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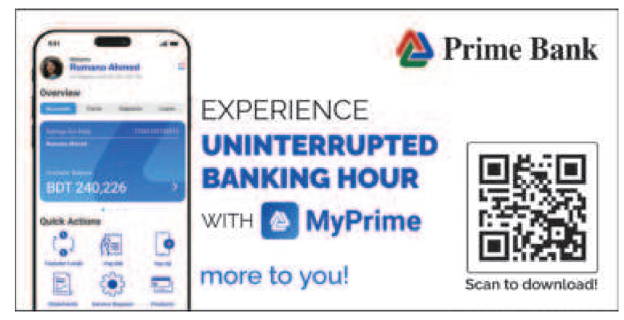
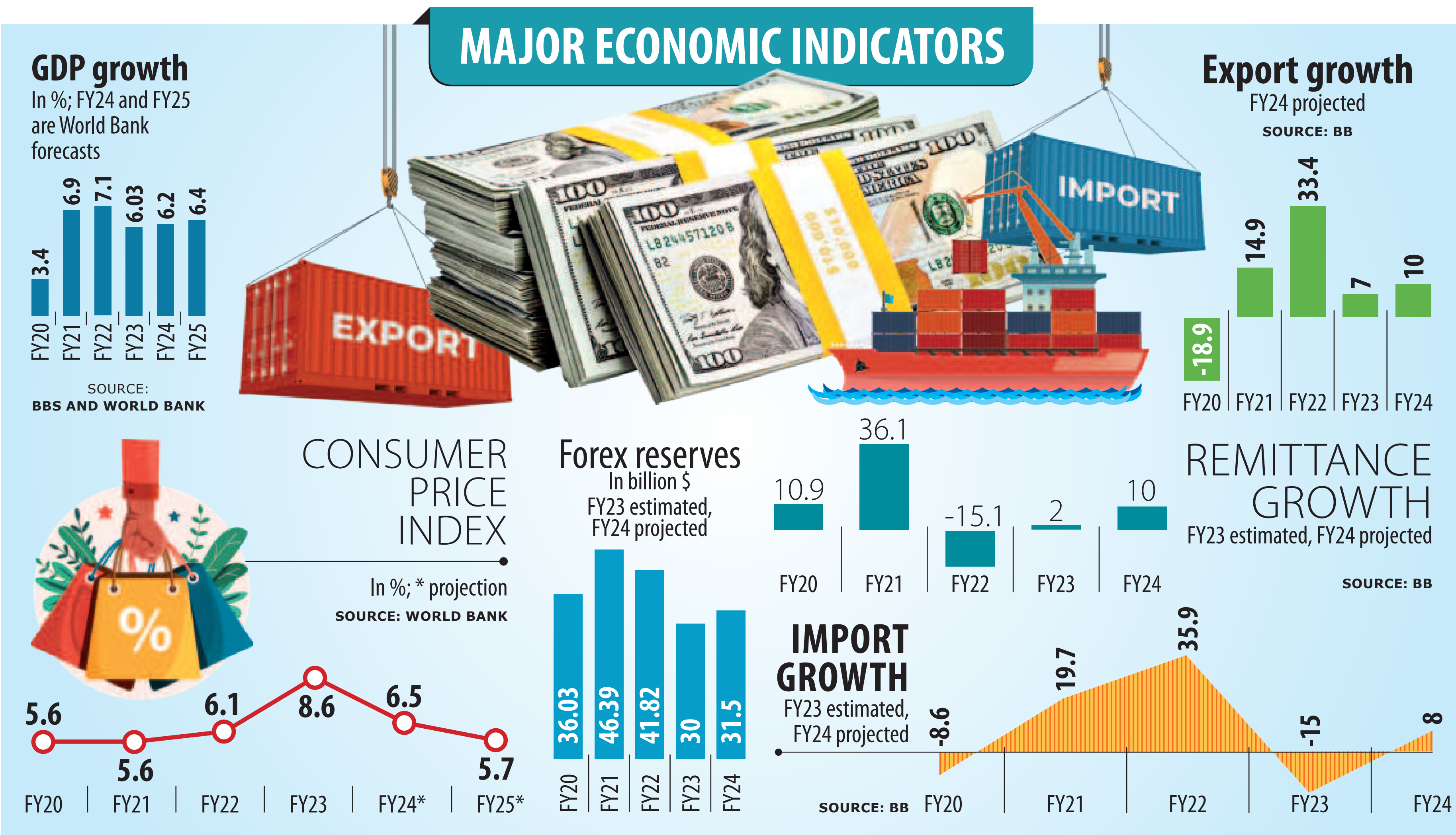




New fiscal year, old challenges

MD FAZLUR RAHMAN

When a year passes, those who had a good time look forward to continuing the momentum while those who had struggled to keep their head above water might breathe a sigh of relief.

