

# Star BUSINESS

Ensuring the timely payment of salaries and bonuses of the garment workers is the first priority of SM Mannan (Kochi), whose panel swept BGMEA elections



Story on B4

## Financial account deficit widens to new level

STAR BUSINESS REPORT

The deficit in the country's financial account widened to touch a new level in the first seven months of the current fiscal year, showing that challenges in the economy are far from over.

The nation registered a deficit of \$7.3 billion in its financial account, a key component of the external account termed as Balance of Payment (BoP), in July-January period of 2023-24, which was 9 times higher than a year ago, showed data of Bangladesh Bank (BB).

As a result of the widening deficit in the financial account, the country's external account remained in the negative, though there was an improvement in trade deficit, rise in remittance flow and other inflow from services during the period.

The BB data showed that the country's trade deficit fell by more than half to \$4.6 billion in the July-January period as exports rose while imports fell.

The trade deficit was \$13.39 billion in the July-January period of the year prior.

"This gives a message of both hope and despair," said Zahid Hussain, a former lead economist at The World Bank, Dhaka.

"The increase in remittance inflow gives hope but an 18 percent import fall is not a good omen for the economy because most of the imports of Bangladesh are production driven," he added.

Hussain said that for an economy of around \$450 billion, monthly \$5 billion imports are not sustainable. Rather, this could fuel inflation because of supply



shortage.

"So, managing the balance of payment through import control is not a feasible option," he added.

Data showed that because of reduction in trade deficit and rise in remittance and private transfers, Bangladesh's overall deficit in the BOP declined to \$4.68 billion in the first seven months of this fiscal year from \$7.38 billion a year ago.

Hussain said BOP has to be positive. But it has been in the negative because of a large deficit in the financial account, which included foreign direct investments, medium and long term loans, trade credits, net aid flows and portfolio investments.

He said one of the reasons behind the negative financial account is slow realisation of export proceeds against shipment.

"This is because of under-pricing of dollar that exporters get against export. We saw similar problems in case of remittance earlier. But remittance flow improved after remitters were offered higher rates through relaxation of policy. But we have not seen any easing of rules for export earnings," he added.

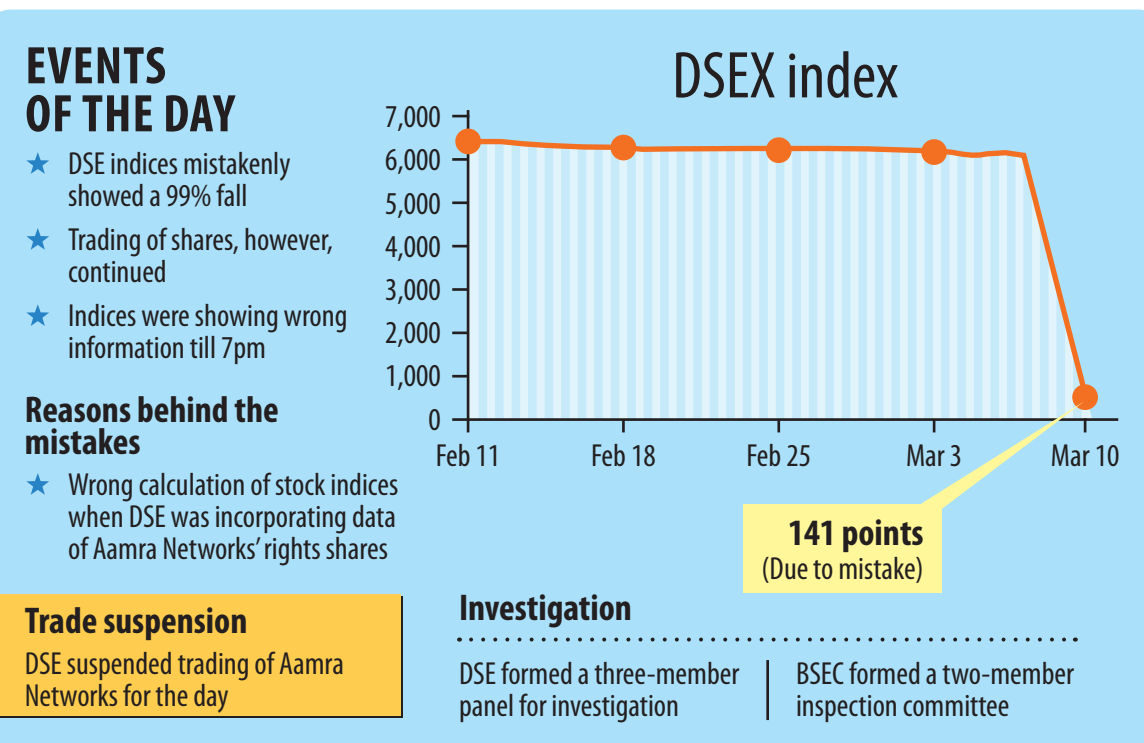
"Flow of export proceeds would rise if exporters get market-based rates."

