

star BUSINESS

No waiver was required for govt to secure IMF loans

REJAU KARIM BYRON

Though Bangladesh could not meet two conditions to qualify for the second tranche of the International Monetary Fund's loan, the government did not have to seek any waiver from the board of the global lender.

On Tuesday, Bangladesh received \$689 million under the \$4.7 billion loan programme.

According to the rules, if a country misses a quantitative performance criteria (QPC) condition, it may seek a waiver.

The IMF executive board may approve the waiver if it is satisfied that its programme will still succeed. This happens when the lender thinks that the deviation was minor or temporary or is convinced about the corrective actions taken by national authorities.

So, it was assumed that Bangladesh would need to seek the waiver since it missed the targets on the foreign currency reserves and the revenue collection.

As the financial account of the balance of payments has remained in the negative territory for higher outflows of US dollars than inflows, Bangladesh could not meet the condition on forex reserves.

And during the staff-level discussion with the IMF in Dhaka in October, the government explained the reason and the visiting mission was convinced, said a finance ministry official.

The ministry had also sought the concession from the board of the IMF but the latter has not needed to take into account while approving the loan, he said.

According to rules, if a country misses a quantitative performance criteria condition, the IMF may seek a waiver

One of the two conditions was to maintain a minimum net international reserves (NIR) of \$24.46 billion at the end of June. The target was missed by about \$3 billion as the government had to dip into reserves to pay for essential imports of fuel, fertiliser and foodstuff from the reserves.

The other was to ensure a minimum tax revenue. The government needed to collect at least Tk 345,630 crore in tax revenue in 2022-23. It was missed by about Tk 17,946 crore as collections slowed down as a result of the import curbs put in place to preserve the strained dollar stockpile.

Missed structural benchmarks (SB) and indicative targets (IT) do not require waivers but are assessed in the context of overall programme performance.

The minimum NIR is a QPC while the tax revenue floor is an indicative target.

Bangladesh's financial account turned negative for the first time in the last financial year, standing at \$2.08 billion, against a surplus of \$16.69 billion a year earlier, Bangladesh Bank data showed.

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Credit card transactions abroad surge

AKANDA MUHAMMAD JAHID

Credit card transactions by Bangladeshi nationals travelling or living abroad rose significantly to hit Tk 538.6 crore in October, up 23.29 percent from the month prior, according to data of Bangladesh Bank.

And including foreign transactions, the overall value of credit card payments increased by 15.43 percent to Tk 2,596.4 crore in October compared to the previous month, the data shows.

Md Mahiul Islam, head of retail banking at BRAC Bank, said foreign credit card transactions have increased as a higher number of Bangladeshis are travelling abroad ahead of the year-end.



Besides, spending through credit cards increased as people are not able to purchase US dollars as per their need from banks due to limitations stemming from the foreign exchange crisis.

"So, most people are trying to make transactions through credit cards," he added.

