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MEETING DEFICIT FINANCING

Govt borrowing from banks may go thru the roof

2nd time in a row it may cross Tk 1 lakh crore

REJAUL KARIM BYRON

The government's target for borrowing from the banking system in the next fiscal year is set to surpass the Tk 1 lakh crore mark for the second consecutive year amid the twin difficulties of raging inflation and shrinking foreign reserves.

To meet the deficit financing, the target may exceed Tk 1.25 lakh crore in the coming budget for the 2023-24 fiscal year, according to finance ministry officials. In the current fiscal, it is Tk 1.06 lakh crore.

The target is expansionary and it may fuel inflation, Zahid Hussain, a former World Bank lead economist, told The Daily Star.

The inflation that has shot up to 9 percent has not subsided in the current fiscal due to the government's massive borrowing from the central bank, said Hussain.

From July 1 to May 10 of the current fiscal year, government borrowing from the banking system was Tk 78,559 crore, of which Tk 67,905 crore was from the central bank.

"If the aim is to reduce inflation from 9 percent to 6 percent, the government has to borrow less from the central bank," said Hussain.

The budget for the next fiscal is estimated to be Tk 7.61 lakh crore, said finance ministry officials. The deficit in the budget will be below 5.5 percent of the GDP (Gross domestic product) and about 3 percent of the deficit will be met through domestic borrowing, they added.

The total domestic borrowing is likely to be over Tk 1.50 lakh crore, they said.

In addition to banking system, the government also borrows from non-banking domestic sources such as the savings instruments. Government borrowing from savings certificates is around Tk 40,000 crore in the current fiscal.

However, the government targets borrowing around Tk 25,000 crore from savings certificates in the next fiscal year, according to finance ministry officials.

The target has been lowered as sales of savings certificates have fallen due to imposition of new conditions, including submission of income tax return and a new ceiling of Tk 50 lakh for the total amount of money a person can invest.

According to Bangladesh Bank data, the net sale of savings certificates in nine months (from July 22 to March 23) has dropped by Tk 4,161 crore.

Net sale is calculated by deducting the payments of principal amounts from the gross sale.

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People try to stay dry under their umbrellas while the boatman ferries them across the Buriganga in Shoarighat yesterday. After the mercury reached early thirties in the day, the rain brought some relief to the city residents.

PHOTO: PALASH KHAN

Bangladesh economy at a crossroads

CPD says mistakes of current year's budget must be avoided

STAR BUSINESS REPORT

Bangladesh's economy is in its worst state in recent history, and the situation may worsen if the policymakers do not address the problems by employing the appropriate policy tools, the Centre for Policy Dialogue (CPD) said yesterday.

High inflation, slowing remittance and exports, falling forex reserves, lack of good governance, lax policy implementation, and inability to make necessary reforms are mainly responsible for the current economic crisis, the think-tank said.

"Bangladesh's economy is at a crossroads and going through the most difficult time in recent history," said Fahmida Khatun, executive director of CPD.

She made the remarks while presenting a review of the "State of the

Bangladesh Economy in FY2022-23" at a press briefing at the CPD office in the capital's Dhanmondi.

Fahmida said many policies are now drawn up to protect the interests of influential groups and the policymakers should not do so.

Considering the current economic situation and the next budget to be presented on June 1, there is no doubt that the primary task of the policymakers should be restoration of macroeconomic stability, she said. The policymakers should set targets for the macroeconomic framework for the upcoming fiscal year taking into consideration the current realities, said the CPD executive director.

"Mistakes committed during the preparation of the FY2022-23 budget -- that is setting the targets for the macroeconomic correlates in an

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ROHINGYA ISSUE

China wants repatriation to start soon

DIPLOMATIC CORRESPONDENT

China wants prompt Rohingya repatriation and is interested in building regional connectivity in South and South East Asia under the Belt and Road Initiative (BRI).

China expressed its views during the 12th Foreign Office Consultation (FOC) between Dhaka and Beijing at the state guest house Padma in Dhaka yesterday. Foreign Secretary Masud Bin Momen and Chinese Vice Minister for Foreign Affairs Sun Weidong led their respective sides to the meeting, which started at 10:00am.

According to a foreign ministry statement, the Chinese side reiterated its commitment to facilitate the early, safe, sustainable and voluntary repatriation of the Rohingyas to Rakhine.

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BNP may go for 1-point demand

Party to press for resignation of govt; bomb attack, arrests mar demos in Natore, Gaibandha

MOHAMMAD AL-MASUM MOLLA

The BNP will soon focus all its energy on a one-point movement demanding "resignation of the Awami League government".

It will drop its current 10-point demand then, the party leaders say.

After the BNP's weeklong anti-government programme concludes today, the BNP will work on launching the one-point movement, they said, adding that the weeklong programme is in fact a preparation for the one-point movement.

The US visa policy has encouraged the BNP leaders and activists to take to the streets, and this will help the party to successfully organise the one-point movement.

"The people of the country want a one-point movement. The US visa restrictions have made the democracy-loving people hopeful about regaining their rights," BNP standing committee member Amir Khosru Mahmud Chowdhury told The Daily Star.

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