



“Old ways cannot address new situations. We are a symbol of change. We must act.”

Indian FM S Jaishankar calls for change in world order at BRICS FMs' summit



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Gone are the days of glory



A learning experience for Bangladesh A



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Now DNCC felling trees in the name of dev

HIGH INFLATION

# Worrying but under control

Finance minister tells post-budget briefing

REJAUL KARIM BYRON and MD FAZLUR RAHMAN

Finance Minister AHM Mustafa Kamal yesterday said that though he is worried about the elevated level of consumer prices, the situation is still under the government's control.

“We are worried ... However, inflation is under control. We are moving forward with a flexible approach to contain high inflation. We will try to



“We are worried... However, inflation is under control. We are moving forward with a flexible approach to contain high inflation. We will try to resolve the problems that have stoked it.”

AHM Mustafa Kamal  
Finance Minister

resolve the problems that have stoked it.”

His assurances came at a post-budget press conference at the Bangabandhu International Conference Centre in Dhaka. Kamal has targeted to bring down the average inflation to 6 percent in the next fiscal year of 2023-24.

But his target has been described as unrealistic as inflation averaged 8.64 percent in April, which is nearly three percentage points higher than a year ago.

Furthermore, the factors behind the rise in inflation, such as a surge in import bills, energy shortage, the US dollar crisis, and market imperfections, are still there.

In 2009, inflation stood at 12 percent but it was kept below 6 percent in the next decade, said Kamal.

“The whole world is going through a difficult time. We are tackling the situation.”

According to Kamal, the International Monetary Fund (IMF) has also said inflation will decline in the coming fiscal year.

“Oil prices are falling in the global markets. The government has signed agreements to purchase liquefied natural gas. So, uncertainty over the energy supply is not there.

“The prices of goods are falling as well. So, the targets outlined in the budget will be achieved,” said the minister.

The new budget has set a deficit financing target of Tk 261,785 crore. Of the amount, Tk 132,395 crore will come from the central bank, a move that analysts say will crowd out the private sector, stoke inflationary pressures and put the foreign currency reserves under further strain.

But Bangladesh Bank Governor Abdur Rouf Talukder ruled out the possibility of a further rise in inflation.

He explained Bangladesh Bank has injected 20 billion US dollars in the market in the last two years, meaning Tk 2 lakh crore has been pulled out of the market.

“If that 2 lakh crore was still available in the market, it would not have been difficult for the government to borrow Tk 1 lakh crore.”

He said since there is a liquidity crisis in the market, some government bonds are being devolved.

“If we inject Tk 70,000 crore in the market after pulling out Tk 2 lakh crore, the impact will be far less.”

He said the money supply in Bangladesh is one of the lowest in the region, standing at 38 percent of the GDP. It is 70 percent in India and about 100 percent in Thailand, Vietnam and Cambodia.

“Inflation has not stemmed from the money supply. Our inflation is

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## No clear directions for RMG

BGMEA on new budget, demands unhindered supply of power, gas

STAR BUSINESS REPORT

The BGMEA has said the proposed national budget doesn't have any specific details on the measures for the garment sector.

Speaking at a press conference in the capital yesterday, BGMEA President Faruque Hassan said the previous budget proposals contained details about the incentives and other measures for the sector.

Many RMG factories are running below capacity because of frequent power cuts and inadequate supply of gas, he said.

Due to these two problems and the recent fall in apparel export, the government projection that private investment would account for 27.4 percent of the GDP may not materialise, Faruque said replying to a question from a journalist.

If the government can meet the demand for gas and power, and continue its support for the sector, the country may be able to attract a handsome amount of investment and a good number of jobs may be created, he said.

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Shops have already been built encroaching on the century-old DIT pond in the capital's Gendaria. Locals say the waterbody is at risk of being wiped out by influential land grabbers. The photo was taken yesterday.

PHOTO: RASHED SHUMON

## Budget lacks tools to contain inflation

Measures inadequate, targets far from reality: CPD

STAFF CORRESPONDENT

The measures taken in the proposed budget for the next fiscal year have failed to address the most difficult challenge of containing inflation, and as a result, the suffering of common people will increase further, the Centre for Policy Dialogue (CPD) said yesterday.

The government has set a target to keep the annual average inflation rate within 6 percent in the next fiscal year, but it will be difficult to do so due to the current macroeconomic situation, according to Fahmida Khatun, executive director of the think tank.

The inflation rate in Bangladesh reached 9.24 percent in April after registering a seven-month high of 9.33 percent in March, just behind the decade high of 9.52 percent recorded in August last year.

The government has set a borrowing target of Tk 132,395 crore from the banking sources, but the question is how much will be borrowed from the central bank, Fahmida said at a press briefing on the proposed budget at the Lakeshore Hotel in Dhaka.

If the existing liquidity situation in commercial banks does not improve, the government will have no other option but to

### CPD ON PROPOSED BUDGET

- ➔ Projections of inflation and GDP growth overambitious
- ➔ Macroeconomic challenges not acknowledged
- ➔ Allocations for safety net schemes need to be raised
- ➔ Corporate governance issues in banks should be addressed

borrow from the central bank, and this will stoke inflation, she said.

The government also did not increase the allocation for social safety net programmes as expected to protect the common people from the adverse impact of high inflation, she said.

Allocation for social safety net schemes for the next fiscal year has been increased to Tk 126,272 crore from Tk 117,634 crore in the outgoing fiscal year.

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## Bank borrowing may pose twin challenges

Says MCCI on proposed budget

STAFF CORRESPONDENT

The government's increased reliance on bank borrowing in next fiscal year is likely to create twin challenges, said the Metropolitan Chamber of Commerce and Industry (MCCI), a leading chamber.

In the next fiscal year, the government plans to borrow Tk 132,395 crore from the banking system -- up by 14.7 percent from this fiscal year's revised budget -- to meet the deficit financing of Tk 257,885 crore.

This may create a crowding-out impact on the economy and lead to fund shortage for the private sector, said the country's oldest trade body in its initial response to the proposed national budget for fiscal 2023-24.

If the borrowing is done from the central bank instead of banks, it will fuel inflation.

Given the domestic and international complexities created by the pandemic, the Ukraine war and the impending LDC graduation, it was extremely challenging for the finance minister to prepare the budget before the national election, the MCCI said.

“The chamber feels that the budget for fiscal 2023-24 should focus more on pro-poor and inclusive growth. Assistance for poor people through social security program should be significantly increased.”

The allocation for the social security programme will

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## Minimum tax of Tk 2,000 discriminatory

It'll put burden on low-income TIN holders: CPD

STAFF CORRESPONDENT

The government's plan to impose a minimum tax of Tk 2,000 even on those without taxable income is both discriminatory and contradictory to the concept of a tax-free threshold, according to the Centre for Policy Dialogue (CPD).

“The move is not logically or morally correct,” said Fahmida Khatun, executive director of the CPD.

She made this comment while presenting the organisation's analysis of the proposed Tk 761,785 crore budget for fiscal 2023-24 at the Lakeshore Hotel in the capital yesterday.

The CPD said that on the one hand, the government increased the tax-exempt income limit to Tk 350,000 from Tk 300,000 to give relief to individuals within this bracket.

But on the other hand, the provision requiring a minimum tax of Tk 2,000 regardless of income means that filing returns will be compulsory even for the people whose earnings fall below the zero-tax threshold.

As per income tax rules, individuals have to submit returns to avail 38 services.

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