But the latter's respite does not prolong if they see that the challenges they experienced throughout the bygone year are set to persist in the coming months.

Most Bangladeshis will fall into the second group since the high cost of living shows no sign of falling.

So, taming inflation would be the top most challenge for the government in the new fiscal year of 2023-24 as the external and internal determinants behind it, such as the Russia-Ukraine War as well as market imperfections and the erosion of the foreign currency reserve at home are still in place.

"Inflationary pressure may soften to some extent in 2023-24, but there may not be a significant respite for consumers. The ride in FY24 is going to be bumpy," said Mustafizur Rahman, a distinguished fellow at the Centre for Policy Dialogue.

Bangladesh, where inflation averaged nearly 9 per cent in recent months, is not the only nation that is struggling to contain higher consumer prices.

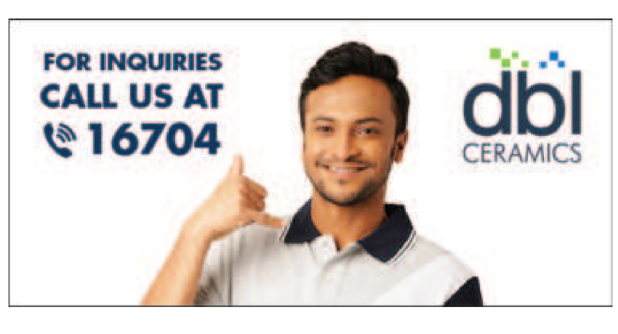
According to the World Bank, high prices prevail in most low- and middle-income countries, with inflation higher than 5 per cent in 66.7 per cent of low-income countries, 81.4 per cent of lower-middle-income countries, and 77 per cent of upper-middle-income countries, with many experiencing double-digit inflation.

"The key policy challenge today remains fully taming inflation, and the last mile is typically the hardest," said Agustín Carstens, general manager of the Bank for International Settlements (BIS), the world's central bank umbrella body, last week.

Taming inflation would be the top most challenge for the government in the new fiscal year, as the external and internal determinants behind the higher consumer prices are broadly still in place

"The burden is falling on many shoulders, but the risks from not acting promptly will be greater in the long term."

According to the BIS, governments should tighten their budgets, while targeting support on the most vulnerable, and embarking on a long-term consolidation of their spending.



Although macroeconomic challenges stemming from the crisis in the balance of payments, the volatility in the exchange rate, and the interest rate cap will be there, it is the higher inflation that is hurting people day in, day out, said Selim Raihan, executive director of the South Asian Network on Economic Modeling (Sanem).

"Their struggle is expected to continue in the coming months as well."

The latest monetary policy statement unveiled by the central bank has promised to make a departure from an administered exchange rate and interest rate. But worries remain over whether the plans would translate into reality and both rates would actually become market-driven in a true sense.

This is because the formula that would set the lending rate would still be influenced by the central bank, said Raihan.

Similarly, a uniform exchange rate might not be possible as long as the incentives for exporters and remitters are there.

Exporters receive as low as 4 per cent to as high as 15 per cent incentives on their export receipts, so importers will always be in a disadvantaged position when they buy US dollars.

Raihan thinks if the exchange rate is left to the market, the 2.5 per cent incentive on remittance would not be required.

Bangladesh has targeted a 6.5 per cent GDP growth in FY24, which, if achieved, would be one of the highest in the world and the highest in South Asia.

One of the major challenges for the government would be to raise its tax-to-GDP ratio, which is one of the lowest in the world. What is even more worrying is that the National Board of Revenue (NBR) has not been able to attain the tax collection target set by the government in the past 11 years.

The export growth is likely to moderate, the World Bank said in April.

Last year, higher inflation in the US and the European Union dealt blows to exports, the biggest source of foreign currencies for Bangladesh, as consumers in the two biggest markets tightened their belts. But prices have declined from their peaks, which may bode well for exporters.

In the US, the inflation index showed that prices rose 3.8 per cent in May from 12 months earlier, while the eurozone's annual inflation rate fell by more

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Migrant workers sent home $21.61b in FY23

STAR BUSINESS REPORT

Migrant workers sent $21.61 billion to Bangladesh in the just-concluded fiscal year as remittance rebounded on the back of higher flow on the occasion of Eid-ul-Azha and a record outflow of labourers, official figures showed yesterday.

