Star BUSINESS

Bangladesh's depleted forex reserves have received a boost as $1.09 billion have been added to the central bank's account

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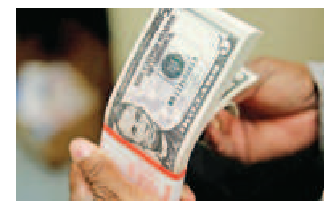

# 50 tasks in 3 years to stabilise economy

## Govt to bring down inflation, rebuild reserves as per IMF prescription

REJAUL KARIM BYRON

The government has pledged to take more than 50 reform measures in three years under the International Monetary Fund's loan programme to rebuild foreign currency reserves and contain inflation.

"Our reform agenda under the IMF programme aims at restoring macroeconomic stability and undertaking structural reforms to promote inclusive and green growth," it said.

The measures have been included in the Memorandum of Economic and Financial Policies (MEFP) that Bangladesh submitted to the Washington-based lender before the proposal for the $689 million loan was placed at the board meeting of the lender last week.

During the remaining programme period covering the current financial year of 2023-24 to 2025-26, the government plans to bring down inflation to within the range of 5 percent to 6 percent and increase the gross international reserves (GIR) to about four months of prospective imports by FY26.

Helped by continued monetary policy tightening and a neutral fiscal stance, inflation in Bangladesh is projected to moderate to 7.25 percent year-on-year in FY24.

Owing to higher commodity prices in the international market and their adjustments in the local markets as well as inadequate policy measures, inflation has still stayed above 9 percent.

The Consumer Price Index rose 9.42 percent in November. It was 9.02 percent in FY23.

Amid higher import bills against moderate remittance and export receipts, the GIR slipped to $24.3 billion in the last financial year from $36 billion in 2019-20, which could cover import bills for 3.4 months in FY23 compared to 6.1 months in FY20.

The reserves stood at $19.17 billion on Thursday.

The MEFP says it would take measures to liberalise further the exchange rate and the interest rate on bank loans. However, it did not say categorically whether the rates will be fully market-based.

According to the plan, the government will analyse existing tax subsidies, known as tax expenditures, in the areas of corporate taxes, personal income taxes, and value-added taxes, and publish the analysis as part of the FY25 budget.

"We will use the analysis to identify measures to rationalise tax expenditures, which will be adopted in our FY25 and FY26 budgets."

The tax expenditure refers to the rebates, discounts, exemptions, reduced rates of taxation and exclusion of income from computing total taxable income.

The total amount of tax subsidies stood at Tk 1,78,241 crore in FY23, up more than 41 percent from Tk 1,25,813 crore in FY21, which accounted for 3.56 percent of the gross domestic product.

The MEFP said it will formulate a medium- and long-term revenue strategy (MLTRS) to provide a structured framework to improve revenue collection over the next four to six years.

Stakeholder consultations are expected to be completed in early 2024 and the strategy will be finalised by June next year.

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### TARGET FOR RESERVES BUILD-UP

| FISCAL YEARS | Reserves | Coverage |
|---|---|---|
| 2028 | $50.13 BILLION | Covers 3.9 months of imports |
| 2027 | $41.88 BILLION | Covers 3.6 months of imports |
| 2026 | $34.95 BILLION | Covers 3.4 months of imports, above the IMF rule of 3 months |
| 2025 | $26.35 BILLION | Covers 2.8 months of imports |
| 2024 | $20.11 BILLION | Covers 2.3 months of imports |

SOURCE: IMF




# External pressure to remain despite IMF loan payout

## Moody's says

STAR BUSINESS REPORT

The International Monetary Fund's $689 million second instalment of the $4.7 billion loan will give a much-needed boost to the country's foreign currency reserves but pressures on the country's external position will remain, said Moody's Investors Service.

On December 12, the IMF board approved the first review of Bangladesh's programme, which allows for the disbursement of the credit under the Extended Credit Facility, the Extended Fund Facility and the Resilience and Sustainability Facility.

"We expect the disbursement to shore up Bangladesh's foreign-exchange reserves, which have eroded significantly over the past two years amid a challenging external environment," Moody's said on Friday.

