



Farmers in the northern districts that were cultivating early-harvest varieties of potatoes have begun collecting and selling the tuber for good prices, making profits ranging between Tk 80,000 and Tk 100,000 per acre (100 decimals). The photo was taken in the Panitala area of the Gobindaganj upazila in Gaibandha on Wednesday. PHOTO: MOSTAFA SHABUJ

## Rafiqul Islam made BFIU executive director

STAR BUSINESS REPORT



Md Rafiqul Islam has been promoted to the post of executive director of the Bangladesh Financial Intelligence Unit (BFIU), an anti-money laundering agency.

Islam, who was a director of the organisation, will also act as deputy head of the BFIU, according to a press release.

He joined the Bangladesh Bank in 1996 as an assistant director.

He received Bangladesh Bank Employees Recognition Award (gold medal) in 2009 in recognition of his professional skills.

Islam obtained bachelor's and master's degrees in biochemistry from the University of Dhaka. He later did another master's degree in economics from the same university.

## German emissions at 70-year low as coal use drops

AFP, Berlin

German emissions were at their lowest point in around 70 years, as Europe's largest economy managed to reduce its dependence on coal faster than expected, a study published Thursday showed.

Europe's biggest economy emitted 673 million tonnes of the greenhouse gases last year, 73 million tonnes fewer than in 2022, according to the energy think tank Agora Energiewende.

The figure was at its lowest point "since the 1950s", Agora said in a statement, while warning that Germany had work to do to further reduce its emissions.

# Over 9% inflation unacceptable

Says former governor Atiur Rahman

STAR BUSINESS REPORT

Inflation in Bangladesh is currently at over 9 percent, which is unacceptable, said Atiur Rahman, former governor of the Bangladesh Bank, yesterday.

"It should be brought down to 4-5 percent or 5-6 percent," he said.

Bangladesh's prime challenge in this new year will be controlling this high inflation, said the economist.

"So, controlling inflation should be the number one priority now. We hope that the government will handle the issue more strictly after the national elections," Rahman told a public lecture.

Titled "Thoughts at the start of the year: Which way is Bangladesh's economy headed?", the event was organised online by research and advocacy organisation Unnayan Shamannay, of which Rahman is the chairperson.

According to the Bangladesh Bureau of Statistics, inflation in the country stood at 9.49 percent in November.

The rate has been persistently high since June 2022 for the fallouts of the pandemic and the Russia-Ukraine war which caused global commodity prices to spike, hitting hard import-dependent

nations such as Bangladesh.

According to Rahman, Bangladesh will have to apply conventional and non-conventional tools to tackle inflation.

"We can see that it will not be possible to control this inflation only with its monetary policy. The monetary policy must be kept contractionary, but we also need to work on the fiscal policy," he said.

Because of such a high inflation, people with low incomes are in great danger, he said.

"Inflation in villages is at double digits which is more dangerous. Food inflation there is close to 12 percent," said Rahman.

The devaluation of the taka against the US dollar has permeated into commodity prices, he said.

"Basically, it is imported inflation. To deal with this, exchange rates need to be stabilised and tariffs on essential goods should be reduced. Then the common man will get some benefit," he said.

Moreover, social benefits should be increased for those who are the most vulnerable to inflation, said Rahman.

"We are facing the biggest challenge this year. We fear that the challenges we faced last year will spill over to this year," said Rahman regarding the present

situation of the economy.

Earlier the main strength of the economy was macroeconomic stability, he said.

"I think there are concerns over that strength now."

In 2023, export receipts might be \$52 billion, but import will not be less than \$70 billion, he said.

**"Controlling inflation should be the number one priority now. We hope that the government will handle the issue more strictly after the national elections," says Atiur Rahman, former governor of BB**

"Even if the remittance stands at \$22.23 billion, there will be a gap in the current account balance. And it will be in the negative," said Rahman.

If it is not possible to fill the gap, the pressure will shift elsewhere and it will also put pressure on the financial account, he said.

So, there will be a gap between earning and spending of dollars, he said, adding that foreign direct investment (FDI) could

fill up the gap.

"I hope for economic stability to return this year. If political stability is restored, foreign investment may rise. Unless the FDI increases, the deficit will persist," said Rahman.

"And, if there is a deficit in the economic sector, it creates a negative balance of payments and puts pressure on the reserve," he said.

In this situation, import bills are paid from the reserve, Rahman said.

