DHAKA FRIDAY JUNE 28, 2024, ASHAR 14, 1431 BS ● starbusiness@thedailystar.net

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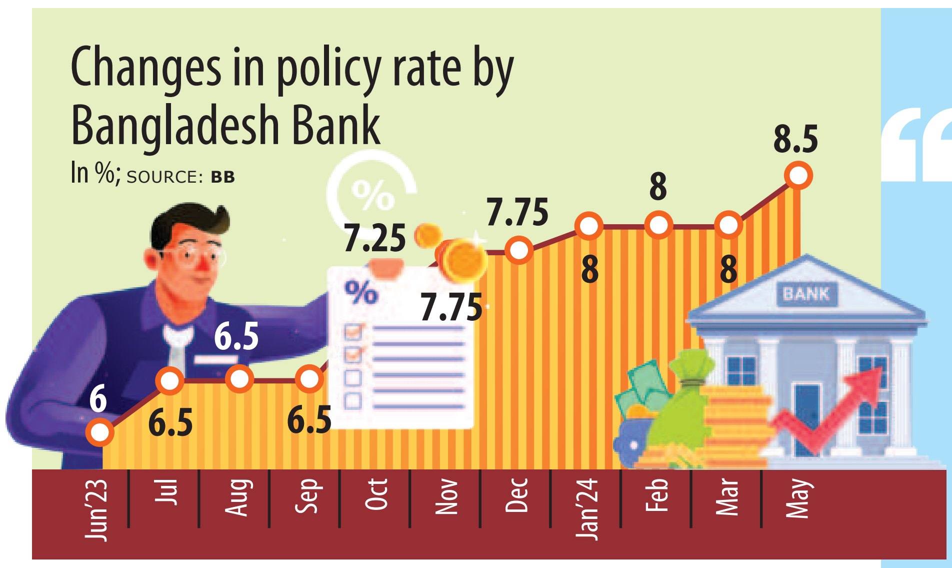
After experiencing negative growth last fiscal year, the Chattogram port is on way to witness a rise in the amount of container and cargo.

Story on B4

IMF suggests raising repo rate by 50 basis points by Dec

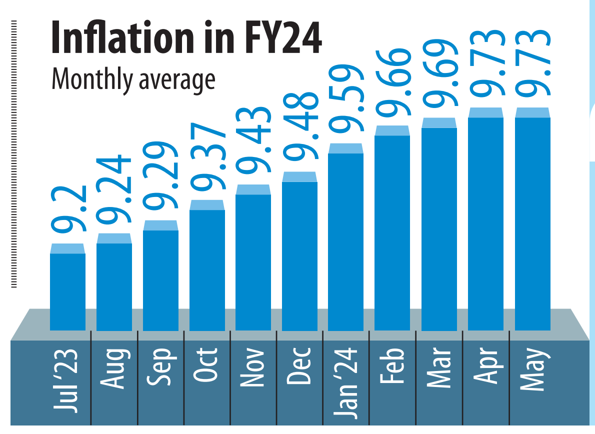


IMF says

"The policy rate may need to be increased to a peak of 9 percent (from 8.5 percent currently) by mid-FY25 to tame inflation to 7 percent by end-FY25

"Monetary tightening has not yet helped tame inflation simply because the tightening has lacked consistency and impartiality

Zahid Hussain
Former lead economist of World Bank



Govt says

"We further tightened monetary policy at the time of the exchange rate adjustment to counter expected inflationary pressures

REJAUL KARIM BYRON *and* AM JAHID

The International Monetary Fund (IMF) has suggested the central bank raise the policy rate by 50 basis points by December this year since its monetary tightening is yet to rein in inflation.

The lender came up with the recommendation as the Bangladesh Bank is set to announce its next monetary policy in July.

The central bank has been struggling to contain inflation for the past two years despite making funds costlier by increasing the benchmark policy rate to unprecedented levels.