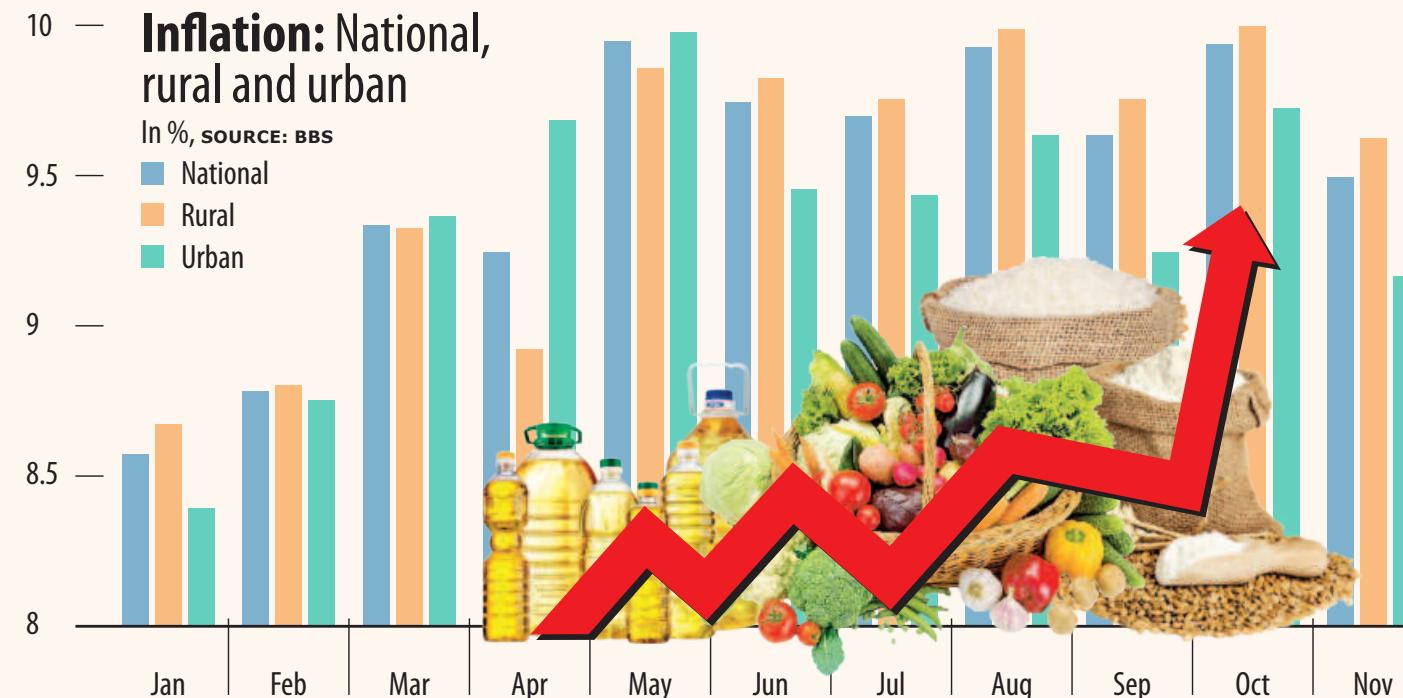
The central bank data also shows that local transactions using credit cards issued in other countries also increased to Tk 199.3 crore in October from Tk 190.4 crore in September.

In an analysis of the expenditure behaviour of credit cardholders, it was

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Villagers grow food for all. But they end up paying more for it

In November, prices rose 9.62% in rural areas against national average of 9.49%



MD ASADUZ ZAMAN and MD ABU TALHA SARKER

People living in rural Bangladesh have witnessed more erosion in their purchasing power and well-being than the urbanites as the former are paying more for both food and non-food items.

Consumer prices data from the Bangladesh Bureau of Statistics (BBS) show that inflation in the rural part of the country stayed above the figure in towns and cities in 31 out of 35 months since January 2021.

An elevated level of food price is one of the major drivers for the higher inflation in rural areas although villages, home to nearly 70 percent of Bangladesh's population, are the major supplier of staple food rice, vegetables, fish and poultry items.

In November, overall prices rose 9.62 percent in rural areas, higher than the national average of 9.49 percent. In contrast, inflation increased 9.16 percent in urban areas.

Rezaul Karim, who lives in Angura Mohammadpur village in Sylhet's Beinabazar upazila, says he is struggling to run his family as his monthly expenses have increased by Tk 6,000-Tk 7,000 in the last one year.

"Winter vegetables have started to hit the market but prices are still high."

The 35-year-old says he could purchase a 50kg bag of rice at Tk 1,700 to Tk 1,800

a couple of years ago whereas the same quantity costs Tk 2,800-Tk 2,900 now.

According to the BBS, food inflation in rural areas stood at 10.86 percent in November against 10.58 percent in urban areas.

Amid higher inflation, many people have been forced to cut back on consumption, especially that of non-food items, which has a bearing on the retail sales of clothing and other items in rural markets.

The most people falling into poverty anew are from rural areas.

Says International Food Policy Research Institute

Fakir Alauddin Shaib, a garment and winter clothing retailer at Gilatala, a suburban market in Bagerhat, said people do not have enough income to spend on clothes.

"We had good sales of winter clothes in the same period last year. This year, sales are dull," he said over the phone yesterday, describing 2023 as worse than the previous year.

Swapan Mirza, who lives at Belkuchi upazila in the northwestern district of

Sirajganj, said, "The prices of food items are almost the same in the cities and villages. In some cases, it is higher than in urban centres."

Against the backdrop of higher prices, a section of people is falling into poverty, according to a paper presented by a researcher of the International Food Policy Research Institute (IFPRI) at the BIDS Annual Conference on Development a week ago.

The IFPRI said at least 27.51 lakh Bangladeshis fell into poverty in 2022 due to the global food price hike and post-Covid-19 impacts. A global slowdown in 2023 might further worsen the poverty situation in Bangladesh and more than 50,000 people will fall into poverty this year too, it said.

A majority of people falling into poverty anew are from rural areas, it said.