Overall, he said, improvements in the current account thanks to increased flow of remittances has reduced unease in the market.

"But BOP deficit persists because of the negative financial account. Overall net inflow is yet to become positive. And without the financial account turning positive, overall availability of dollar will not increase and this will create inflation, depress investment and production," Hussain added.

## Dhaka bourse goes dark after error in adjusting single firm's rights shares

Turnover plummets as all-day chaos ruins trades



STAR BUSINESS REPORT

All indices of the Dhaka Stock Exchange (DSE) showed unusual figures yesterday due to an "operational error" that adversely impacted investor confidence, causing turnover to plummet amid huge sales pressure.

The turnover, an indicator of the volume of shares traded, nosedived to Tk 478 crore while it averaged Tk 1,020 crore in the past month.

Just 20 minutes into the day, the DSE, the benchmark index, dropped by an astounding 6,112 points, or 99 percent, to just 0.39 points, according to the website of the country's premier bourse.

Other indices saw similarly peculiar movement with the DSES, an index comprised of shariah compliant companies, and the DS30, which represents blue-chip stocks, having declined significantly.

The indices receded even though 162 of the 379 stocks traded advanced.

Although the DSE claims that these figures were all incorrect due to an operational issue, a few sources alleged that it was actually caused by a human error.

A mid-level official of the bourse said officials of the bourse had wrongly calculated the stock indices while including 3.09 crore rights shares of Aamra Networks.

The inclusion of a company's rights shares impacts market indices by raising the number of free-floating shares available. However, the adjustment was wrongly calculated, as reflected in the data, he added.

"The indices of the DSE showed unusual figures while taking corporate action for the right share entitlement of Aamra Networks," the country's premier bourse said in a statement.

As a result, the trading of Aamra Networks was suspended for the day considering the greater interest of the capital market and to ensure proper representation of the indices, it added.

On condition of anonymity, a top official of a brokerage house said it was an unprecedented event for the indices to show such disproportionate figures while the share trading was operational.

"This type of inaccurate figures raises suspicions among investors since it did not happen before."

The stockbroker also questioned why it took so long to fix the problem as investors were left in the dark about the market movement throughout the day.

"The DSE's disclosure on Aamra Networks indicates that it was their fault and it stemmed from wrongly inputting the data in index calculations. However, the DSE failed to fix it immediately."

Sajedul Islam, a former vice-president of the DSE Brokers Association, said it is unacceptable to see such wrong data on the website of a stock exchange.

"Due to the wrong presentation of the market scenario, investors panicked, prompting many to sell shares impulsively. The market is already in a bear run after the withdrawal of floor prices."

Ziaur Rahman, an investor, said the fact that the country's premier bourse displayed incorrect figures all day long indicates that its IT team lacks capability.

As the exchange could not fix the issue until 7pm, rumours were going round that it was a move by the regulator to divert investors' attention from the downgrading of many companies to the disreputable "Z" category.

"The DSE should have sorted out the problem fast and disclosed the real reason so that people could understand," Rahman added.

