

## Inflation continues to break records

Lack of timely govt actions is costing us dearly

The government's inability to keep annual inflation anywhere near its target of 7.5 percent is deeply concerning. As reported by this daily, the annual average inflation has surged to 9.73 percent in the just-concluded fiscal year, according to Bangladesh Bureau of Statistics (BBS). This is the highest inflation experienced in 12 years since 2011-2012, when annual inflation was 10.62 percent. What is even more concerning is that this is the second consecutive year that the Consumer Prices Index has stood at more than 9 percent. This means that the tremendous inflationary pressure experienced by citizens has actually persisted for two straight years.

The resulting erosion of people's real income and the deterioration of their living standards—particularly of low-income groups—are there for all to see. According to an earlier survey by the South Asian Network on Economic Modelling (SANEM), as many as 70 percent of the households in Bangladesh had to change their food habits involuntarily to cope with rising prices. It further discovered that food insecurity among the poor had increased drastically, meaning that the prospect of malnutrition and various health concerns has also risen considerably. Despite such warnings, the fact that the government has failed to bring inflation down by now is completely unacceptable. True, there have been some measures to address it, but those were taken too late, and because of the “time lag effect,” we are yet to see them really kick in.

The good news is that some of those measures may eventually pay off down the line. However, as experts have said, the government needs to do more. For starters, perhaps it should increase the interest rate further to tame inflation. Moreover, its failure to properly regulate the market means that a section of business groups is continuing to artificially prop up prices. These businesses, unfortunately, are either politically connected, or have acquired monopoly powers due to failed government policies, which makes holding them accountable difficult. But that is exactly what the government must do, without exception.

So, while its focus—although late—has so far been on demand containment, now it must also shift to addressing the distortions in the market and the problems in supply chain. And these issues have persisted in our country for years and have somewhat become entrenched. Despite that, the government needs to take a holistic approach to finally fix them. Parallel to that, it must ramp up its support for lower-income groups. That should include its rice distribution programme, as well as selling essential food items at subsidised rates to low-income earners.

## Bring discipline back into politics

HRSS data on political violence paints a scary picture

A new study on political violence has once again underscored the treacherous currents of politics in Bangladesh. According to a report citing the findings of the Human Rights Support Society (HRSS), in the first half of 2024, political conflicts claimed as many as 91 lives. Strikingly, 71 of them were supporters of the ruling party. These incidents were linked to electoral violence, territorial dominance, party infighting, and clashes between police and the opposition. The fact that even an affiliation with the Awami League, which “helped itself” to a record fourth consecutive term in January, was no guarantee for safety goes to show the overall deterioration of our political climate.

These numbers came up in an overview of the state of human rights in Bangladesh between January and June. During this period, there were 1,004 incidents of political violence that also saw at least 4,026 people getting injured. The list of fatalities, however, gives only a partial view of the precarity of political activists as it was the opposition that suffered disproportionately in every other aspect. For example, 714 political workers and leaders were arrested during this time, 574 of whom belong to BNP and Jamaat. Additionally, law enforcement agencies and ruling party activists foiled at least 99 opposition rallies. We also saw how questionable legal tactics were used to weaken the opposition before the general election, including ghost cases, mass arrests, mass convictions, long pre-trial detentions, etc.—as if to justify the opposition's decision to boycott the election.

But the absence of a functional opposition led to the ruling party allowing its “rebel” members to run “independently”, putting one segment of the party against another, disregarding the fracture growing within its fold. It is as if the chaos it sowed to derail the opposition campaign has come full circle to derail its own momentum. The lack of intraparty discipline far predates the January 7 election, however, and its “cultivation” over the years has led to constant infighting, so much so that ruling party members are now killing each other for their own gain.

This is deeply troubling. These political deaths—an apt description would be “murders”—are an extreme manifestation of a rot that has been eating away at our politics for a long time, and it will continue to spiral if steps are not taken to establish party discipline, rule of law, and of course, democracy in the country. As the party in power, the fallout of any chaos within it inevitably spills over into the public life, and as such, the party leadership must strictly discipline their rank and file. They also must ensure equal treatment and opportunities for all political entities.

## THIS DAY IN HISTORY



### South Sudan's independence

On this day in 2011, South Sudan declared its independence after a referendum to secede from Sudan passed overwhelmingly.

