DHAKA MONDAY OCTOBER 9, 2023, ASHWIN 24, 1430 BS ● starbusiness@thedailystar.net

Star BUSINESS

Fresh investment of around Tk 2,500 crore has been made in the automobile industry in the past two and half years

Story on B4

BB now hikes interest rates for NBFIs

STAR BUSINESS REPORT

Bangladesh Bank yesterday hiked the interest on deposits with non-bank financial institutions (NBFIs) to 9.70 percent and the lending rate to 12.70 percent to help ease the country's inflationary pressure.

Average inflation rose to 9.63 percent in September, which is significantly higher than the government's target of 6 percent for the current fiscal year.

The central bank's decision to expand the interest margin in the NBFI sector follows a similar decision taken last week, when new lending rates were set for commercial banks.

As per the decision, NBFIs now can add a 2.5 percent margin with the reference rate, also known as SMART, which stands at 7.20 percent for collecting deposits.

As a result, the highest deposit rate will now be 9.70 percent.

Likewise, NBFIs can now add a 5.5 percent margin with the reference rate of 7.20 percent for lending.

The BB decision to raise the interest rates in the NBFI sector follows a similar decision taken last week for banks

As such, the highest lending rate will be 12.70 percent. The previous interest margins were 2 percent for deposits and 5 percent for lending.

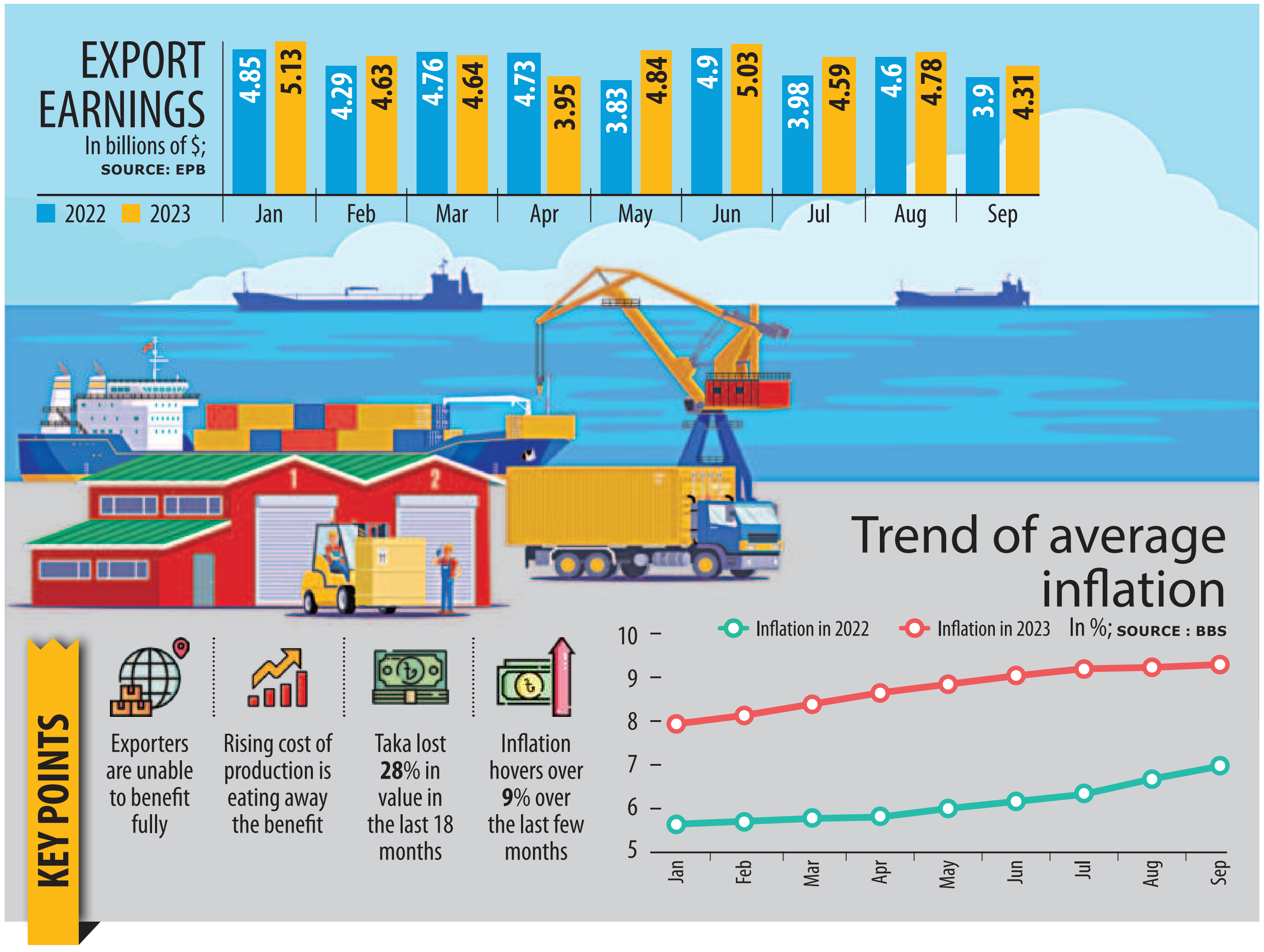
The six-month moving average rate of treasury bills, abbreviated as SMART, was 7.20 percent in September and the rate will be applicable for October.

