BTRC mulls fixing minimum mobile recharge amount

MAHMUDUL HASAN

Just as private mobile operators were mulling to raise the minimum amount that customers can top up, Bangladesh Telecommunication Regulatory Commission (BTRC) has come up with its own plan to set the figure.

"We have already discussed it with the operators and they will send us proposals," Brig Gen Mohammad Khalil-ur-Rahman, director general for system and services division of the BTRC, told The Daily Star yesterday.

After evaluating their proposals, the commission may take a decision on setting a minimum recharge amount, he added.

A BTRC official said the decision was being considered to safeguard the interest of customers.

The development comes a day after Grameenphone yesterday backtracked from its decision to substantially increase the minimum recharge amount from Tk 20 to Tk 30 following widespread customer dissatisfaction and the regulator's intervention.

Numerous customers had taken to social media to express their frustration and anger at the 50 percent hike.

"We haven't put it into action yet, and we're currently in talks with BTRC about it. Our subsequent decisions will be determined by the outcome of those discussions," said the operator.

The regulator had intervened by calling a meeting with the mobile operators at its office in Dhaka yesterday.

In the meeting, the BTRC asked the operators not to increase the minimum recharge amount right now "as the elections had just taken place".

However, officials of the operators, wishing anonymity, said it would be unprecedented for the regulator to fix a minimum recharge amount.

"Minimum recharge is not regulated anywhere in the world. BTRC's intervention and intention to regulate will be counterproductive. It's a sign of micro management," according to a top official of an operator.

A farmer talks over his mobile phone in Rangunia upazila of Chattogram recently. The telecom regulator of Bangladesh has asked the mobile phone operators not to increase the minimum recharge amount right now. PHOTO: RAJIB RAIHAN

Import-control measures affecting industrial output

ILO says on Bangladesh

STAR BUSINESS REPORT

Import-control measures and energy shortages are affecting the industrial output of a number of countries in South Asia, including Bangladesh, according to the International Labour Organization (ILO).

Many countries in Asia and the Pacific were able to avoid the accelerating inflation seen in other regions, said in a new report of the ILO's World Employment and Social Outlook Trends: 2024 (WESO Trends), which was published yesterday.

"Several South Asian nations -- including Bangladesh, India and Pakistan -- have implemented import suppression measures and face energy shortages, both of which have been affecting industrial output," the ILO said.

These countries also have limited fiscal room to provide stimulus or respond to exogenous shocks in the future, should that be required.

Moreover, countries such as Sri Lanka and Pakistan, have been struck by financial crises.

Nevertheless, India has buoyed growth for the South Asia sub-region, thanks in part to high investment growth.

The report added that, in South-East Asia, Indonesia also is expected to have exhibited relatively strong growth through 2023, which is projected to continue into 2024, as a result of high commodity prices bolstering export earnings.

In Asia and the Pacific, gross domestic product (GDP) is estimated to have grown by 4.3 percent in 2023. The re-opening of economies from Covid-19 restrictions, including the removal of lockdown measures in China, contributed to stronger growth in 2023, compared to 3.9 per cent in 2022.

In China, the removal of these constraints resulted in increased domestic spending as households spent accumulated savings, according to the World Bank.

On the other hand, labour markets have shown surprising resilience despite deteriorating economic conditions, but recovery from the pandemic remains uneven as new vulnerabilities and multiple crises are eroding prospects for greater social justice, said the ILO's report.

Square Pharma logged Tk 1,898cr profit in FY23

STAR BUSINESS REPORT

Square Pharmaceuticals registered a 4.53 percent year-on-year growth in profit to Tk 1,898 crore in the fiscal year that ended on June 30 last year.

The Bangladeshi multinational pharmaceutical company made a Tk 1,815 crore profit in the previous fiscal year, according to its annual report.

This led to a consolidated earnings per share of Tk 21.41 in fiscal year 2022-23 whereas it was Tk 20.48 a year ago.

The consolidated net asset value per share rose to Tk 113.39 from Tk 104.92 while the net operating cash flow per share fell to Tk 9.17 from Tk 13.93.

According to the annual report, the company's consolidated net revenue was Tk 6,274.7 crore in the fiscal year of 2022-23, which was 8.9 per percent higher than that in the previous year.

The company's consolidated net revenue was Tk 6,274.7 crore in the fiscal year of 2022-23.

Square Pharmaceuticals is the parent company of a group of four entities. The three subsidiaries in the group are Square Lifesciences, Square Pharmaceuticals Kenya EPZ and Samson Pharma Inc, the Philippines.

Zahangir Alam, chief financial officer of Square Pharmaceuticals, said this company's product basket was huge, and it was operating business in the country for a long time, for which it had widespread acceptability among doctors.

Due to its reputation, the company's marketing costs are almost half compared to others. On the other hand, Square Pharmaceuticals has no financing costs as it has a very minimum amount of loans.

As a result, the company was able to log a profit growth. It could have been greater if its inter-company profit, especially from Square Textile, had been higher, he added.

The company and its subsidiaries are engaged in the pharmaceuticals industry covering cross-border markets across the globe.

