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Economy to remain under STRESS

WB downsizes growth forecast to 5.6pc for FY 24

STAFF CORRESPONDENT

The World Bank has revised down its growth forecast for fiscal 2023-24 to 5.6 percent as the Bangladesh economy is expected to remain stressed throughout the year thanks to persistent inflationary pressures and external sector challenges.

Earlier in January, the Washington-based multilateral lender forecasted a 6.2 percent GDP growth for this fiscal year and reaffirmed the forecast in April.

The government has targeted GDP growth of 7.5 percent for this fiscal year.

"There are significant downside risks," the World Bank said in its report styled "Bangladesh Development Update -- New Frontiers in Poverty Reduction", which was unveiled yesterday.

One of the risks is inflation, which accelerated as a result of external and domestic factors.

External factors include supply chain disruptions following Russia's invasion of Ukraine and higher international commodity prices, the report said.

Domestic factors include a 16 percent depreciation of the taka against the dollar in fiscal 2022-23 and persistent foreign currency shortages that have led to import restrictions.

A 179 percent increase in the administered gas for the industrial sector, coupled with an increase in administered electricity prices led to higher prices for manufactured products.

Higher administered diesel prices affected irrigation and the prices of agricultural products.

A more than 40 percent increase in the administered prices of petroleum products in the domestic market impacted transportation costs, which, in turn, affected retail prices.

High administered energy prices and their spillover effects on other sectors, the continued depreciation of the taka, continued restrictions on imports, insufficient dollars in the banks and sluggish monetary tightening are expected to keep inflation at an elevated level this fiscal year, too.

Subsequently, the World Bank forecasted inflation to average 8.5 percent this fiscal year, which is much higher than the government target of 6 percent.

In the first three months of the fiscal year, inflation averaged 9.75 percent, according to data from the Bangladesh Bureau of Statistics.

"Both the monetary and fiscal policy need to address inflation," the WB said in the report.

High inflation may persist longer than expected if domestic energy prices are not adjusted in line with the global slowdown in energy prices.

Domestic financing of the deficit was heavily monetised last year, "which is incompatible with the objective of reducing inflation".

"The retreat from such a stance through the first quarter of fiscal 2023-24 is a welcome change that needs to be sustained."

Bangladesh faces a significant policy trade-off between inflation and growth, and it may be necessary to risk some reduction in growth through contractionary monetary and fiscal policies to bring inflation closer to the target, the WB said.

In the first quarter of the fiscal year, the government did not borrow from the central bank; rather, it refunded a portion of its loans, according to data from the central bank.

Improved transmission of monetary policy through the relaxation

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With an excavator, Dhaka South City Corporation is restoring the old channel of the Buriganga river that has been clogged and occupied by encroachers for years. The photo was taken near the Lalbagh Beribandh Road on Monday.

PHOTO: ANISUR RAHMAN

Understanding reached behind the scenes

Says Quader, asks party men to prepare for polls

OUR CORRESPONDENT, Savar

Awami League General Secretary Obaidul Quader yesterday asked party leaders and activists to prepare for the election as "an understanding has been reached behind the scenes".

"Where are sanctions? Where is the visa policy? An understanding has been reached behind the scenes," he said while addressing a "peace and development rally" in the Aminbazar truck terminal area of Savar in the afternoon.

"Delhi is there, and America too needs Delhi ... Delhi is there, so are we. Enmity with no one, friendship with all. Sheikh Hasina, daughter of Bangabandhu, has struck such a balance [in regard to relationships] with everyone that there is no need to worry. The election will be held. It will be held in time. Prepare for the polls," Quader said.

Quader, also the road transport and bridges minister, said, "It was checkmate

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BNP plans road march to Dhaka, blockades

MOHAMMAD AL-MASUM MOLLA

The BNP is planning programmes, including road march to Dhaka, encircling of important buildings and even blockades, to press home its demand for election under a non-partisan interim administration.

Party leaders said that if needed, the party would go for "hartal-like" programmes in the final phase of the movement, which would have a pause between October 20 and October 25 for Durga Puja.

