Star BUSINESS

The cost-of-living crisis has worsened as inflation has outpaced wage growth for more than two years

Story on B4

Economy progresses, challenges emerge as well

Prof Rehman Sobhan says

STAR BUSINESS REPORT

Bangladesh has made significant strides in pulling off steady economic growth and bringing about human development in the last 25 years while institutional weaknesses have also created numerous risks, a noted economist said yesterday.

"Institutional weaknesses have appeared and they are now a central element of the economy," said Prof Rehman Sobhan, chairman of the Centre for Policy Dialogue (CPD).

He made the comments at the launch of a book, titled "Fifty Years of Bangladesh: Economy, Politics, Society and Culture", on the premises of the think-tank in the capital.

Prof Sobhan said the country has seen a lot of economic development in the last 25 years, with yearly remittance earnings now over $20 billion and foreign exchange reserves rising to $45 billion a few years ago.

It also has seen significant improvement in terms of reduction of poverty and human development.

"Once our ready-made garments sector was involved only in tailoring activities, providing little value-addition. Now, the backward linkage in RMG is huge," Prof Sobhan said.

He said most institutions are not functioning well. The Election Commission, the Anti-Corruption Commission, and the Bangladesh Bank all are doing the same, he said.

Banks are allowing some borrowers to get rescheduled benefits year after year while others are allowed to carry on and perpetuate default loans.

"The debt default crisis is the centre of the governance problems," Prof Sobhan said.

He said politically influential individuals are dominating the banking and garment sectors.

"On the one side, they are dominating the political system and on the other side, they are influencing the governance system.

Prof Sobhan recalled after President Ziaur Rahman's regime, he, along with another economist, found out that Bangladesh Shilpa Bank and Bangladesh Shilpa Rin Shangstha were in trouble due to bad loans, which accounted for 80-85 percent of their credits disbursed.

"Now, the bad debt crisis has become a much more serious structural problem for the banking sector."

Speaking about the future of the economy, he said there is a possibility of Bangladesh transforming into a dynamic developed country on the back of its population's entrepreneurial spirit.

"However, to do so, it will need to overcome the challenges it is facing now."

At the event, Selim Raihan, executive director of the

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IMF's 3rd loan tranche on track despite repeated failure to hit reserve goal

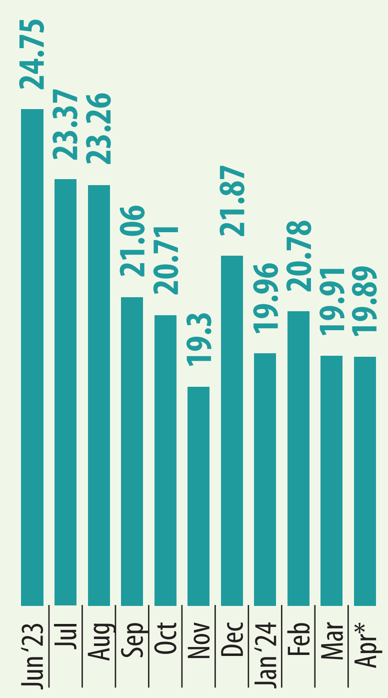
QUANTITATIVE PERFORMANCE CRITERIA FOR IMF LOAN
(For Dec 2023)

	Target	Actual
Floor on net international reserves	$17.78b	$17.20b
Ceiling on budget deficit	Tk 90,520cr	Tk 8,338cr
Ceiling on reserve money	Tk 400,400cr	Tk 372,715cr
Floor on tax revenue	Tk 143,640cr	Tk 162,164cr

CONDITIONS VS REALITY

CONDITION	REALITY
Government must adopt a periodic formula-based price adjustment mechanism for petroleum products	In March, the government introduced the mechanism and the price has been adjusted twice
BBS must publish quarterly GDP report	BBS has published two quarterly reports on GDP
Bank Companies (Amendment) Act and Finance Companies Act 2020 must be passed in parliament	The acts have already been passed and introduced
Net international reserves cannot go below $**17.78**b as of Dec 2023	But net international reserves stood at $**17.20**b in Dec 2023

Forex reserves as per IMF calculation
In billion $; SOURCE: BB
*Till April 17



REJAUL KARIM BYRON

Bangladesh has repeatedly failed to retain foreign currency reserves in line with the goals set under the International Monetary Fund's $4.7 billion loan since the programme was launched in January last year.

The minimum net international reserves (NIR) will also remain below the threshold when an IMF mission visits Dhaka next week to review the progress of the programme before releasing around $681 million in the third tranche in May.

Despite the shortfall, driven by lower-than-expected remittance and export receipts and foreign direct investments, the country managed to secure the first two instalments of the multi-year loan.

And Bangladesh Bank Governor Abdur Rouf Talukder told reporters that the country will receive the third instalment on time as well.

In 2022, Bangladesh turned to the global lender after its forex reserves plunged to a critically low level amid higher import bills, leading to a sharp depreciation of the taka and an unprecedented level of inflation, hurting the poor and derailing the economic growth trajectory.

Initially, the government was given a target to keep a minimum NIR of $26.81 billion for December 2023. Later, it was revised downward to $17.78 billion since the reserve situation showed no signs of major improvements. Still, the country fell short of the target by $58 million.

The goal for NIR was $23.74 billion for June last year. However, the country had a reserve of $19.56 billion. Bangladesh also failed to meet the condition of the tax revenue at that time.

A central banker said this time the reserve shortfall will be comparatively low.