The company's associate entities are primarily engaged in various sectors such as yarn manufacturing, knitting, dyeing, manufacturing of garments, hospitals, diagnostic and pathological laboratories.

Making the economy breathe easier

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to the Bangladesh Bank estimates of the shipment value of exports increased to 22 percent in FY23 from 16 percent in FY21.

The first quarter of FY24 showed a further increase to 28 percent. Such steep increases cannot be explained simply by lags between shipment and payment or other routine adjustments (buyers' payment behaviour, discounts, rejections). Underpricing dollars relative to parallel market rates had a much bigger say as did illicit capital outflows incentivised by such underpricing and perhaps political uncertainties.

The operation of the exchange rate regime is as captive to the BB mood swings today as it was a year ago. Markets have probably adjusted to the higher transaction costs of trading at prices different from the de jure prices directly or indirectly administered by the regulator in the foreign exchange and financial markets.

In its December 2023 Article IV report, International Monetary Fund changed Bangladesh's exchange rate regime from "crawl like" to "other managed", a term used when the exchange rate regime does not meet the criteria of any of the other categories. In other words, the model of the Bangladesh Foreign Exchange Dealer's Association (BAFEDA) and the Association of Bankers, Bangladesh (ABB) is an outlier in the global context.

The path forward

The monetary policy operating model has brought greater integration of policy and money market rates. Rates are better aligned with changes in the demand and supply of liquidity.

The SMART has so far behaved pretty much like a crawling peg pricing system with a clearly defined formula. The pass-through of policy rates to the lending rate cap has increased. Its impact on inflation and external balance are still birds in the bushes because of the late start with a low acceleration. Broader space for rate flexibility is needed to make a dent in inflation and improve the efficiency of credit allocation.

The crawling peg in the case of the spot exchange rate has been ad hoc, showing no learning in 2023. The BAFEDA-ABB set export and remittance rates in irregular meetings. The discontinuous upward adjustment path so far followed encourages speculation.

Foreign exchange rationing will not ease if the BB backed the BAFEDA-ABB model of exchange rate setting continues. A more data-based crawling peg is an unnecessary detour in journeying back to a managed float before such a switch becomes a force majeure.

The will to act on balance sheet reforms in the financial sector lacks urgency. Legislation and data for addressing distressed assets are in place as is a framework for Prompt Corrective Action. Yet the forward guidance on reforms features tardiness hardly befitting the gravity of the risk the zombies in the sector pose to the financial system. The PCA framework is projected to be effective at end March 2025. Why wait so long?

Procrastinate at own peril

Procrastinating major course corrections hoping global headwinds will fade sooner than later is not advisable. Hope-based policies did not serve us well in 2023. The IMF disbursed the second tranche in December signaling the programme is broadly on track.

The limits of the IMF programme beyond providing cash dollar support are increasingly self-evident. There is no alternative to home-grown reforms.

Macroeconomic stability is the oxygen without which the economy cannot breathe at ease. However, oxygen is not all one needs to make all organs healthier. Let 2024 be a year when the policy discourse is able to get back to the health issues from the unavoidable preoccupation with the readings of the oximeter.

Downsides risks are material. Some of them, such as access to external trade and finance, are embedded in deep uncertainties and the known post-LDC graduation challenges. Easing global conditions won't mean much if domestic policy is not attuned to reality.

The author is an economist

Bangladesh to post

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many developing economies amid slowing growth in most major economies, sluggish global trade, and the tightest financial conditions in decades.

Headline consumer price inflation increased in 2023, mainly driven by rising food prices and currency depreciation, resulting in tighter monetary policy. The balance of payments deteriorated, along with a decline in foreign exchange reserves.

Financial sector vulnerabilities rose, as non-performing and other stressed loans increased.

Because the South Asia region is relatively less open to trade, spillovers from weaker-than-projected growth in China would be smaller than in other EMDE (emerging market and developing economy) regions. However, in countries where China is a major trading partner or key source of foreign investment, a sharper-than-expected slowdown in the second-biggest economy in the world could undermine growth.

"Additionally, in Bangladesh, slower-than-anticipated growth in its export destinations, particularly in the European Union, could pose a risk to growth prospects," the WB said.

China is Bangladesh's largest trading partner while the EU accounted for more than 46 percent of the country's export receipts in FY23, Bangladesh Bank data showed.

The WB report was prepared before Bangladesh's parliamentary elections that took place on January 7.

It said in a number of South Asian economies (Bangladesh, Bhutan, India, the Maldives, and Pakistan), parliamentary or national assembly elections are scheduled or planned in 2024.

"The heightened uncertainty around these elections could dampen activity in the private sector, including foreign investment. If combined with political or social unrest and elevated violence, this could further disrupt and weaken economic growth."

In addition, particularly in countries with weak fiscal positions, an increase in spending prior to these elections could exacerbate macro-fiscal vulnerabilities.

"However, the implementation of policies to reduce uncertainty and strengthen growth potential after elections could lead to an improvement in prospect," the WB said.