

Star

BUSINESS

The light engineering sector in Bangladesh is seeing lower sales for a slump in demand for agricultural machinery and spare parts

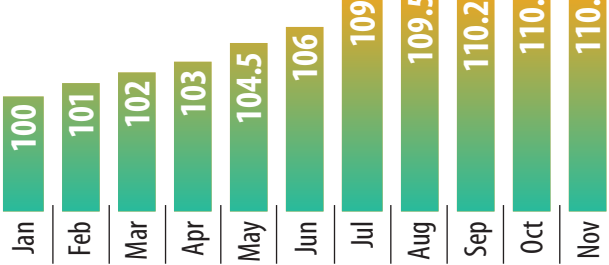


Story on B4

TAKA-DOLLAR RATE

End month rate;

SOURCE: BANGLADESH BANK



Taka depreciation expected to continue amid financial outflows Bangladesh Bank says

STAR BUSINESS REPORT

The taka is expected to depreciate further against the US dollar due to huge outflows, said the Bangladesh Bank in its quarterly released yesterday.

The observation comes as Bangladesh registered a higher deficit in its external account stemming primarily from an elevated level of deficit in the financial account driven by negative trade credit and increased outflow of other investments.

The deficit in the financial account stood at \$3.9 billion in the first quarter of the current fiscal year of 2023-24, down from a surplus of \$839 million during the same period a year ago.

In the four months to October, the deficit in the financial account, which includes foreign investments, trade credits and loans, was \$3.96 billion though the nation recorded an improvement in the current account, which shows the difference in value between exports and imports.

As a result of the consistent pressure of external payments, the local currency has lost its value by about 28 percent since January last year when foreign exchange reserves started to decline at a faster rate.

It weakened by 8.14 percent year-on-year in September this year, said the July-September issue of Bangladesh Bank quarterly.

To contain the downturn and reduce the demand-supply gap in the market, the central bank sold \$3.17 billion in the foreign exchange market in the first quarter.

It said the adoption of several policy initiatives aimed at promoting exports and remittances, strong foreign direct investment inflows, and improvement in the trade balance may stabilise the exchange rates of the taka in the coming months.

"However, downside risk may arise from the disruption in the global energy and food markets, the adoption of unprecedented monetary policy to combat decades-high inflation, and slower-than-expected growth in the global economy."

Moreover, the report said, the tightening of global financial conditions may trigger broad-based capital outflows and affect the cross-border portfolio, lower foreign direct investments, increase borrowing costs and debt hardship.

The publication also discussed the performance of the overall economy, challenges of high inflation, improvement in fiscal balance, and risk to the banking sector owing to high non-

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Post-LDC challenges a headache for Bangladesh: finance secy

STAR BUSINESS REPORT

Bangladesh's graduation from the least developed country (LDC) category is a milestone but the challenges the nation would face after the leap have become a headache for the economy, Finance Secretary Md Khairuzzaman Mozumder said yesterday.

There are two major post-LDC challenges -- Bangladesh will lose the duty-free benefits under preferential tariffs and it has to phase out the existing export subsidies, the secretary said.

The secretary made the comments at a ceremony organised by the National Board of Revenue to honour the country's 141 top taxpayers, at Bangabandhu International Conference Centre in Dhaka.

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Debt burden gets heavier as Bangladesh runs low on capacity to repay

Debt service to revenue ratio may cross 100% for first time

REJAUL KARIM BYRON

Bangladesh's debt service to revenue ratio is projected to cross the 100 percent mark for the first time owing to rising loans and lower tax and export receipts, highlighting the growing risk to the country's capacity to repay.

The debt service-to-revenue and grants ratio stood at 58.7 percent in the fiscal year of 2020-21 but it surged to 72 percent in FY22 and 71.8 percent in the last fiscal year of 2022-23,

to spend but is also posing threat to the country's debt sustainability.

A spike in interest rates owing to the global monetary policy tightening and the sharp depreciation of the local currency have also deepened the risk.