"This is why we passed last year amidst a crisis. There was pressure on exports as well as growth. I hope that we will concentrate on these issues," he said.

"This year, we should set the exchange rate near the market-based rate. It may be 2-3 percent higher or lower than the market rate," he said.

Despite successes in many sectors, it should be remembered that about 3.20 crore people are still below the poverty line, he said.

Besides, 2-3 percent of the population is slightly above the poverty line and they can fall below it at any moment, he said.

"We have to work for them. Besides, we have to handle the country's economic transformation very carefully," he added.

STOCKS	
DSEX ▲	CASPI ▲
0.12%	0.02%
6,244.16	18,508.53

  

COMMODITIES	
Gold ▲	Oil ▲
\$2,048.7	\$73.55
(per ounce)	(per barrel)

  

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.69%	▼ 0.53%	▼ 0.79%	▼ 0.43%
71,847.57	33,288.29	3,174.01	2,954.35

## US interest rates likely to stay high for some time

AFP, Washington

US Federal Reserve officials expect interest rates will need to remain high "for some time" to tackle stubborn inflation, according to minutes of the most recent rate decision published on Wednesday.

The Fed announced last month that it would continue to hold interest rates at a 22-year high, and penciled in up to three rate cuts in 2024, sending US stock markets surging to new records.

Since then, Fed officials have looked to dampen the buoyant market expectations that cuts were imminent, stressing that inflation remains stuck above the central bank's long-run target of two percent.

In December, the Fed's rate-setting committee "reaffirmed that it would be appropriate for policy to remain at a restrictive stance for some time until inflation was clearly moving down sustainably" towards target, according to minutes of the meeting published Wednesday.

The document did not delve into details of a discussion Fed Chair Jerome Powell alluded to in last month's press conference, about when it would be appropriate to start cutting rates.

Since peaking in 2022, the Fed's favored inflation gauge has fallen sharply, reaching an annual rate of 2.6 percent in November.

So-called core inflation, which strips out volatile food and energy prices, also cooled last month to an annual rate of 3.2 percent.

At the same time, economic growth has shown signs of moderating, the job market appears to be softening, and the unemployment rate has remained close to record lows.

## Financial account deficit

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Mustafa Kamal Mujeri, executive director at the Institute for Inclusive Finance and Development, said the country has been seeing disequilibrium in the external sector for months although the Bangladesh Bank and the government are trying to address the issue.

"If the problems persist, there will be adverse effects on economic growth, employment and poverty."

The former BB chief economist says to the central bank's discouragement and the falling capacity of businesses and industries caused imports to decline. So, the trade deficit declined though exports did not grow that much.

But Bangladesh is an import-dependent economy and it buys essential commodities, raw materials and other inputs to make products for international markets and to feed a nation of 17 crore people. Therefore, exports may be affected if imports suffer, he said.

The IMF said the financial account is expected to improve, including through timely repatriation of export proceeds.

The balance will rise to 0.5 percent of GDP in June this year from a negative 0.5 percent a year ago. It is projected to accelerate to 4 percent in FY25 and 4.6 percent in FY26.

The IMF said amid an unprecedented reversal of the financial account, the overall BoP has deteriorated, leading to a continuous decline in foreign exchange reserves.

"Recent developments have underscored the need to expedite long-standing structural reforms to put the economy on an inclusive and green growth path."

Md Deen Islam, associate professor of the department of economics at the University of Dhaka, said the improvement in trade deficit reflects the lag impact of the significant exchange rate depreciation observed in late 2022.

Consequently, Bangladesh is projected to achieve a surplus in the current account balance for the first time in the last three years, with the overall deficit decreasing from \$6

billion to \$4.9 billion. This reduction holds both short-term and long-term implications, he said.

"In the short term, it is expected to contribute to exchange rate stabilisation, alleviating inflationary pressures."

Additionally, an enhanced balance of payments, coupled with a market-determined foreign exchange rate, has the potential to bolster the confidence of foreign investors, who were unsettled by exchange rate volatility in the previous year, leading to a notable deficit in the financial account, he said.

He said the anticipated improvements in both the current and the financial accounts suggest a positive trajectory for the foreign exchange reserve position in the near future.

"However, it is crucial for Bangladesh to strike a balance in managing the exchange rate, allowing sufficient market flexibility. Otherwise, the gains in the current account could be short-lived and potentially result in a larger deficit in the financial account."