The NIR is defined as reserves assets minus reserve liabilities. Reserves liabilities are all foreign exchange liabilities to residents and nonresidents, including commitments to sell foreign exchange arising from derivatives and all credit outstanding from the IMF.

Officials at the finance ministry and the BB said except for the reserve-related criteria, all other conditions have been met.

During its visit, the IMF mission will review the government's performance against the targets set for December 2023.

Out of six quantitative targets set for the third tranche, the government has met five targets.

For December last year, the goal for tax revenue was set at Tk 143,640 crore. The government has already met the target.

According to the finance ministry, Tk 1,62,164 crore was collected in tax revenue in the first six months of the current fiscal year.

Another loan condition is that the budget deficit must not surpass Tk 90,520 crore. In December, the deficit stood at Tk 8,338 crore.

As per another target, the reserve money had to be within Tk 400,400 crore in December and it stood at Tk 372,715 crore in the last month of the year.

Besides, two of the loan conditions are that the government's social spending and capital investment had to be more than Tk 50,000 crore as of December.

The government spent around Tk 200,000 crore from the budget between July and December of 2023-24 and about Tk 100,000 crore was spent in these two segments, a finance ministry official said, adding that the government also met the condition on external payment arrears.

Apart from the quantitative and indicative targets, there are some structural conditions set by the IMF. The official said the structural conditions associated with the

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MGI expands ceramic tiles production with $45m investment

JAGARAN CHAKMA

Meghna Ceramic Industries, a concern of the Meghna Group of Industries (MGI), has increased its production capacity with an investment of US $45 million (about Tk 500 crore) to grab a bigger share of the growing half a billion US dollar-worth tiles market.

Since July last year, the company's factory in Ashariar Char in Narayanganj, Dhaka's neighbouring district, has been churning out 51,000 square metres of "Fresh Ceramics" tiles per day, Assistant General Manager said Rajib Bhattacharjee.

A year ago, it was 31,000 square metres, he said.

Of the investment, $19 million came from its own pockets whereas $26 million in the form of a syndicated loan, which was released recently, he said.

The lead arranger, Prime Bank, a private commercial lender, provided $4 million while the Islamic Corporation for the Development of the Private Sector, a concern of the Islamic Development Bank Group, provided $22 million, said Bhattacharjee.

Repayable in 8 years, including a one-year grace period, the loan comes at an interest rate of 3.75 percent plus the Secured Overnight Financing Rate (SOFR), he said.

The SOFR is a benchmark interest rate for dollar-denominated derivatives and loans that replaced the London Interbank Offered Rate (LIBOR). It varies from time to time, standing at around 4.3 percent in January 2023 whereas at 5.3 percent most recently.

"We used the syndicated loan for payment of import bill of necessary sophisticated machinery from Europe," informed Bhattacharjee.

With this, a total of $100 million has been invested into the facility, which uses technology adopted from the US, Germany, Italy and China and employs over 400 people, he said.

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STOCKS

DSEX ▼	CASPI ▼
1.33% 5,086.68	1.30% 16,244.51

COMMODITIES

Gold ▲	Oil ▼
$2,380.81 (per ounce)	$82.51 (per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.62% 72,488.99	▲ 0.31% 38,079.70	▲ 1.05% 3,187.66	▲ 0.09% 3,074.22

Stocks slip below 5,700 points after 35 months

STAR BUSINESS REPORT

Stocks in Bangladesh suffered a massive setback yesterday with the benchmark index of the Dhaka Stock Exchange (DSE) falling below 5,700 points for the first time in 35 months as nervous investors sold their scrips.

This led to the price erosion of large-cap stocks, bringing down the benchmark index of the country's premier bourse by 77.08 points, or 1.33 percent, to 5,686 points, its lowest level since May 9, 2021.

Beacon Pharmaceuticals, the British American Tobacco Bangladesh Company, Renata, Olympic Industries, BRAC Bank, LafargeHolcim Bangladesh, Mercantile Bank and Pubali Bank were among the large-cap scrips that suffered the biggest losses.

Beacon Pharmaceuticals was the top dragger of the index, claiming 5 points, followed by British American Tobacco Bangladesh with 4 points, according to LankaBangla Securities.

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A view of the first outlet of Levi Strauss & Co in Bangladesh, which is located on Banani Road 11. Levi's, one of the world's biggest fashion retailers, opened the 2,270 square feet store on April 1 under a franchise deal with DBL Group. The photo was taken yesterday. PHOTO: RASHED SHUMON

Levi's now in Dhaka

REFAYET ULLAH MIRDHA

Renowned American clothing company Levi Strauss & Co has opened a store in Dhaka offering its range of products under the third franchise deal secured by local conglomerate DBL Group following similar contracts with Nike and Puma.

Levi's is one of the world's biggest fashion retailers. Its products are sold in more than 110 countries through approximately 3,000 stores.

The 2,270 square feet store on Banani Road 11 opened on April 1, aiming to draw the rising middle-income population with an assortment of imported denim jeans, t-shirts, polo shirts, and formal and casual woven shirts for men and women.

Levi's will continue its expansion across key markets in Asia, with plans to open another store in Chattogram, said PR Newswire in a statement on April 17.

The company's focus are dynamic markets undergoing swift urbanisation, said Amisha Jain, senior vice president and managing director of South Asia-Middle East and Africa at Levi Strauss & Co.

"With a population exceeding 160 million, Bangladesh presents significant opportunities for retail expansion," she said.

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