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BUSINESS

With traders cutting prices of beef, cattle farmers are compelled to sell their cows at prices that do not meet their production costs

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2ND PARCEL OF IMF LOANS

All eyes on Dec 12 meeting

REJAUL KARIM BYRON

Bangladesh's proposal to get the second tranche of the International Monetary Fund's \$4.7 billion loan has been placed for approval at the multilateral lender's board meeting slated for next week.

According to the IMF board meeting schedule, it will take place on December 12 where about \$681 million in the second tranche is likely to be approved although Bangladesh did not meet two of the conditions.

The agendas which are likely to be discussed at the meeting are the 2023 Article IV Consultation and the first review under the Extended Credit Facility, the Extended Fund Facility and the Resilience and Sustainability Facility Arrangements.

Bangladesh has failed to attain two of the six quantitative targets set for the first half of 2023 by the IMF.

In October, an IMF mission team visited Bangladesh for two weeks after which the team reviewed the loan programme and placed Bangladesh's proposal before the IMF board.

Finance ministry officials said they were hopeful that

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Yield on Treasury bills surges to a decade high Crosses 11%

STAR BUSINESS REPORT

The yield on Treasury bills has hit 11 percent for the first time in more than a decade amid tightened liquidity situation in the financial sector of Bangladesh, central bank figures showed.

Yesterday, the government borrowed Tk 5,141 crore through the auction of Treasury bills of three tenures (91-day, 182-day and 364-day) at interest rates ranging from 10.80 percent to 11.2 percent.

In July, the Bangladesh Bank lifted the cap on lending rate of banks and introduced the Six Months Moving Average Rate of Treasury bills (SMART) as a benchmark to gradually allow the market to determine the interest rate

The yield on Treasury bills for the 364-day instrument stood at 11.20 percent and the government borrowed Tk 422 crore through its auction.

"The yield rate is rising because of the central bank's efforts aimed at containing inflation," said the treasury head of a private bank.

The spike in the rate of Treasury bills means that the interest rate on loans will increase since the former is used to determine the rate of the latter. As a result, borrowing could be costlier.

In July, the Bangladesh Bank lifted the cap on lending rate of banks and introduced the Six Months Moving Average Rate of Treasury bills (SMART) as a benchmark as part of its move to gradually allow the market to determine the interest rate.

The yield on Treasury bills, which crossed 10 percent last month, has been rising steadily since April.

Remittances climb, buoyed by higher exchange rate

Inflows grow 21% in November

MD MEHEDI HASAN

The inflow of remittance to Bangladesh increased 21 percent year-on-year to \$1.93 billion in November as most banks are offering higher rates for the US dollar to boost foreign currency collection.

However, November's receipts were actually down 2.42 percent from the \$1.98 billion registered in October, data from the Bangladesh Bank showed.

Some banks are offering up to Tk 5-6 more than the permitted rate for buying greenbacks from remitters. The rate was set at Tk 109.75 in November and it does not include the incentives.

The Bangladesh Foreign Exchange Dealers Association (Bafeda) and the Association of Bankers Bangladesh (ABB) have been revising the buying and selling rates for the USD since last year as per an unofficial direction from the

central bank.

Banks and the government are both paying a 2.5 percent incentive from their own funds for transferring remittances through official channels. As such, the beneficiaries are officially entitled to Tk 114.75 per USD.

"Remittance inflow

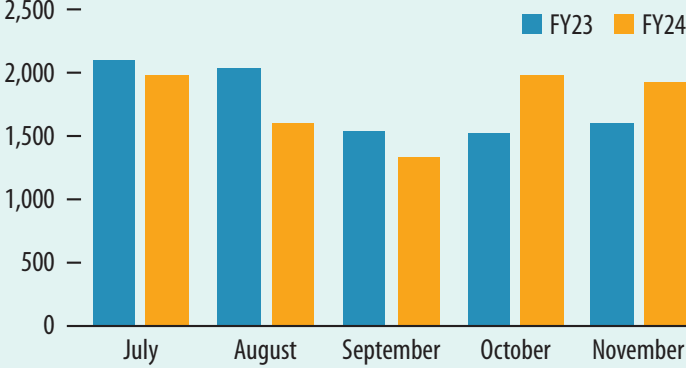
decreased in the last few months. So, we assume more money came in October and November as banks started offering an additional incentive," said Emranul Huq, managing director and CEO of Dhaka Bank.

Besides, the Bafeda and the ABB recently cut the USD rate

Trend of remittance

in mn US\$

SOURCE: BANGLADESH BANK



in a bid to push expatriates into sending home money they previously held on to in hopes of a further rise in value.

Huq also said banks have upped their efforts to collect remittances amid the ongoing forex crisis.

Echoing the same, Syed Mahbubur Rahman, managing director of Mutual Trust Bank, said the remittance inflow rose in the last week of November thanks to the initiative of banks.

However, a chief executive of a private commercial bank, seeking anonymity, said banks are not able to buy the USD for less than Tk 120-121 per greenback from exchange houses despite having to sell it for Tk 114.75.

Islami Bank Bangladesh Ltd saw the highest growth in remittance earnings last month as it received \$472.22 million.

Pubali Bank came second

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Bangladesh to discuss labour rights with diplomats

REFAYET ULLAH MIRDHA

The government is going to hold a dialogue today on the latest labour rights situation as both the US and the European Union (EU), two major export destinations, are putting pressure for implementing commitments made in a National Action Plan (NAP).