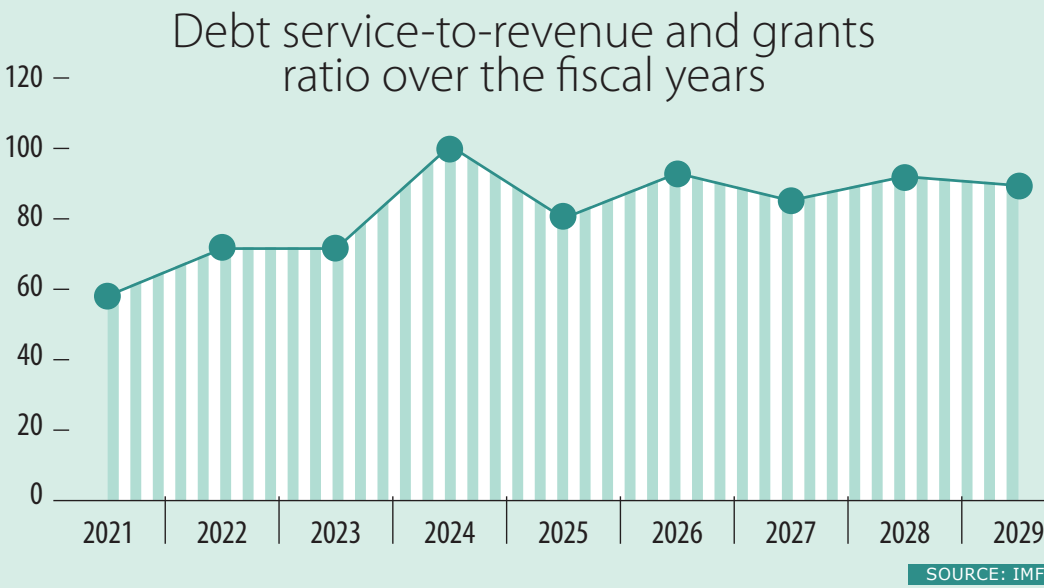
The government's total debt amounted to \$166.65 billion in FY23. Of the volume, external debt stood at \$74 billion, which is predominantly owed to multilateral and bilateral creditors, at \$38.81 billion and

with \$11 billion in loans, followed by Russia \$5.9 billion, China \$5.34 billion, and India \$1.3 billion.

Historically, Bangladesh's debt-to-GDP ratio hovered around 32.2 percent. But it shot up recently, reaching 35.6 percent in FY21. Of them, external debt was 15.1 percent.

The overall debt-to-GDP ratio went up to 39.8 percent in the last fiscal year, which included 17.7 percent of external debt.

An analysis of the World Bank-IMF projected that the



SOURCE: IMF

according to the International Monetary Fund (IMF).

It is projected to grow to 101.1 percent in the current financial year. Debt service is defined as the sum of interest and amortisation of medium and long-term, and short-term debt.

"The increasing debt service to revenue ratio highlights the urgency of Bangladesh remains at a low risk of external and overall debt distress," the IMF said.

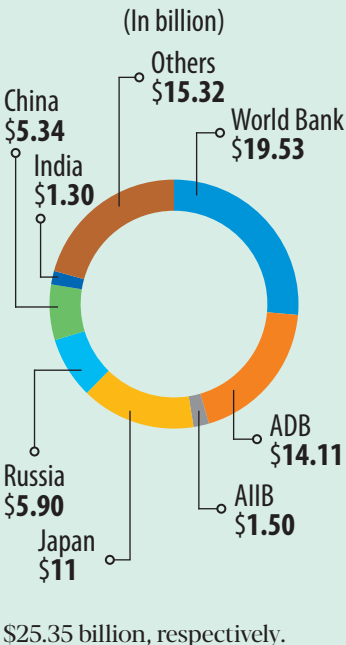
The higher ratio comes as the National Board of Revenue (NBR) missed its tax target for the 11th consecutive year in FY23, in the face of slowing growth of collections amidst economic slowdowns and ambitious goals set by the government.

Export earnings in terms of gross domestic product (GDP) stood at 10.7 percent in FY21 and 12.9 percent in FY22 and it is expected to reach 14 percent in FY24.

In Bangladesh, the risk of external debt distress and the overall risk of debt distress has remained low.

But the persistently low revenue receipts have not only limited the government's ability

Loans with multilateral and bilateral lenders



\$25.35 billion, respectively.

The government owes \$19.53 billion to the World Bank, \$14.11 billion to the Asian Development Bank, and \$1.5 billion to the Asian Infrastructure Investment Bank.

Among the bilateral lenders, Japan is the biggest creditor

overall debt will rise to 41.4 percent in FY24 and the external debt to 18.1 percent.

The IMF said all but one external debt indicators are below their corresponding thresholds under the most extreme shock, despite an initial increase due to large and ongoing taka depreciation.

The taka has lost its value by about 28 percent against the US dollar since January last year since foreign currency reserves started to decline at a faster rate as import bills outpaced earnings from both export and remittance sectors.

The IMF said Bangladesh's debt-carrying capacity is unchanged from the previous DSA of 2021. External and overall debt indicators are below their respective thresholds under the baseline.

Under a standard stress test, the present value of the debt-to-export ratio temporarily breaches the threshold of the external debt sustainability indicator. This short-duration breach of low magnitude is discounted via judgement.

The IMF said risks are tilted

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Accolades for top taxpayers

STAR BUSINESS REPORT

The National Board of Revenue (NBR) yesterday honoured the 141 highest tax-paying companies and individuals for fiscal year 2022-23, including Transcom Group Chairman Shahnaz Rahman, The Daily Star Editor Mahfuz Anam, and Prothom Alo Editor Matiur Rahman once again.

For a second consecutive year, Shahnaz Rahman has become one of the top taxpayers in the women category.

Mahfuz Anam and Matiur Rahman were named as the top taxpayers in the journalist category for the eighth year in a row.