# How a flawed data ecosystem can distort economic reality

### MACRO MIRROR

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The recently published revised data on the Balance of Payment (BoP) by Bangladesh Bank (BB) is quite revealing, as it reconciled the discrepancy in export income reported by two government organisations: the Export Promotion Bureau (EPB) and the National Board of Revenue (NBR). According to the EPB, exports grew by 3.93 percent during July-April of the fiscal year 2024. However, the central bank has come up with a revised export figure indicating a negative export growth of 6.8 percent during the same period. The reconciled export statistics revealed a discrepancy of \$13.8 billion, which means the actual export income was \$33.67 billion as opposed to the \$47.47 billion shown. In FY2023, the difference of export earnings between the EPB and BB was \$12 billion. The reduced export income in the first nine months of FY2024—\$13.8 billion—is equivalent to three percent of Bangladesh's gross domestic product (GDP). According to the Bangladesh Bureau of Statistics (BBS), the preliminary GDP estimate for FY 2024 is \$459 billion.

Although the overall deficit in the BoP remains the same, there are internal changes within the BoP statement. The financial account now shows a surplus of \$653 million for July-March of FY2024 instead of a deficit of \$9.25 billion reported earlier by the BB. This has turned a positive current account into a deficit one. The earlier data by BB covering July-March of FY2024 showed that the current account surplus was \$5.8 billion. The corrected data reveals that the current account is in a deficit of \$4.1 billion during the same period.

Though the BB has passed the buck to the EPB and the NBR, saying that the NBR made multiple entries of export data received from the EPB, the mismatch of export values among the BB, EPB, and NBR raises a fundamental question regarding the precision of economic reporting and its ramifications for Bangladesh's economy.

The modification was made in response to extensive criticism of the significant difference between the actual export receipts and the shipment value that has been consistent for several years. For a long time, it has been a mystery how there could be such a large gap between export receipts and shipment values.

This correction finally resolved the longstanding mystery surrounding the export data discrepancy. Exporters, who have been experiencing various challenges due to lower global demand and import control by BB, have consistently contended that the export data provided by EPB did not reflect the reality.

Due to time lag and disputes, there could be some differences between the BB and the EPB export value data. However, the astronomical difference between the numbers



ILLUSTRATION: BIPLOB CHAKROBORTY

from the two sources in FY2024 surprised everyone. In the absence of any clarification from the government bodies responsible for collecting export data, various explanations have been floating around. For example, the export proceeds could have been brought into the country through informal channels or as remittances. Another plausible reason could be that only a portion of the export proceeds were brought in since there is an expectation of the devaluation of the Bangladeshi taka against the US dollar. The uncertainty before the national elections in early 2024 could also have been a reason for capital flight through not bringing the export proceeds into the country.

But now, the BB has reconciled data on export income from various sources such as EPB and NBR and found that the NBR has been making

indicators are made.

The decline in exports reduces the contribution of exports to GDP, negatively affecting overall economic growth. Due to the export sector's interconnectedness with other sectors of the economy, including manufacturing, services, and logistics, this impact will be reflected in other economic activities as well. A decline in exports can lead to reduced industrial production, lower service demand, and decreased employment in export-oriented industries.

The export-GDP ratio is a key indicator of the economy. A lower export indicates a potential decline in export competitiveness or demand. Exports and remittances are the primary sources of foreign exchange earnings in Bangladesh. A decline in exports reduces the inflow of foreign currency, negatively impacting the

country's foreign exchange reserves and its ability to finance imports and service external debt.

Similarly, the debt-GDP ratio is a critical indicator of fiscal health and economic stability. A lower GDP growth rate due to declining exports can lead to an increase in the debt-GDP ratio. A higher debt-GDP ratio implies higher debt servicing costs, which can strain public finances. Currently, Bangladesh's debt stock stands at 37.7 percent of GDP as per the revised budget of FY2024, which is estimated to increase to 38.6 percent in FY2025 as per MTMPS.

The discrepancy in export data and its impact on macroeconomic indicators bring back the broader issue of our data ecosystem.

Accurate economic data is crucial for effective policymaking. The revised export figures will necessitate adjustments in economic policies to address the challenges posed by declining exports. Policymakers will need to take measures to stimulate export growth, diversify the export base, and enhance competitiveness.

Discrepancies in economic data can affect investor confidence. Accurate and reliable data is essential for investors to make informed decisions. To restore confidence, the government and relevant institutions must enhance transparency and accuracy in economic reporting.

The anomalies in export data from various sources reinforce the need to integrate data from multiple sources, providing a more comprehensive and accurate picture of export activities. This also necessitates strengthening institutional coordination. Advanced data analytics and technology are now needed to improve the accuracy and efficiency of data collection and reporting processes.