In April last year, Bangladesh Bank had set the interest rate on deposits at 7 percent and loans at 11 percent for the NBFI sector, which came into effect from July 1.

Previously, some NBFIs offered a maximum of 15 percent interest against their deposit products.

On Wednesday, Bangladesh Bank had announced a hike in the policy rate -- which is used by the central bank to implement or signal its monetary policy stance -- by 75 basis points to 7.25 percent.

This made it costlier for banks to borrow from the central bank.



Exporters don't get full benefit from taka slide

They blame high costs of production amid inflationary pressure

REFAYET ULLAH MIRDHA

Exporters in Bangladesh are unable to take the full benefit of the devaluation of the taka against the US dollar amid ongoing inflationary pressure and rising production costs, according to industry people.

The devaluation of a country's currency can increase its export earnings as manufacturers can take orders even though buyers offer lower rates than in the past, making them more competitive on the global market.

Recent data shows that taka, the local currency, has depreciated by about 28 percent as the government is adjusting the exchange rate in line with its strength against the US dollar.

As such, the official exchange rate now stands at Tk 110.50 per US dollar in case of import payments while it is Tk 110 when it comes to export earnings.

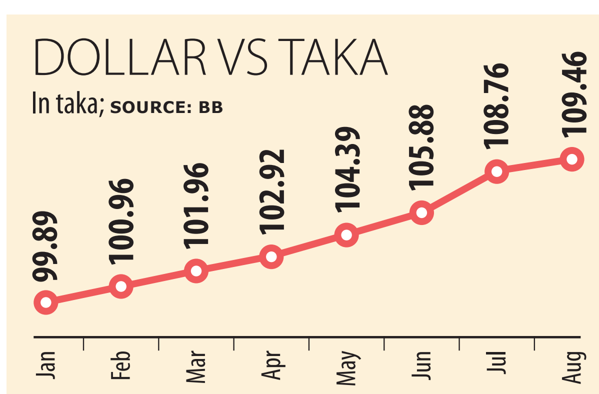
The exchange rate between the taka and the US dollar was around Tk 85 up till January last year, after which the local currency began its steep descent into the current range, as per central bank data.

Bangladesh's taka has been facing volatility for more than one-and-a-half years as external payment pressure continued to grow while export and remittance did not grow as required.

Previously, local exporters had urged for the devaluation of the taka against the US dollar as some competitor countries were enjoying the benefits of devaluing their respective currencies.

And in the face of increased external payment pressure, Bangladesh started to see its foreign reserves fall, with the taka losing strength against the US dollar and other major currencies.

Exporters said Bangladesh's exports became more competitive following the devaluation of the taka, while the exporters themselves enjoyed higher returns in terms of taka against each greenback.



Besides, this allowed manufacturers to enhance their earnings from products made using locally-sourced raw materials considering their increased prices abroad.

However, elevated inflation, which has been hovering at around 9 percent for nearly one year now, eats up much of the gain.

Exporters said the cost of doing business and production rose as prices of raw materials, transport and fuel rose by nearly 100 percent each, alongside the increasing price of food in the domestic market.

Still, local value addition increased by nearly 71 percent over the past year due to the growing use of locally-sourced raw materials.

This is because producers are opting for more readily available raw materials rather than importing them in order to maintain the shorter lead times set by international clothing retailers and brands.

As a result, garment makers have been reducing their overreliance on imported yarn and fabrics to ensure quick delivery of goods year-round to remain competitive in the fierce business.

