

# Star BUSINESS

Many holiday-makers have cancelled bookings or put their plans on making trips to the Sundarbans on hold, costing tour operators



Story on B4

## IMF to discuss Bangladesh's 2nd loan tranche today

STAR BUSINESS REPORT

A board meeting of the International Monetary Fund (IMF) is scheduled to be held today, where about \$681 million in a second loan tranche is expected to be approved for Bangladesh even though two preconditions have not been met.

The IMF board approved the \$4.7 billion loan on January 30.

In the first tranche, Bangladesh received \$447.8 million on February 2. The country is expected to receive the rest in another five tranches.

In October, an IMF delegation came to Bangladesh on a two-week visit, reviewed the loan programme and placed the second loan tranche proposal before the IMF board.

Officials of the finance ministry and Bangladesh Bank said they were hopeful of an approval as they have explained to the IMF why Bangladesh failed to meet the two preconditions.

Six quantitative targets were set by the IMF for the first half of 2023.

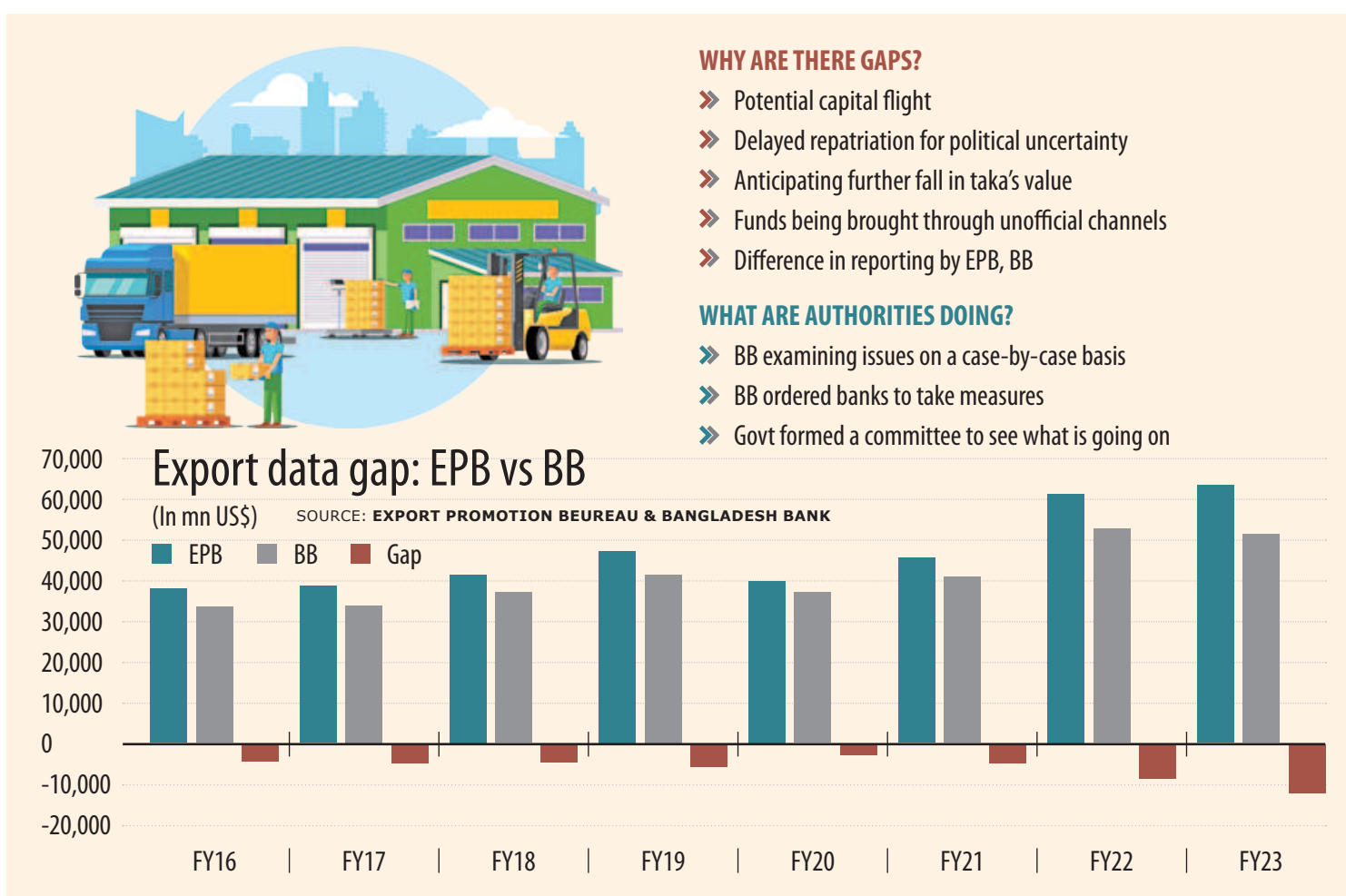
One of the unmet preconditions was for maintaining a minimum net international reserve (NIR) of \$24.46 billion by the end of June.