Three senior secretaries of the ministries of commerce, labour and foreign affairs will hold the dialogue with five foreign diplomats and representative of International Labour Organization (ILO) to discuss the progress in the NAP's implementation.

This dialogue was decided upon earlier to monitor the progress in remediation under the Accord and Alliance after the Rana Plaza building collapse in April 2013 when more than 1,100 workers were killed.

This year the dialogue did not take place as the progress was discussed in another event, said Senior

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Foreign investment in stock markets halves

Roadshows bring little benefit

AHSAN HABIB

Foreign investment in the stock market of Bangladesh almost halved in the last five years owing to a lingering confidence crisis, the sharp fall in the value of the local currency, and the introduction of a floor price.

Foreign companies and individuals' investment dropped 20.8 percent year-on-year to \$2.33 billion in the financial year of 2022-23. It was \$4.5 billion in 2018-19, Bangladesh Bank data showed.

Of the sum, \$1.12 billion was invested in debt securities.

"The portfolio investment slumped mainly due to a lack of governance, the depreciation of the taka, and the setting of the floor price," said Al-Amin, associate professor of the Department of Accounting and Information Systems at the University of Dhaka.

The decline came although the Bangladesh Securities and Exchange Commission (BSEC) held a number of road-shows to attract foreign investors to the stock markets of the country.

Prof Al-Amin said through

the road-shows, the regulator portrays a positive image of the country in front of foreign investors. But when they look at the websites of the stock exchanges, they find that junk stocks rule the roost.

"Foreign investors realise that there is a lack of governance in the market. As a result, they don't feel interested in investing."

Owing to the lower participation of investors in trading activities, the daily average turnover of the Dhaka Stock Exchange plunged 40 percent to Tk 792 crore in the last fiscal year. It was Tk 1,328 crore the year prior

The floor price has also contributed to the denting of investor confidence.

In July 2022, the BSEC set the floor prices for every stock to halt the freefall of indices amid global economic uncertainties brought on by the coronavirus pandemic.

In December last year, the regulator lifted the measure for 169 companies in order to bring vibrancy to the market. However, the floor price was reintroduced for all stocks in March this year.

The floor price has turned the

market dry since most stocks are not traded.

"Foreign investors don't like an illiquid market," Prof Al-Amin said.

Owing to the lower participation of investors in trading activities, the daily average turnover of the Dhaka Stock Exchange plunged 40 percent to Tk 792 crore in the last

fiscal year. It was Tk 1,328 crore the year prior. The 30 percent drop in the taka's value against the US dollar in the past 18 months has dealt another blow to foreign investors.

"This is because the value of their assets has dropped even if the share prices have remained unchanged. So, foreign investors are selling shares," he added.

The taka depreciated by around 16 percent to Tk 108 in 2022-23, according to the central bank data.

The BSEC organised road-shows in 15 cities of eight countries from 2021 to 2023, in association with the Bangladesh Investment Development Authority.

"This is not the duty of the BSEC to hold road-shows. Rather, their duty is to ensure good governance in the market and eradicate manipulation," said a top official of a brokerage firm, preferring anonymity.

"However, the regulator has failed to regulate the market properly. As a result, manipulation is widespread."

The broker, who deals with foreign investors, also highlighted some of the long standing issues that have remained unaddressed.

"The number of well-performing companies in the stock market of Bangladesh is small, so global investors don't want to invest here. Most of the investors don't trust the financial statements of the listed companies as well."

The broker said the government changes policies regarding listed companies frequently, which ultimately

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STOCKS	
DSEX ▲	CASPI
0.14% 6,231.94	Flat 18,481.34

COMMODITIES		AS OF FRIDAY
Gold ▲	Oil ▼	
\$2,072.13 (per ounce)	\$74.38 (per barrel)	

ASIAN MARKETS				FRIDAY CLOSINGS
MUMBAI	TOKYO	SINGAPORE	SHANGHAI	
▲ 0.74% 67,481.19	▼ 0.17% 33,431.51	▲ 0.56% 3,090.31	▲ 0.06% 3,031.64	

Remitters' scope to deposit in forex widens

STAR BUSINESS REPORT

The Bangladesh Bank yesterday widened the scope for remitters to deposit their foreign currency earnings and get interest against the funds in forex.

In a notice, the central bank said that resident foreign currency deposit (RFCD) accounts can be opened in any approved foreign currency such as the US dollar, the euro, the pound sterling, Japanese yen, Australian dollar, Canadian dollar, Chinese renminbi, the Swiss franc and Singaporean dollar.

The interest or profit will be payable on the deposits maintained for a minimum of one month at a markup of 1.50 percent over the benchmark rate of respective currencies.

The BB notice said that remittances can be effective on current transactions for dependents of account-holders, in addition to transactions including but not limited to the cost of travel, education for children, and treatment of account-holders.

It said that a maximum two supplementary international cards can be issued to dependents of account-holders against RFCD accounts. The balances held in the accounts are freely encashable in the taka as and when necessary.

A senior official of the central bank said that most of the facilities were mentioned in the Bangladesh Bank guidelines for Foreign Exchange Transactions-2018 and the banking regulator has now specified and widened the facilities in order to bring forex to formal channels.

Previously, resident Bangladeshis were allowed to open and maintain RFCD accounts with foreign exchanges brought in at the time of their return from abroad.

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