Finance Secretary Md Khairuzzaman Mozumder and NBR Chairman Abu Hena Md Rahmatul Muncem handed over the awards at a programme at the Bangabandhu International Conference Center in Dhaka.

Faridur Reza Sagar, managing director of Impress Telefilm (Channel i), Shykh Seraj, founder director and head of news at Channel i, and Mohammad Abdul Malek, editor of the Dainik Azadi, also got recognition in the same category.

Mediastar, the parent company of Prothom Alo, was the top tax-paying firm in the print and electronic media category. Mediastar is a sister concern of Transcom Group.

In the print and electronic media category, East West Media Group Ltd, Somoy Media Ltd and Times Media Ltd were also among the top taxpayers.

In the female taxpayer category, Anwara Hossain, Nilufer Ferdous, Mituli Mahbub and Shaila Afrin Khandkar have been named among the other highest taxpayers in the assessment year 2022-23.

Veteran businessman Kaus Mia, who came to the event in a wheelchair, also received the award in the business category. He has been paying taxes since 1958.

At the event, Finance Secretary Mozumder said the government has set a target to collect Tk 500,000 crore in revenue. Of it, Tk 430,000 crore will be collected by the NBR.

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STOCKS	
DSEX ▲	CASPI ▲
0.01% 6,261.98	0.04% 18,571.72

COMMODITIES	
Gold ▼	Oil ▲
\$2,038.67 (per ounce)	\$74.58 (per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 1.30% 70,506.31	▲ 1.37% 33,675.94	▼ 0.28% 3,108.03	▼ 1.03% 2,902.11

IDRA steps in as Fareast Islami falls behind on payout

SUKANTA HALDER

The Insurance Development and Regulatory Authority (IDRA) has ordered Fareast Islami Life Insurance Company Limited not to spend any money from its premium income, income from investment and life fund if it fails to settle claims of policyholders by this month.

"Despite repeated instructions to pay insurance claims, there has been no improvement in the settlement of insurance claims of the company," the IDRA said in a letter sent to the company yesterday.

Until the third quarter of 2023, Fareast settled only 4 percent of insurance claims.

In other words, it paid Tk 96.58

AT A GLANCE

- Q3 claim settlement ratio 4 %
- Total claim Tk 2,351 crore
- Paid only Tk 96.58 crore
- Can't pay more than 20 % commission on first-year premium
- Unable to pay claims due to liquidity crisis
- Tk 2,367 crore embezzled as per an audit report

percent of first-year premiums as commission to its agents, said the letter. The law stipulates that over 35 percent cannot be paid.

Payment of the remaining 15 percent will have to be deferred and adjusted with the commission on the premiums of the second year, the letter added.

If documents are required for settlement of an insurance claim, the claimant should be contacted by telephone quickly and the necessary papers collected to ensure quick settlement, it said.

If the documents are already available, the claim settlement should not be delayed by up to 90 days, the

letter said. The insurance law stipulates that insurance claims must be settled within 90 days.

Due to an ongoing liquidity crisis, the company is unable to settle insurance claims of policyholders, an IDRA official told The Daily Star.

Yesterday, Sheikh Kabir Hossain, chairman of Fareast, said the claims would be settled in consultation with the IDRA. Last month, he said the company was "sick" as it owed a lot of money while its owners were in jail.

The government had set up a new board of directors to restore Fareast to its previous position, but they have not made much progress so far, he said.

"Due to the weak financial strength, it is not possible to pay back debts at the required rate."

Another reason is that new clients are not coming to open policies anymore as the company has gained a bad reputation, meaning that there is a lack of incoming funds to clear the debt, he added.

Earlier, the company's land and premises were advertised for sale. At that time, the prices quoted by buyers were lower than the purchase price. That is why the land could not be sold, he had said.

Mohammad Zainul Bari, chairman of the Idra, said Fareast does not have the ability to pay insurance claims

without selling land. Therefore, it has been asked to sell the land.

Zahangir Alam, spokesperson of the IDRA, told The Daily Star that settlement of many claims of policyholders was suspended even after the expiry of their policies, which was why the regulator passed the instructions to solve the problems.

In April 2021, the regulator appointed Shiraz Khan Basak and Company, a chartered accountant firm, to conduct a special audit on Fareast. The auditor submitted a report to the IDRA in May 2022.

As per the report, Tk 2,367 crore has been embezzled from the company. Apart from this, accounting irregularities amounting to Tk 432 crore were detected.

Nazrul Islam and MA Khaleque, former chairmen of Fareast, Hemayet Ullah, a former chief executive officer, and some former directors and senior officials were found involved in the embezzlement.

The money was embezzled in mainly two ways -- the purchase of land at prices higher than the market value and bank loans availed by mortgaging the company's Mudaraba Term Deposit Receipt (MTDR).

In September 2021, the Bangladesh Securities and Exchange Commission dissolved the company's board and sacked CEO Hemayet Ullah.

At present, a group of independent directors run Fareast.