The NIR target was missed by about \$3 billion as the government had to delve into reserves to pay for essential imports of fuel, fertiliser and foodstuff.

The minimum tax revenue target was also missed: the government needed to collect at least Tk 345,630 crore in tax revenue in 2022-23.

It finally raised Tk 327,664 crore, which fell Tk 17,946 crore short of the goal, according to a Finance Division report.

In today's meeting, a Sri Lankan loan proposal will also be placed, detailing the first review of an extended arrangement and request for waiver of non-observance of performance criterion and for modification of performance criteria.



### WHY ARE THERE GAPS?

- Potential capital flight
- Delayed repatriation for political uncertainty
- Anticipating further fall in taka's value
- Funds being brought through unofficial channels
- Difference in reporting by EPB, BB

### WHAT ARE AUTHORITIES DOING?

- BB examining issues on a case-by-case basis
- BB ordered banks to take measures
- Govt formed a committee to see what is going on

## A \$12 billion question hangs over export data mismatch

The gap between export shipments and actual realisation is widest in 8 years

REJJAUL KARIM BYRON and AHSAN HABIB

Bangladesh is no stranger to data mismatches, but a \$12 billion gap between export shipments and actual receipts from abroad points to potential capital flight just before the January election.

In 2022-23, the mismatch between the actual realisation reported by the Bangladesh Bank and the Export Promotion Bureau's (EPB) shipment figure was \$12.08 billion, the highest in at least eight years.

EPB data showed that goods and services exports stood at \$63.05 billion in FY23 whereas the central bank reported that Bangladesh received \$50.97 billion in the same year.

Traditionally, the gap between the EPB and BB figures hovers around \$4-5 billion, but it jumped in 2021-22 to \$8.51 billion from \$4.73 billion in 2020-21. The

difference is rising in the current fiscal year of 2023-24.

The deficit in trade credit in the balance of payments (BoP) was \$3.7 billion in the first four months of FY24, up from \$1.3 billion a year prior. Trade credit appears on a buyer's balance sheet as accounts payable.

"Owing to many traditional reasons, the gap exists in the data produced by the two government bodies. But the huge gap is not supported logically by traditional

reasons," said Zahid Hussain, a former lead economist of the World Bank's Dhaka office.

He said some people may not bring their export proceeds for the lingering political uncertainty in the election year.

The instability in the foreign exchange market is handing another blow: since the rate is falling frequently, exporters are delaying the transfers to cash in on further depreciation of the taka against the US dollar.

Since exporters are not getting the real rate at present, some might be bringing in their sales proceeds through unofficial channels. As a result, the foreign currency is not coming to Bangladesh, putting the already strained foreign exchange reserve under pressure.

"The trend still continues. That is why there is a huge deficit in the trade credit of the BoP," Hussain said.

A top official of the BB also said many exporters are not transferring sales proceeds due to expectations of a further depreciation of the local currency and the deepening political uncertainty ahead of the election slated for January 7.