Zahid Hussain, a noted economist, however, said the monetary tightening has not yet helped tame inflation simply because it lacked consistency and impartiality.

The BB has lifted the policy rate, better known as repo rate, by more than 400 basis points in two years to 8.5 percent, but inflation shows no signs of cooling.

The Consumer Price Index surged to a 12-year high of 9.02 percent in the last financial year, way higher than the historical average. The trend has continued into the ongoing financial year, and it has stayed above 9.5 percent, hurting the poor and low-income groups hard because their purchasing power has witnessed significant erosion.

The IMF has also urged the central bank to take the initiative to amend the Bangladesh Bank Order in light of the modern monetary policy framework and international best practices.

The suggestions were cited in its programme document as the lender approved $1.15 billion in the third tranche of the $4.7 billion loan to Bangladesh on Monday.

It said inflation is still elevated, and inflation expectations will require continued monetary policy tightening until inflation consistently slows down to BB's medium-term target range of 5-6 percent.

"The policy rate may need to increase to a peak of 9 percent by the middle of 2024-25 to tame inflation to 7 percent by the end of the fiscal year and bring it close to 5.5 percent by end-FY26," the IMF said.

The government has assured the IMF that it would tighten the monetary policy further, the document said.

The IMF also stressed the need for improvements in decision-making and communications to support the transition to the modernised policy framework.

To this end, the BB is committed to publishing the schedule of regular Monetary Policy Committee (MPC) meetings starting from FY25 and aims to start publishing a quarterly monetary policy report before the IMF-supported programme ends.

"Also, the central bank should continue revamping its legal framework to strengthen the foundation of the emerging modern policy framework," the global lender said.

The BB has agreed to share the draft amendments of the Bangladesh Bank Order for the IMF's review by December to affirm its alignment with international best practices.

The government has also assured the IMF that it would continue building analytical and forecasting capacities and improve the decision-making processes of the BB by developing a model-based forecasting and policy analysis system.

Hussain, a former lead economist of the World Bank's Dhaka office, said the BB has been financing the growing fiscal deficit indirectly by providing liquidity to banks against their holdings of Treasury bills and bonds.

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Bangladesh's GDP to grow 5.7% in FY25

Mastercard says

STAR BUSINESS REPORT

Bangladesh's gross domestic product (GDP) growth will decrease to 5.7 percent in 2024-25 from 5.8 percent in the current fiscal year while inflation will ease to 8 percent, according to the Mastercard Economic Institute (MEI).

It also projected that the central bank's policy rate would be 9 percent in the fiscal year beginning on July 1.

The MEI said persistently elevated inflation is weighing on consumer purchasing power and higher US interest rates for a longer period could add to external sector vulnerabilities.

The observations were cited in a keynote speech delivered by David Mann, chief economist for Asia Pacific and Middle East Africa at Mastercard, at a roundtable at the Sheraton Dhaka hotel yesterday. He also presented the latest outlook on global and Bangladesh markets.

The government has targeted a GDP growth rate of 6.75 percent for FY25, which is considered ambitious given the current economic crisis.

For the current fiscal year, the initial growth estimate was 7.5 percent. However, provisional figures from the Bangladesh Bureau of Statistics showed that the growth rate for 2023-24 was 5.82 percent.

The World Bank has projected that the economy will expand by 5.7 percent in FY25, driven by a modest recovery in private consumption supported by moderation in inflation.

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Korea to give $814.91m for rail and road bridge

STAR BUSINESS REPORT

South Korea is set to provide a loan of $814.91 million to Bangladesh for the construction of a rail and road bridge across the Karnaphuli river at the Kalurghat point in Chattogram.

Of the loan, $724.73 million will come from the Economic Development Cooperation Fund, and $90.18 million from the Economic Development Promotion Facility, according to a statement from the Economic Relations Division (ERD).

Md Shahriar Kader Siddiky, secretary of the ERD, and Yoon Hee Sung, chairman and chief executive officer of Korea Eximbank, signed two separate loan agreements on behalf of the government and Korea.