BB's Habibur Rahman said: "As the interest rate in Bangladesh's financial sector is rising and the chances of further interest rate hike in the West are low, I hope the situation will improve soon."

## Facilitate import

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percent during the holy month for Muslims.

Currently, the local businesses have to pay 58.6 percent duty on import of dates. The monthly demand for dates in the country is 4,000 tonnes and during the Ramadan it goes as high as 50,000 tonnes, according to data from the commerce ministry.

The businessmen in a meeting with Ghosh on Wednesday demanded a cut in date import duty.

Ghosh also urged the NBR to release the imported basic commodities from the Chattogram port on a priority basis to ensure their availability in the markets on time.

## Liquidity crunch widens

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In an auction on Thursday, the government raised Tk 6,183 crore through 91 day, 182 day and 364 day tenure treasury bills with interest rates of 11.15 percent, 11.20 percent and 11.50 percent respectively.

Against this backdrop, Rahman said the government has become a competitor in terms of collecting deposits, which is why the banking sector is now suffering an extreme liquidity shortage.

Echoing the same, a chief executive of a private commercial bank seeking anonymity told The Daily Star they are facing huge challenges due to the liquidity crunch.

He said the government was also facing a cash crisis that prompted it to hike the interest on treasury bills and bonds in order to collect funds.

At the same time, the volume of currency outside banks has increased amid uncertainty centring the national election to be held on Sunday.

Currency outside banks stood at about Tk 2.46 lakh crore in October 2023, up from Tk 2.36 lakh crore the same month the year prior, shows the latest data of Bangladesh Bank.

He also said the liquidity crisis has adversely impacted overall cash flow in the banking sector, which has

been facing a forex crisis for the past 18 months, slow deposit growth and lacklustre loan recovery.

For the last two years, banks have been purchasing USD from the interbank platform and central bank by using local currency in face of a foreign currency shortage.

Bangladesh Bank sold \$6.7 billion from the forex reserve to banks in the July-December period last year.

The central bank had also pumped more than \$13 billion into banks in fiscal 2022-23 against the equivalent amount in local currency.

Five Islamic banks – Islami Bank Bangladesh, Social Islami Bank, First Security Islami Bank, Union Bank, and Global Islami Bank – are facing an extreme liquidity crisis due to loan irregularities.

In November last year, surplus liquidity in the banking sector stood at Tk 1.41 lakh crore, down from Tk 1.81 lakh crore in July.

Loan recovery is not in good shape as borrowers are using the current economic slowdown as an excuse for not paying back their funds, Mirza Elias Uddin Ahmed, managing director of Jamuna Bank, had told The Daily Star recently.

"This tightened the liquidity situation in banks," he added.

Banks have to raise the deposit rate because of the high yield of treasury bills, he added.

Echoing him, Syed Mahbubur Rahman, managing director and CEO of Mutual Trust Bank, said it would be very difficult to mobilise deposits now because the interest rates of government treasury bills and bonds have continued to rise in recent times.

He said depositors were withdrawing money from banks and then investing in government treasury bills and bonds because the interest rates of the latter were over two percentage points higher than the deposit rate.

## Biman to buy

FROM PAGE B1

will be able to show them every millisecond of the movement of their luggage and other respective activities."

There is no scope for the ground staff to manipulate the function of the body camera, he said.

"We want to ensure 100 percent safety of the luggage of the passengers, as we have taken such measures to gain confidence of the passengers."

In the first phase, 105 body cameras will be purchased from Japan.

"The ground staff has to enter inside the cargo hold of an aircraft to load and unload the baggage items. Body-worn cameras will ensure total monitoring of their activities at the sensitive area," Sirajul Islam, a security assistant of Biman, told The Daily Star.

There are widespread allegations of damaging or pilferage of valuables from the passengers' luggage by the ground staff at the HSI.

From now on, the Biman staff will perform their duties by wearing body cameras and none will be able to turn off the camera while s/he will be on duty, Islam said.

A central monitoring cell will control the cameras.

The Biman managing director said currently Biman extends ground service to 160 flights a day.

After procuring the 3,600 equipment worth Tk 1,000 crore, Biman will be able to provide uninterrupted ground handling services of the best quality to 200 to 240 flights daily by 2024, he said.

Biman earns around Tk 1,000-1,200 crore every year through providing ground handling services at the Dhaka airport.

The Biman chief said 70 percent of the equipment has already been added to Biman while the rest will be handed over in the next three months.