Though late, this initiative has finally been taken. It is high time we developed standardised data collection and reporting methodologies to ensure consistency and accuracy across institutions. There should be adequate human resources to work on export data at NBR. Besides, the capacity of those engaged in data management should be raised to ensure quality and precision.

Transparency and accountability are crucial for maintaining trust in economic data and policymaking. Enhancing transparency involves public disclosure of data and methodologies.

Unfortunately, various government institutions are still reluctant to share data with the public. Now that major economic indicators estimated in the past have become mostly irrelevant, policymakers should revise all economic data and restore transparency to the data ecosystem without delay.

## FROM LECTURE HALLS TO THE STREETS

# Universities submerged in dual protests



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The monsoon rains lash against the paved streets of Dhaka University, but the downpour does little to dampen the fiery spirits on campus. Huddled under a sea of colourful umbrellas, thousands of students stand defiant, their voices rising.

What began as a localised protest in the heart of the capital has swiftly morphed into a nationwide movement. From Khulna University in the south to Rajshahi University in the north, students across Bangladesh are joining the chorus of dissent. Social media feeds are flooded with images and videos from campuses nationwide. In Dhaka, students have traded the comfort of dry lecture halls for the wet streets, their textbooks temporarily abandoned in favour of protest signs that run with ink in the relentless rain. As news of their stand spreads, it ignites similar actions nationwide. Students gather in solidarity in Chattogram, Sylhet, and beyond; their umbrellas are a colourful testament to their resilience and unity.

But this isn't just a student

uprising. A parallel storm is brewing in faculty lounges and administrative offices nationwide. Professors and lecturers tasked with guiding the next generation find themselves locked in battle against a system they believe has failed them. It's as if the monsoon has washed away the thin veneer of normalcy, revealing the deep-seated frustrations that have long simmered beneath the surface of Bangladesh's academic world. Two distinct yet interconnected movements are unfolding, each threatening to reshape the foundations of higher education in Bangladesh. The students' grievances centre on the labyrinthine quota system that has long governed public sector jobs in Bangladesh, where 56 percent of government positions are reserved for various groups. It's as if the concept of affirmative action has been cranked up to eleven.

The students' demands are simple yet revolutionary. They want to tear down this quota tower, brick by brick, and build a new system where talent trumps all. They're calling for a return

to a 2018 circular that promised a fairer shake.

But this isn't just about jobs. It's about a generation's hopes and dreams. These students envision a future where their hard work and abilities matter more than their family history or connections. They're fighting for themselves and the Bangladesh they want to see: meritocratic, fair, and full of opportunity.

On the other side of this academic coin, we find the teachers. These men and women have dedicated their lives to shaping young minds, only to be caught in a bureaucratic tangle. Their beef is with the “Prottoy Scheme”—a new pension system.

To understand their fury, you need to know that these educators have long felt like the forgotten cousins of the civil service family. They've clamoured for a separate pay scale for years, recognising their unique societal role. Instead, they got lumped in with everyone else in the 2015 pay scale revision. This new pension scheme makes them feel like they're being pushed further into the margins.

It's not just about money, though. It's about dignity. It's about feeling valued in a society that often pays lip service to education while treating educators as an afterthought. The teachers' protests might be less visible than the students' because of the smaller number of umbrellas and the higher number of closed-door meetings, but they're no less passionate. So here we are, a nation

caught between two waves of protest, each threatening to overflow the banks of our higher education system. It's a crisis, yes, but it's also an opportunity. It is an opportunity to reimagine how we value merit, support our educators, and prepare the next generation for the challenges ahead.

The solutions won't be easy. Reforming the quota system means navigating a minefield of vested interests and historical obligations. Addressing the teachers' concerns requires fundamentally reconsidering how we value education. But the alternative—allowing this unrest to fester—is unthinkable. There's a palpable sense of déjà vu. Bangladesh has been at a crossroads where the choices will echo through generations. The question is: Do we have the courage to make the right choices? The students and teachers of Bangladesh have thrown down the gauntlet. It's time for the powers that be to pick it up. The future of a nation's education and perhaps the country itself hangs in the balance.

Let's hope wisdom prevails for all those young minds waiting to be shaped and all those dedicated educators ready to shape them. As the monsoon rains continue to fall, we're left wondering: Will these waters of discontent nourish the seeds of change, or will they wash away hope for another generation? Like the protests, the answer remains fluid and uncertain in the torrential downpour of Bangladesh's academic crisis.