Sources said until October 20, the BNP would hold programmes like rallies, processions, and meetings and after October 25, tougher programmes would be launched.

The party would also have some programmes demanding release of BNP Chairperson Khaleda Zia and the government allow her to go abroad.

"Soon after the announcement of the implementation of the new US

visa policy, the ruling party men are in discomfort. There may be some changes in the current political situation in the coming days. Considering all these, we are drawing up our programmes," said a BNP standing committee member wishing not to be named.

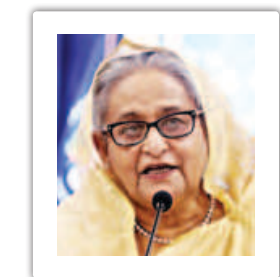
The committee is the highest policymaking body of the party. The ongoing agitation programmes of the BNP will end with the road march from Cumilla to Chattogram tomorrow. Further programmes might be announced from a rally at the end of the march.

A senior BNP leader, however, said the agitation programme schedule could have a lot of changes depending on what the prime minister does after returning home from abroad, the announcement of the election schedule, and the BNP chief's health.

Party leaders discussed the strategy

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No need to worry about sanctions

Says PM in London

STAR REPORT

Prime Minister Sheikh Hasina yesterday called on Bangladeshi expatriates to work on brightening the country's image.

She said this while leaders of the UK Awami League met her in London.

The AL chief said a section of people living abroad are running propaganda against the country. They had to leave Bangladesh for their involvement in corruption

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\$4.7 BILLION LOAN IMF mission begins review today

STAFF CORRESPONDENT

The International Monetary Fund is set to start the first review of the progress made under its \$4.7 billion loan programme today.

The mission, led by Rahul Anand, will kick off its review with meetings with the finance secretary and the Bangladesh Bank governor today. They will also hold court with the finance ministry, the National Board of Revenue and the central bank.

The IMF delegation, which is in Bangladesh on a two-week visit, will review the performance in achieving the targets set for the first half of 2023.

Bangladesh has failed to meet two of the six quantitative targets: minimum net international reserves of \$24.46 billion as of June 30 and a minimum tax collection of Tk 345,630 crore in fiscal 2022-23.

Had the government met all six conditions, the

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BUSINESS

Food inflation stays above 12%

Food inflation stayed above 12 percent for two consecutive months as prices showed no signs of cooling down, hitting the pockets of the consumers who spend most to feed themselves and their families.

According to the data released yesterday by the Bangladesh Bureau of Statistics, food inflation stood at 12.37 percent last month, slightly down from 12.54 percent in August but nearly three percentage points higher than the rate seen in the corresponding month a year ago.

STORY ON B1



Sewage from residential and commercial buildings floods Mazed Sardar Road in Old Dhaka. Locals said the sewerage is clogged and the water level increases during the afternoon. The photo was taken yesterday.

PHOTO: AMRAN HOSSAIN

MID-DAY MEAL AT SCHOOLS

Govt likely to reintroduce it by this month

MOHIUDDIN ALAMGIR

The government plans to reintroduce the school feeding programme for students of all state-run primary schools in 150 upazilas by this month with an aim to increase school attendance and reduce the dropout rate.

The primary and mass education ministry has already prepared a Development Project Proposal (DPP) of the five-year long project with an estimated cost of about Tk 4,500 crore for the programme.

The proposal will be sent to the Planning Commission soon for approval, the ministry officials said.

Over 35 lakh students of about 20,000 government primary schools, mostly from poverty prone areas, are likely to get the mid-day meals, they said.

Officials involved in preparing the DPP said they proposed providing different sets of food for each day of the week as mid-day meals different set of foods for different days in a week as mid-day meal.

In this reintroduced programme, the government will not provide only fortified biscuits. The meals will now include seasonal fruits, bananas, eggs, and breads.

"We will not be able to provide hot meals as it requires manpower and places for cooking. Diversification [in the items provided] will help us achieve the nutritional outcomes," a ministry official said.

Speaking to The Daily Star, Farid Ahmed, secretary of primary and mass education ministry, said, "We are

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