The taka has lost its value by about 30 percent against the US dollar since January last year amid a sharp depletion of the foreign currency reserves caused

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## Deposit flow from rural areas dips amid high inflation

SOHEL PARVEZ

Banks recorded a massive slump in deposit flow from rural people as soaring prices squeezed the scope for them to save for the future.

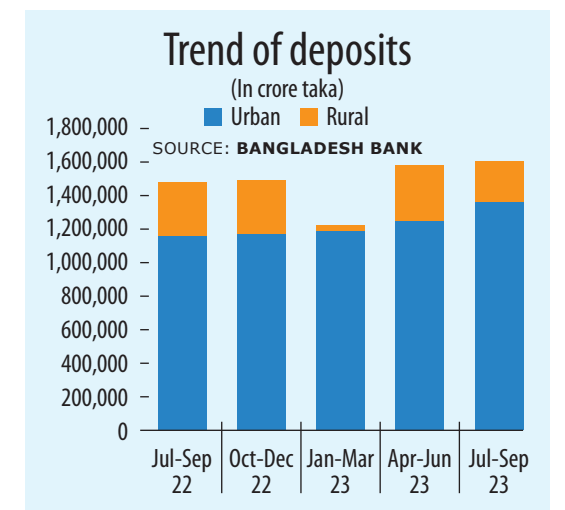
Banks received 24 percent lower deposits year-on-year in the July-September quarter of this year, down from Tk 341,667 crore to Tk 259,870 crore, according to the Quarterly Scheduled Banks Statistics by the Bangladesh Bank (BB) released yesterday.

"It appears that inflation has cut into the savings capacity of many people," said Mohammad Ali, managing director & chief executive officer (CEO) at Pubali Bank Ltd, one of the largest private banks.

Pubali Bank got higher deposits from savers during the period, he said.

Data from the Bangladesh Bureau of Statistics (BBS) showed that inflation in rural areas, home

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STOCKS	
DSEX ▲	CASPI ▲
0.20%	0.20%
6,264.34	18,584.80

COMMODITIES	
Gold ▼	Oil ▲
\$1,992.01	\$71.23
(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.15%	▲ 1.50%	▼ 0.66%	▲ 0.74%
69,928.53	32,792.80	3,090.20	2,991.44

## Winter winds boost sales of skincare products

SUKANTA HALDER

The skincare market in Bangladesh has witnessed good sales since the start of winter as rising awareness about the benefits of self-care during the dry season is driving demand, according to business people.

As such, the demand for skincare products will increase as temperatures continue to drop across the country, they said.

Temperatures may soon fall further, creating the possibility of a moderate cold wave this month, as per data from the Bangladesh Meteorological Department.

Yesterday, the highest temperature was recorded at 30.5 degrees Celsius in Cox's Bazar while Naogaon saw the lowest temperature of 11.4 degrees Celsius.

Zeshan Rahman, marketing manager for skincare at Unilever Bangladesh, said they had received a good response this year as retailers were stocking up in preparation for winter sales.

"Besides, it is a good sign that customers are buying skincare products earlier than usual this year. So, we can say that the market will see a robust growth this year."

Jihadul Islam, who works and lives in Cox's Bazar, said he bought creams for his four-member family a few days ago to protect them against the winter weather.

Nurul Alam Shikdar, a retailer in the capital's Pallabi extension area, said the sales of cold-related products picked up in mid-November.

Creams, lotions, glycerin, petroleum jelly, skincare serums, and olive oil are among the products that usually see higher sales during winter, according to industry people.

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## ADB gives \$400m to support climate priorities

STAR BUSINESS REPORT

The Asian Development Bank (ADB) will give Bangladesh a \$400 million policy-based loan to support implementation of the nation's National Adaptation Plan, 2023-2050 and Nationally Determined Contributions 2021 Update to the Paris Agreement to achieve a climate-resilient inclusive development.

This assistance is the first subprogram of the indicative \$700 million Climate-Resilient Inclusive Development Programme.

Bangladesh is one of the world's most vulnerable countries to the adverse impacts of climate change, recording an annual average loss of about \$3 billion, the ADB said in a statement.

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