Net foreign exchange reserves were $15.6 billion, which can provide import coverage for 2.5 months, in November, down from $21.1 billion at the end of 2022-23, and have been on a downward trend since mid-2021.

While higher global commodity prices contributed significantly to current account pressures, wider deficits in the financial account added to the stress given tepid foreign direct investment inflows and lower trade credit inflows. At the same time, Bangladesh Bank's efforts to preserve the value of the taka through sales of dollars further contributed to pressure on reserve buffers.

The ratings agency expects current account pressures to persist given still elevated commodity prices, along with a benign global growth outlook for 2024 and recent social

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# TK 1,000CR fund for cinemas, but not many takers

### THE FUND AT A GLANCE

- Amount Tk 1,000cr
- So far disbursed only Tk 18cr
- Extended the deadline twice
- BB in 2021 had asked hall owners to apply for loans
- An entrepreneur can get up to Tk 10cr

### REASONS BEHIND POOR DEMAND

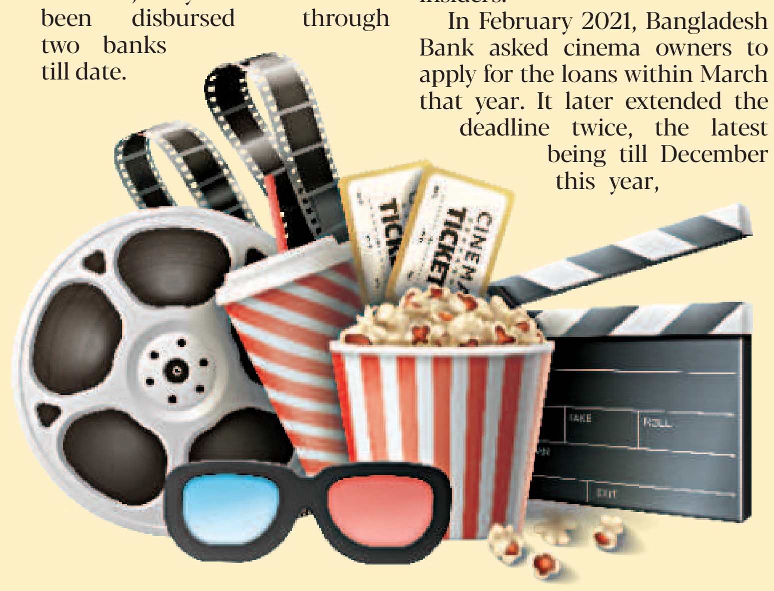
- Complexities in land deeds
- Lengthy procedures to get loans
- Lack of collateral
- Growing demand for OTT, other platforms

### ABOUT CINEMA INDUSTRY

- Country had 1,235 cinema halls in 1998
- Number nosedived in the last two decades
- Currently, about 60 halls are in operation

MD MEHEDI HASAN AND SUKANTA HALDER

More than two years back, Bangladesh Bank formed a low-cost fund amounting to Tk 1,000 crore for setting up new cinemas and renovating existing ones. However, only Tk 18 crore has been disbursed through two banks till date.




Complexities involving deeds offered as collateral, lengthy procedures for availing the loans, lack of collateral, and growing demand for Netflix and other video streaming platforms are the major reasons for poor demand, according to industry insiders.

In February 2021, Bangladesh Bank asked cinema owners to apply for the loans within March that year. It later extended the deadline twice, the latest being till December this year, because of poor demand.

Under the refinance scheme, entrepreneurs can each get Tk 10 crore to set up new cinemas whereas the owners of existing ones can each avail Tk 5 crore to renovate their facilities.

**The interest rate for end-users is 5 percent in metropolitan areas and 4.5 percent for those located outside**

The interest rate for end-users is 5 percent in metropolitan areas and 4.5 percent for those located outside. In contrast, the interest rate for other loans now stands at nearly 12 percent.

Banks participating in the scheme need to pay an interest of 1.5 per cent to Bangladesh Bank.

Six banks signed deals with the central bank to disburse loans from the scheme -- Premier Bank PLC, ONE Bank PLC, Trust Bank, Agrani Bank PLC, Sonali Bank PLC and Southeast Bank PLC.

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