They remitted about $2.2 billion in June, lifting the overall inflow for the entire 2022-23, according to the Bangladesh Bank.

This is the highest single-month high since July 2021 when $2.6 billion entered the country.

June's takings were up nearly 20 per cent compared to the same month of 2022 whereas last fiscal year's total earnings beat the central bank's forecast by a small margin.

The central bank had projected a 2 per cent year-on-year growth in FY23 but it stood at 2.75 per cent finally. Some $21.03 billion was remitted in FY22.

Migrant workers remitted about $2.2 billion in June -- the highest single-month high since July 2021 when $2.6 billion entered the country

Remittance flow usually goes up ahead of major occasions such as Eid-ul-Fitr and Eid-ul-Azha as remitters send a higher amount to help their families celebrate the festivals. Eid-ul-Azha was celebrated on Thursday.

The latest increase in remittance comes as more than 10.74 lakh migrant workers left Bangladesh for jobs abroad in the last fiscal year, the highest in a single year. In 2021-22, some 9.07 lakh workers went abroad.

But the funds transferred by the labourers have not surged proportionately since remitters preferred the hundi cartel, an illegal cross-border financial transaction system, owing to the better rate of the US dollar offered by the unofficial channel.

About half of all remittances entered the country through unofficial platforms even before the coronavirus pandemic.

A wide gap in formal and informal exchange rates has been one of the factors behind the sharp fall in the foreign exchange reserves in Bangladesh as it shifts remittances from official channels to unofficial routes and impedes repatriation of export proceeds, said the World Bank in April.

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STOCKS

DSEX ▼	CASPI ▼
0.01%	0.17%
6,343.29	18,734.41

COMMODITIES AS OF FRIDAY

Gold ▲	Oil ▲
$1,919.54	$70.45
(per ounce)	(per barrel)

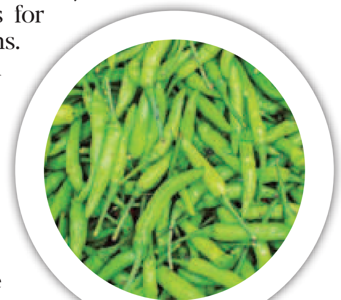
ASIAN MARKETS FRIDAY CLOSINGS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 1.26%	▼ 0.14%	▼ 0.04%	▲ 0.62%
64,718.56	33,189.04	3,205.91	3,202.06

93 tonnes of green chili imported so far

STAR BUSINESS REPORT

About 93 tonnes of green chili have arrived in Bangladesh since the government allowed the import of the kitchen staple a week ago in order to tame its skyrocketing price, according to a notification from the agriculture ministry.



On June 26, the ministry announced import permits for green chili for three months. As of yesterday, permission to import 36,830 tonnes of green chili has been granted, a ministry official said.

The move comes as the retail price of green chili rose sharply owing to a supply dearth and crop damage caused by inclement weather.

It hit a record high of Tk 700 per kilogramme in Dhaka and other parts of the country on Saturday. However, the price decreased by Tk 200 to Tk 250 yesterday.

Green chili was sold at Tk 350-400 per kg in the Karwan Bazar kitchen market yesterday, way higher than Tk 100 to Tk 120 a month ago.

"Chili cultivation has been hampered this year due to inclement weather. That's why production has fallen compared to last year," said Md Idris Ali, a development officer of the Department of Agricultural Extension in Pabna.

The production data for the just-concluded fiscal year was not immediately available. Chili output stood at 2.98 lakh tonnes in 2021-22 against the production target of 3.24 lakh tonnes, data from the DAE showed.

Vegetable prices, including that of green chilies, remain high in Dhaka's kitchen markets though there is a low turnout of customers amid a holiday mood after Eid-ul-Azha. The photo was taken from Karwan Bazar in Dhaka yesterday.

PHOTO: AMRAN HOSSAIN

Two banks to raise Tk 900cr thru bonds

STAR BUSINESS REPORT

Two private lenders -- Dhaka Bank and Prime Bank -- will issue bonds to raise a total of Tk 900 crore.

Of the amount, Dhaka Bank will raise Tk 600 crore by issuing subordinated bonds.

The board of directors has decided to raise the fund only through the floatation of Dhaka Bank 4th subordinated bond as part of tier-II capital of the company, said the private commercial bank in a filing on the Dhaka Stock Exchange yesterday.

"The initiative has been taken in line with Bangladesh Bank guidelines on risk-based capital adequacy subject to the approval of regulatory authorities."

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