Nationally, the ratio of people below the poverty line stood at 18.7 percent in 2022. It was 20.5 percent in rural areas, according to the Household Income and Expenditure Survey 2022 by the BBS.

Why is rural inflation high?

Qazi Khaliquzzaman Ahmad, chairman of the Dhaka School of Economics, expressed his surprise at the higher inflation in rural areas than in urban centres, saying there is no concrete answer to this.

"The diversified food basket for rural areas may contribute to higher inflation."

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Mustard plants have painted this field in Shajahanpur upazila of Bogura a calming yellow. Cultivation of the oilseed has expanded by about 26 percent this year as new varieties of the crop are offering better yields and prices.

PHOTO: MOSTAFA SHABUJ

Mustard acreage hits new high

Short duration varieties win hearts of farmers

SOHEL PARVEZ

Mustard cultivation in Bangladesh has reached a new high as improved varieties of the crop released by public research institutions are offering higher profits and yields, according to industry people.

Farmers have sown the oilseed on more than 10 lakh hectares of land this winter, with the total acreage expanding 26 percent year-on-year, shows preliminary data of the Department of Agricultural Extension (DAE).

This is the fifth consecutive year that farmers have expanded the cultivation of mustard, which is a major oilseed crop in the country.

Multiple factors, including the release

of high yielding varieties that mature quickly and provide better yields; and the higher price of soybean oil, have encouraged farmers to increase mustard cultivation.

Also, the scope to grow the oilseed widened after the Bangladesh Rice Research Institute (BRRI) released quick growing varieties of rice, which provide an opportunity to plant mustard after harvesting Aman paddy and prior to transplanting Boro, the dry season rice crop.

"The BRRI Dhan-75 rice variety matures in 115 days and this provides the scope to cultivate mustard before the Boro season," said Chand Ali Dewan, a farmer in Ullapara upazila of Sirajganj,

one of the largest oilseed producing districts.

In the past, only a few farmers would grow mustard as there were no quick maturing varieties of rice for the Aman season, he added.

Dewan sowed the Bari Sarisha 14 variety of mustard this year for its short duration and higher yield compared to other varieties.

The oil yield is also higher in case of Bari Sarisha 14.

"We get 18 kilogrammes [kgs] of oil from crushing mustard seeds of this variety whereas we could get 14 kgs from other local varieties," the 71-year-old farmer said.

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Local manufacturers made 57.5 lakh smartphones from January to October this year, down 27 percent year-on-year.

Story on B4



Forex reserves slightly up

STAR BUSINESS REPORT

Bangladesh's foreign currency reserves rose slightly over the past week after a long time, showed central bank data.

The reserves stood at \$19.16 billion as of December 13, as per a formula of International Monetary Fund (IMF) to calculate readily available funds, up by nearly \$33 million from \$19.13 billion on December 6, showed BB data.

The country's forex reserves has been declining sharply since the start of the Russia-Ukraine war as the conflict sent up prices of commodities such as oil and gas, hurting import-dependent nations such as Bangladesh.

The forex reserves will rise further once upcoming IMF and Asian Development Bank loans along with funds from other sources are available, said the central bank officials.



Bangladesh will receive \$1.31 billion in December in loans from various sources, including \$689 million in a second tranche of a \$4.7 billion IMF loan, as per central bank officials.

In the middle of July this year, the BB agreed to compile and report the official gross international reserves as per the balance of payments and international investment position manual (BPM6) of the IMF.

As per the BPM6, gross foreign reserves include gold, cash US dollar, bonds and treasury bills, reserve position in the IMF, and special drawing rights holdings, a form of international money created by the IMF and defined as a weighted average of various convertible currencies.



Pragati yet to get go-ahead to assemble sedans

JAGARAN CHAKMA



The government is yet to give the go ahead for Pragati Industries Limited to assemble foreign sedans in Bangladesh even though the state-run automobile company had planned to begin by this December, according to company officials.

Earlier in May, Pragati reached a consensus with Mitsubishi Motors Corporation to establish a complete knock-down setup for assembling sedans of the Japanese automaker.

Then in July, the company announced its plans to initiate the new assembly line by the end of this year.

"We are working on the groundwork to start assembly but when we can actually begin depends on when we get final approval," said Md Moniruzzaman, chairman of the Bangladesh Steel and Engineering Corporation.

However, he assured that the delay would not derail their plans as Prime Minister Sheikh Hasina in her budget speech for fiscal 2023-24 declared that local assembly of sedans should start soon.

For about a decade now, Pragati has been seeking approval to assemble Mitsubishi sedans

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