DSE officials said they held a meeting with Nasdaq, the New York-based trading software provider, to resolve the issue. However, it was not solved until 7:00pm yesterday.

At the time, the DSE website was still showing that the DSEX had dropped by 5,971 points, or 97 percent, to 141 points by the end of the trading session.

The DSES fell by 1,304 points,

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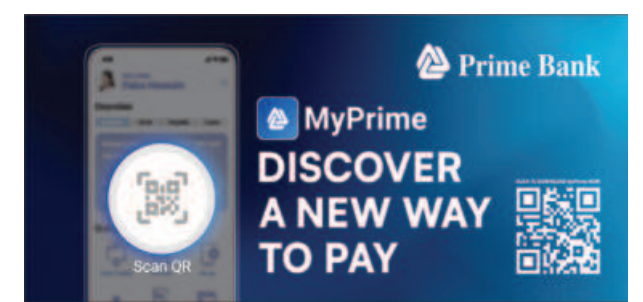
## BB introduces counter-trade to ease forex pressure

MD MEHEDI HASAN

The Bangladesh Bank has unveiled the counter-trade policy, an arrangement that promotes direct exchanges of goods and services without cash, with a view to reducing pressure on dwindling foreign currency reserves.

In a notice yesterday, the central bank said exporters, importers and traders may voluntarily enter into counter-trade deals with counterparts abroad.

Counter-trade refers to the exchange of goods and services in whole or part, with other goods and services, rather than for hard currencies. Bartering is the oldest form of counter-trade arrangement and now there are several versions of



counter-trade.

Counter-trade is a well-known method of international commerce in India and other countries.

The BB policy said that credits to Escrow accounts can be made out of import payments in approved foreign currencies received from importers through local banking channels supported by documentary evidence.

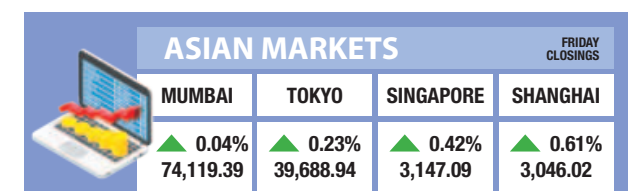
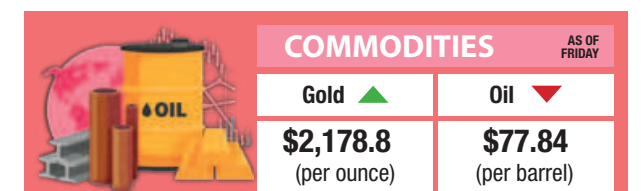
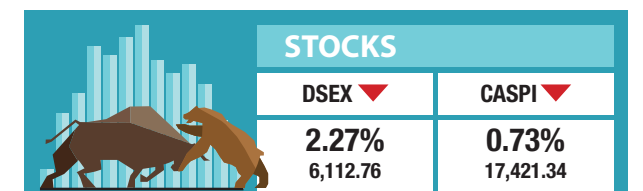
An escrow account is an account where funds are held in trust whilst two or more parties complete a transaction.

Similarly, the accounts can be debited for export payments supported by documentary evidence to exporters through local banking channels.

A senior official of the central bank explains that if an importer buys goods from a foreign company, a liability is created. The liability is settled when the importer exports products to the same firm.

These transactions will not involve any currency. However, the evaluation of the export-

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## TCB signs MoU with Russia for import of essentials

STAR BUSINESS REPORT

The state-run Trading Corporation of Bangladesh (TCB) and the JSC Foreign Economic Corporation 'Prodintorg', a Russian state-owned joint stock company under its agriculture ministry, yesterday signed a memorandum of understanding (MoU) for the import of daily essentials.

TCB Chairman Brigadier General M Ariful Hasan and Prodintorg's General Director Andrey Golovanov signed the MoU on behalf of their respective organisations at the Bangladesh Secretariat, according to a press release.

State Minister for Commerce Ahasanul Islam Titu said the MoU with Russia would help ensure food security.

