a slowdown in food price growth.

Although underlying price growth, the key focus of European Central Bank policymakers in recent months, slowed a touch, the crucial services component continued to accelerate, pointing to mounting wage pressures that could get inflation stuck above the ECB's 2 per cent target.

Excluding volatile food and fuel prices, core inflation slowed to 7.3 per cent from 7.5 per cent, while an even narrower measure, which excludes alcohol and tobacco, slowed to 5.6 per cent from 5.7 per cent in its first decline since last June.

Inflation has been above the ECB's 2 per cent target for nearly two years and the bank has lifted interest rates by a combined 375 basis points since last July to arrest runaway price growth.

But more hikes are likely as it could be 2025 before inflation is back at target and the "last mile" of disinflation, getting from 3 per cent to 2 per cent, could be especially difficult, taking nearly 2 years.

DSE closes slightly higher

STAR BUSINESS REPORT

The prime index of the Dhaka Stock Exchange (DSE) rose slightly yesterday.

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), inched up 4 points, or 0.06 per cent, to close at 6,281.However, the DS30, the blue-chip index, was flat to end at 2,183 while the DSES, the Shariah-compliant index, went down 0.03 per cent to 1,368.

Turnover, a key indicator of the market, declined 4.43 per cent to Tk 711 crore.

Of the securities, 105 advanced, 66 declined and 189 did not show any price movement.

Chartered Life Insurance Company made the highest gain with an increase of 9.98 per cent.

Al-Haj Textile Mills, Meghna Insurance Company, Islami Commercial Insurance Company, and Islami Insurance Bangladesh were among the top gainers.

National Tea Company was the highest loser, shedding 59 per cent. GBB Power, Khan Brothers PP Woven Bag Industries, Bangladesh Welding Electrodes, and MJL Bangladesh were also on the list of significant losers.

Bangladesh Shipping Corporation was the most-traded stock on the day with its issues worth Tk 36 crore changing hands.

Intraco Refueling Station, Sea Pearl Beach Resort & Spa, Rupali Life Insurance Company, and Agni Systems Ltd registered significant turnover as well.

The Caspi, the all-share price index of the Chittagong Stock Exchange, rose 23 point, or 0.12 per cent, to close at 18,505. Of the issues, 81 rose, 43 retreated and 122 did not see any price swing.

Turnover of the port city bourse surged more than double to Tk 22.5 crore from the previous day's Tk 8 crore.

People shop daily necessities at a market in Tokyo. The 0.4 per cent rise in Japan's gross domestic product beat market expectations of 0.2 per cent, after hopes of a rebound fell flat in the final quarter of last year.

PHOTO: REUTERS/FILE

Japan's Q1 growth beats expectations

AFP, *Tokyo*

Japan's economy grew faster than expected in the first quarter, official data showed Wednesday, helped by a recovery in inbound tourism after pandemic border restrictions were lifted.

The 0.4 per cent rise in gross domestic product beat market expectations of 0.2 per cent, after hopes of a rebound fell flat in the final quarter of last year.

Spending by visitors to Japan "rapidly recovered" in the three months to March, Ryutaro Kono, chief economist at BNP Paribas, said ahead of the GDP data release.

"Domestic household spending also appears to have recovered at an accelerated pace," he added.

The world's third-largest economy fully reopened its borders to foreign tourists in October following two-and-a-half years of Covid restrictions that pummelled the economy.