

Star BUSINESS

Leather export has started to revive as Bangladesh fetched over \$100 million from sales in July-March



Story on B4

Income inequality resulted in dual economy Says an economist

STAR BUSINESS REPORT

Income inequality and discrimination in the country rose in such a way that it seems that there is a dual economy, said a noted economist yesterday.

"This is no way to build an inclusive economy," said Mustafizur Rahman, distinguished fellow of the Centre for Policy Dialogue (CPD).

A dual economy was in existence when Bangladesh was known as East Pakistan and was yet to gain independence from West Pakistan before Bangladesh's freedom fighters lay down their lives for a country with an inclusive economy.

Now a dual economy has arisen again, Rahman said.

He added that there is rising unemployment, with as much as 25 percent of fresh graduates of the National University of Bangladesh remaining unemployed.

He also suggested the government increase direct taxes on wealthy people so that people with low incomes need not be overburdened with tax.

The government should increase direct taxes on wealthy people so that people with low incomes need not be overburdened with tax, says an economist

During the pandemic, the highest rate of income tax was lowered to 25 percent considering that those were tough times, but three years on, the rate has not been revised to the previous 30 percent, Rahman also said.

It is expected that the government will increase such direct taxes again in the upcoming national budget for fiscal year 2024-25, he added.

Rahman was speaking at a discussion on "Macroeconomic stability and next budget" organised by Economic Reporters' Forum (ERF) at its office in Dhaka.

Anwar Ul Alam Chowdhury Parvez, president of the Bangladesh Chamber of Industries (BCI), said the cost of doing business increased manifold for different reasons.

For instance, gas prices have increased by nearly 178 percent but adequate supplies have not yet been ensured to industrial units, he said.

Many micro, small and medium enterprises used to offer jobs to people but now they cannot run their units because of the high cost of business, he said.

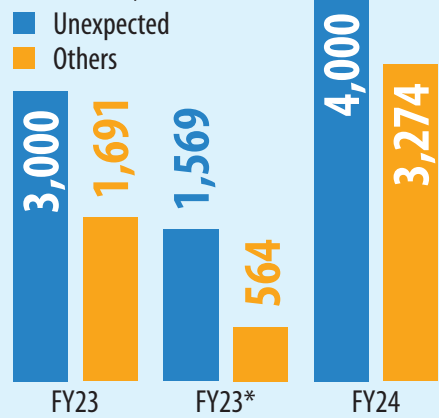
He also alleged that customs and other branches of the National Board of Revenue were harassing businesspeople.

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Govt asks ministries to brace for further belt-tightening in budget

Block allocation from operating expenditure

In crore taka; * Revised



SOURCE: FINANCE MINISTRY

NEXT ADP

- Development budget is likely to remain almost the same
- ADP size will be around Tk 265,000cr
- New ADP will be 0.76% bigger



When ministries seek any block allocations, they don't have to mention the project or sector for which the funds will be used. This allows them to spend the money at their will.

Mustafizur Rahman
A distinguished fellow of CPD



BUDGET TO FOCUS ON ...

- Different targets set by IMF
- Tight spending
- Ruling party's election manifesto
- 8th Five-Year Plan
- Delta Plan
- Poverty reduction
- Development of women and children
- Climate change

REJAUL KARIM BYRON

The finance ministry has instructed ministries and divisions not to seek any block allocation in the upcoming budget to avoid misuse of the hard-earned money since the government's capacity to spend has been constrained by lower tax collections.

Last week, the finance division issued a circular asking all ministries and divisions to send by April 29 their budget proposals for 2024-2025 and their expenditure plans for the following two financial years to help prepare the midterm budgetary framework.

"The allocation has to be made against specific programmes which will be helpful in achieving strategic objectives," the circular said.

The further belt-tightening by the government comes as the country continues to struggle to raise enough taxes to maintain its expenses and bankroll development projects on its own. Bangladesh's revenue as a share of GDP is among the lowest in the world and significantly below peers.

The finance division is going to frame the upcoming budget in light of the targets set by the International Monetary Fund (IMF) along with its \$4.7 billion loan programme and recommendations made by the technical mission from the lender.

The block allocations are the funds that are usually earmarked to address emergency needs. However, a finance ministry official said it often happens that ministries make proposals for block allocations and later they spend the money at their will since such funds are not set aside for any specific sector.

The government is going to make the upcoming budget specific amid the lingering macroeconomic pressure so

policy as economic headwinds are expected to persist. The budget size is only 4.6 percent bigger than the original budget of the current fiscal year. Usually, budgets swell by 12 to 13 percent every year.

The development budget is likely to remain almost the same. The annual development programme for FY25 will see only a 0.76 percent hike to Tk 2,65,000 crore.

The finance division has set the budget outlay after holding separate meetings with every ministry and division. Now, the finance division has asked them to send budget proposals in light of priorities set in the ruling party's election manifesto, the 8th Five-Year-Plan and the Delta Plan 2100.

Besides, the division emphasised that the budget proposals should focus on issues like poverty reduction, women's and children's development and fighting climate change impacts.