According to a note sent to the foreign ministry of Bangladesh by the Russian embassy in Dhaka in June 2023, Prodintorg expressed its interest to supply essential items like turmeric, chickpeas, lentils and sunflowers to Bangladesh.

Alexander Mantysky, Russian ambassador to Bangladesh, Tapan Kanti Ghosh, senior secretary of the commerce ministry, and other senior officials were also present at the event.

## Deposits in Islamic banks rise but liquidity challenge persists

STAR BUSINESS REPORT

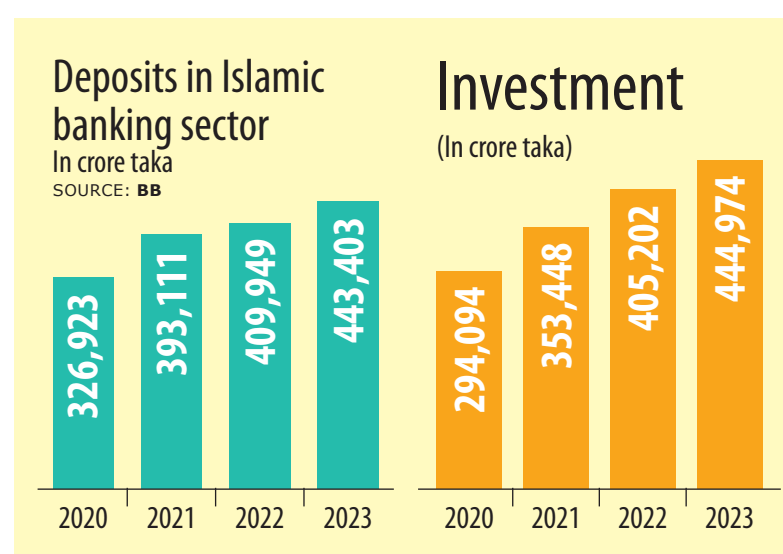
Deposits in the Islamic banking sector of Bangladesh rose 8.16 percent last year but the liquidity challenge that it has been facing for months remained persistent.

Deposits in the Islamic banking sector stood at Tk 443,403 crore at the end of December 2023, up from Tk 409,949 crore a year ago, as per the Bangladesh Bank's quarterly report on Islamic banking.

On the other hand, liquidity in the Islamic banking sector stood at Tk 11,107 crore, down from Tk 12,871 crore a year ago.

Industry insiders said that four to five Islamic banks were still facing liquidity shortages, which was adversely affecting the overall Islamic banking sector. They said that those banks were continuously taking liquidity support from the central bank as a result.

A senior official of the central bank told The Daily Star that



Islamic banks in Bangladesh were sitting on huge amounts of excess liquidity two to three years ago.

Now, the sector is going through challenges due to massive loan irregularities at the five banks, he

added. However, he said it was a good sign that deposits in this sector had increased slightly.

The BB report also showed that investment in the Islamic banking sector increased 9.81 percent last year.

There are 10 full-fledged Islamic banks in the country and the number of branches of Islamic banks, including Islamic branches of conventional commercial banks, stood at 1,700 at the end of last year. Deposits at the 10 full-fledged Islamic banks stood at Tk 403,850

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crore, while it was Tk 20,433 crore at the end of last year. Deposits at the 10 full-fledged Islamic banks stood at Tk 403,850

Islamic branches and windows of conventional banks, industry insiders said.

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Remittance earnings through Islamic banks stood at Tk 35,348 crore till last year, up from Tk 25,691 crore a year ago.

At the end of December 2023, Islamic banks accounted for 25.35 percent of total deposits in the banking industry and 28.92 percent of total investments in the sector. Those figures stood at 26.61 percent and 28 percent respectively at the end of September 2023.

At the end of December 2023, there were 10 full-fledged Islamic banks in Bangladesh operating with 1,670 branches.

In addition to this, 30 Islamic banking branches of 15 conventional commercial banks and 624 Islamic banking windows of 16 conventional commercial banks are also providing Islamic financial services in Bangladesh.