"So, we are definitely getting the

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Don't let reserves go below $15b: Mansur

STAR BUSINESS REPORT

Bangladesh should not allow its foreign currency reserves to fall below $15 billion at any cost until the parliamentary elections in early January next year, economist Ahsan H Mansur said yesterday.

"Right now we have to take up a short-term plan to retain the current level of the foreign currency reserve," said the executive director of the Policy Research Institute of Bangladesh.

Bangladesh must explore all possible options, including getting a second instalment of loans from International Monetary Fund (IMF) and support from World Bank and other bilateral sources, to preserve the reserve, he said.

Mansur made the comments at a time when the country's foreign exchange reserves have kept falling for external payments continuing to be higher than the inflows, mainly through exports and remittances.

Bangladesh, which had $33.4 billion in the forex reserves at the end of 2021-22, saw it plummet to $21.05 billion as of October 5, showed data from the central bank.

"Right now we have to take up a short-term plan to retain the current level of the foreign currency reserve," said Ahsan H Mansur, executive director of PRI

It was about $40.7 billion in August 2021.

On Wednesday, Zahid Hussain, a former lead economist of the World Bank's Dhaka office, said the net reserve would be less than $18 billion if the central bank's liabilities were considered.

The country has an election ahead and this is not a normal one as many uncertainties might erupt centring the polls in the days to come, said Mansur.

"No matter which government comes to power... it must address all fundamental issues to restore economic stability," he said.

Mansur made these observations while speaking at a seminar on "Fiscal Challenges in South Asia" organised by the South Asian Network on Economic Modeling (Sanem) at Brac Centre Inn in the capital.

Mansur also pointed out that the current situation had arisen as the government had not been able to keep pace with reality.

"There is a huge lack of political leadership in economic management. In such a moment of crisis, we don't have strong economic management leadership," he said.

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STOCKS

DSEX ▼	CASPI ▼
0.39%	0.10%
6,237.23	18,304.85

COMMODITIES AS OF FRIDAY

Gold ▲	Oil ▲
$1,832.59 (per ounce)	$82.78 (per barrel)

ASIAN MARKETS FRIDAY CLOSINGS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.55%	▼ 0.26%	▲ 0.61%	▲ 0.10%
65,995.63	30,994.67	3,174.39	3,110.48

A farmer in Sylhet sadar upazila tries to channel stagnant rainwater away from his vegetable patch. There have been incessant rains for the last couple of days, causing water to accumulate at the base of many vegetable plants from which farmers hope to make a harvest in coming winter. If the water does not recede, the plants will die, causing a dearth of supply of vegetables in the market and a rise in prices. The photo was taken at Dighirpar in Masukganj Bazar area yesterday. PHOTO: SHEIKH NASIR

GARMENT SECTOR

CPD proposes Tk 17,568 as minimum wage

STAR BUSINESS REPORT

The Centre for Policy Dialogue (CPD) yesterday proposed Tk 17,568 as the minimum monthly wage for garment workers in Bangladesh.

Of it, Tk 9,662 or 55 percent is the basic wage, Tk 1,230 or 7 percent is food allowance and Tk 4,831 or 50 percent of the basic is house rent.

Other main components are a medical allowance of Tk 879 or 5 percent of the total wage, a transport allowance of Tk 615 or 3.5 percent of the total and a child allowance of Tk 351 or 2 percent of the total.

CPD Research Director Khondaker Golam Moazzem and Senior Research Associate Tamim Ahmed jointly shared the proposal at a discussion on "Revision of the Minimum Wage of RMG Workers in 2023" at Lakeshore Hotel in Dhaka.

Currently the minimum wage is Tk 8,000.

A board formed by the government on April 9 this year is currently working on recommending a new salary structure.

There are around 2.8 million garment workers in Bangladesh at present whereas once it was a record high of over 4 million, according to Md Towhidur Rahman, president of Bangladesh Apparel Workers Federation.

The wage proposal was a part of a CPD study which

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Govt allows import of 5cr eggs

STAR BUSINESS REPORT

The commerce ministry has permitted five firms to import five crore eggs in order to increase the supply of the protein item and check domestic market prices.

Each of the firms will import one crore eggs, the ministry said in a statement yesterday.

With these five, a total of 15 companies have been granted permission by the government to import 15 crore eggs over the last one month.

The importers told the media that they would be able to sell each egg at less than Tk 10.

The move for the import came about amidst public outcry after the price of two pairs of eggs surged to Tk 60 in August whereas it was around Tk 40 a year ago. In other words, the price rose 50 percent in just a year.

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