Also, it asked them to seek development and non-development budgetary allocations that are consistent with the GDP growth and their spending ability.

The ministries and divisions can't request funds for unapproved projects as well as for a component that has

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Slowdown in private credit flow continues

STAR BUSINESS REPORT

Credit flow to the private sector remained sluggishness for yet another month in February as tight liquidity and a rising interest rate kept both the demand for loans and lending subdued.

In February, banks lent Tk 15.76 lakh crore to the private sector, which was 9.96 percent higher year-on-year, showed data of Bangladesh Bank.

However, this was the second consecutive month that credit flow to private businesses saw a growth of less than 10 percent.

The central bank aims to attain a 10 percent growth by the end of June this year in its effort to reduce the money supply and bring down inflation, which has been persistently high.

The growth in consumer prices has remained at more than 9 percent since March last year.

And to contain inflation, the central bank has been pursuing a contractionary monetary policy and hiking its policy rate to make money costlier.

Since May 2022, Bangladesh Bank has increased its policy rate, termed as repo rate, by 325 basis points to 8 percent as of March this year.

Private sector credit growth was more than 13 percent roughly a year ago, but it has dropped, said Kanti Kumar Saha, chief executive officer at Alliance Finance.

"Demand for loans fall when the interest rate goes up because of the tight monetary policy pursued by the central bank. It is the dynamics of the market. So, the contractionary monetary policy is working the way it should," he added.

Influenced by the increased policy rate and reference rate – the Six-Month Moving Average Rate of Treasury Bills (SMART) – interest rates in the financial sector have been rising consistently for the past couple of months.

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Festival fervour driving home appliance sales

JAGARAN CHAKMA

Following two years of lacklustre demand, sales of electronic home appliances are witnessing impressive growth ahead of the upcoming Eid-ul-Fitr as retailers are offering substantial discounts centring the religious festival for Muslims.

Besides, salaried individuals currently have more disposable income despite ongoing inflationary pressures as they have received festival bonuses ahead of Eid and Pahela Baishakh, propelling the demand for such products.

Although there is no accurate data on the market for electronic home appliances, industry insiders believe that sales during Eid-ul-Fitr account for around 60 percent of their annual receipts.

According to Statista, an online portal for data gathering and visualisation on industrial sectors and consumer markets, electronic home appliance sales in Bangladesh amounted to \$8.28 billion in 2023.

Additionally, sales in the sector are projected to reach \$8.73 million this year.

Market players say televisions and refrigerators make up most home appliance sales ahead of the Eid festival as manufacturers offer various discounts and facilities to attract customers.

Major domestic suppliers of the local home appliance market include Walton Group, Transcom Electronics, Rangs eMart, Best Electronics, MyOne Electronics Industries, Jamuna Electronics, PRAN-RFL, Esquire Electronics, Electra International, and Super Star Group.



Although there is no accurate data on the market for electronic home appliances, industry insiders believe that sales during Eid-ul-Fitr account for around 60 percent of their annual receipts. The photo was taken from Maulana Bhashani Hockey Stadium in Dhaka on Saturday.

PHOTO: RASHED SHUMON

Products of foreign companies like Samsung, LG, General, Sharp, and Whirlpool are also popular.

"After witnessing a dull market ahead of Eid for the past two years, electronic home appliance sales are registering impressive growth due to the bonuses for salaried individuals and discounts offered by retailers," said Md Nurul Afser, deputy managing director of Electro Mart Limited.

He informed that refrigerator and television sales increased over the past week as private sector employees received

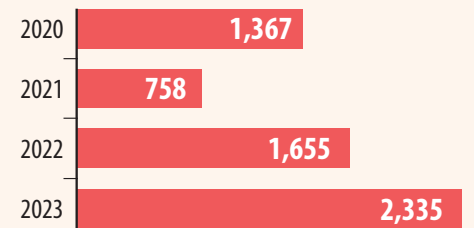
their Eid bonuses while government employees got an additional festival bonus on the occasion of Pahela Baishakh.

Citing how the demand for 32 and 43-inch television sets is higher than that of larger sizes, Afser said it is clear that middle-class consumers are driving sales in the electronic home appliance market.

"We are offering a 10-14 percent discount for service holders on the occasion of Eid-ul-Fitr in addition to equal monthly instalment payment facilities," he said.

PROFITS OF STANDARD CHARTERED BANGLADESH

In crore taka; SOURCE: FINANCIAL REPORTS



regulators and other stakeholders, it said.

The bank's financial report showed that its net interest income surged 58 percent year-on-year to Tk 2,018 crore.

Meanwhile, its investment income, most of which came from treasury bills and bonds, increased 66 percent to Tk 1,224 crore.

However, the bank's commission, exchange and brokerage income dropped 1 percent to Tk 1,024 crore.

Asif Khan, chairman of Edge Asset Management, said SCB has a strong franchise and that tends to lead to profitability in Bangladesh.

"Recently we have seen that other well-managed banks like BRAC Bank also reported good numbers and my sense is that this trend will continue as the flight towards quality happens," he said.

In addition, interest rates have been increasing, which is usually a positive sign for interest margins of these banks, he added.

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