Abul Hassan Mahmood Ali, finance minister, Md Zillul Hakim, rail minister, Waseqa Ayesha Khan, state minister for finance, and Park Young-sik, Korean ambassador to Bangladesh, were also present at the signing ceremony.

Bangladesh Railway under the ministry of railways will implement the project, which is expected to minimise rail congestion in the proposed Chattogram-Cox's Bazar corridor and ensure seamless railway transport.

Ratio of female workers in RMG on the wane

REFAYET ULLAH MIRDHA

The ratio of female workers in the garments sector is falling rapidly due to automation, lower wages and opportunities than in other sectors and a reluctance among the younger generation to take up the profession.

Of the total number of people employed by the sector, the percentage of females has declined to 57 percent, according to a senior official of Mapped in Bangladesh (MiB), a research organisation.

Once, more than 80 percent of the garment sector's total employed workers were females, particularly those who migrated from rural areas and endeavoured to change their fates.

In the 80s, mainly unskilled female workers took up the laborious work of the garment sector as the scope for jobs in the other sectors was very limited in the war-ravaged nation after the Liberation War in 1971.

At that time, female workers were willing to take on low-paying jobs as the per capita income in Bangladesh was very low.

Of the total number of people employed by the sector, the percentage of females has declined to 57 percent

For many years afterwards, at least two female workers were hired on an average against every male worker employed in the garment sector.

However, that ratio has declined rapidly in recent times as the new generation of women are more interested in going to school or pursuing higher education with hopes of securing corporate jobs rather than labouring in garment factories.

Over the years, the laudable contribution of female workers saw Bangladesh eventually become the second-largest global apparel supplier, occupying 7.9 percent of the global market share.

"But their impact has fallen," said Fazlee Shamim Ehsan, vice-president of Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA).

This is due to automation and the emergence of a strong backward linkage industry with the spinning, weaving, dyeing and finishing sectors, which are mainly run by male workers, he said.

Additionally, over the past five decades, a lot of job opportunities have been created for workers in rural areas. As such, they can now find work at the district level or in their own towns, he said.

So, they have lost interest in migrating to cities to work in garment factories, Ehsan told The

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STOCKS

DSEX ▲	CASPI ▲
0.99%	1.09%
5,355.41	15,088.59

COMMODITIES

Gold ▲	Oil ▲
$2,308.03	$81.29
(per ounce)	(per barrel)

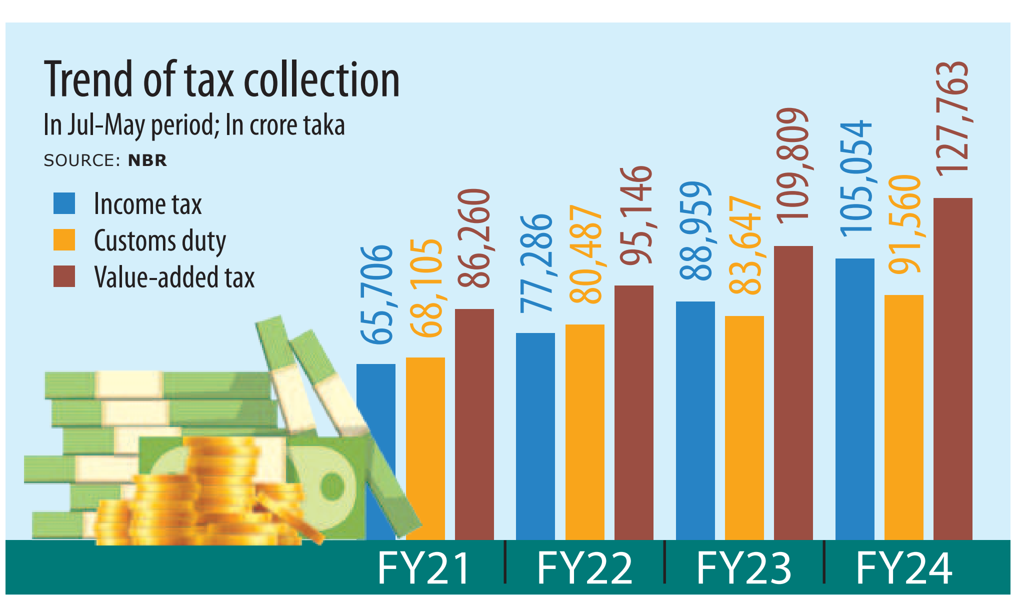
ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.35%	▼ 0.82%	▲ 0.28%	▼ 0.90%
78,952.68	39,341.54	3,341.04	2,945.85

