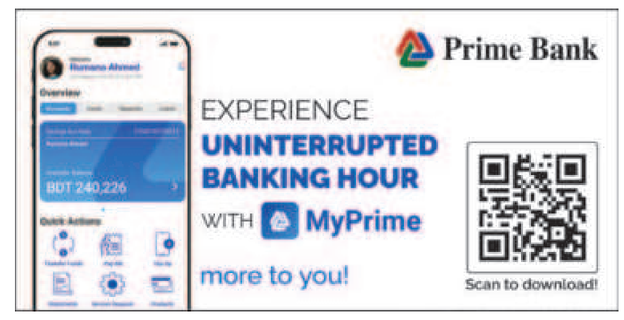
Star BUSINESS



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.

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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 370,000cr
Revised target Tk 330,000cr
Collected Tk 247,390cr in Jul-Apr

SOURCES: IMED, BB, FINANCE MINISTRY

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

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

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

Mustafizur Rahman
Distinguished fellow of CPD

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.

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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

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 countries using 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.

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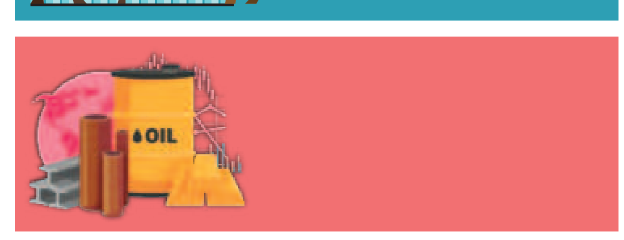

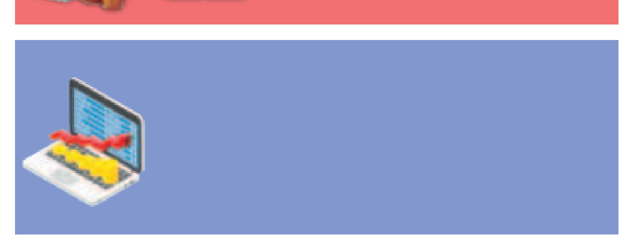

Import of manmade fibre surges amid rising demand

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