NBR receipts up 15% in 11 months

Still short of this fiscal year's target by Tk 85,000cr

MD ASADUZ ZAMAN



The National Board of Revenue (NBR) logged a year-on-year tax collection growth of nearly 15 percent in the first 11 months of the current fiscal year.

As of the end of May, the board was still short by over Tk 85,000 crore of the government's revised goal for raising Tk 410,000 crore by the end of fiscal year 2023-24, which ends on June 30.

Similarly, it might be tougher to meet International Monetary Fund's collection target for indicative tax revenue, meaning both the NBR revenue and non-tax revenue, of Tk 394,530 crore in FY24.

The revenue administration collected Tk 324,378 crore in the July-May period of fiscal year 2023-24, which represents 79 percent of the revised target for the fiscal year, according to the provisional data of the NBR.

"Even after this month's revenue is collected, the tax collection target is likely to be missed by a big margin," said Ahsan H Mansur, executive director of think-tank Policy Research Institute of Bangladesh.

The overall collection may come to stand at Tk 375,000 crore at the end of June, increasing by up to Tk 50,000 crore in the last month, he told The Daily Star yesterday.

However, the government has set a target of Tk 480,000 crore for FY25, which is an increase of 17 percent compared to this year's target and which exceeds the NBR's average annual revenue growth of 11 percent over the past five years.

"In this situation, this target is really optimistic as well as a difficult task for the revenue board," he said.

In Bangladesh, the tax-GDP ratio remains among the lowest in the world, at an

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No ray of hope for migrant workers in budget

SUKANTA HALDER *and* MD ASADUZ ZAMAN

The government has neglected to outline adequate initiatives in the proposed budget for the next fiscal year to support migrant workers, meaning the country may miss out on opportunities to raise remittance earnings on the back of a higher number of Bangladeshis going abroad.

Experts said they hoped that at least the remittance incentives would be increased and that the budget would provide some relief by introducing new programmes, including various schemes and incentives to address the woes of migrant workers.

However, although the government acknowledged their contribution, there is a big gap in terms of taking proper initiatives to protect their interests, experts said.

While placing the proposed budget for 2024-25, Finance Minister Abul Hassan Mahmood Ali said: "Overseas employment is one of the main sectors of Bangladesh's economy.

"The remittance sent by expatriate workers is playing a significant role in increasing the foreign exchange reserves and making the country's economy self-reliant by reducing dependence on foreign aid."

In FY10, remittances amounted to $10.99 billion. It doubled to $21.61 billion in FY23.

The minister mentioned that steps were taken to establish 50 more technical training centres (TTCs) in FY25 in addition to the existing 104 to ensure trade-based training.

"We hoped remittance incentives would be increased to at least 5 percent in this budget, but it has remained at 2.5 percent," said Tasneem Siddiqui, chair of the Refugee and Migratory Movements Research Unit.

Part: 5
BUDGET IN FOCUS

The government began offering a 2 percent incentive in FY20 to encourage legal remittance transfers and prevent transactions through the informal hundi system.

In 2022, this incentive was increased to 2.5 percent.

Siddiqui, also a former professor of political science at the University of Dhaka, said in the case of the death of a migrant worker, repatriation of their body or legal

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