

Star BUSINESS

Turnover on the interbank foreign exchange market of Bangladesh has been falling for the last two years, according to a BB report



Story on B4

Govt short of taka, USD due to financial distress

Says economist Ahsan H Mansur

STAR BUSINESS REPORT

The government does not have adequate taka and US dollars to implement the budget because of financial distress and its failure to raise enough revenues, said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, yesterday.

"Due to the crisis of the taka and US dollars, the government is now unable to pay the bills for various sectors, including the energy sector. Many foreign companies also can't repatriate funds from Bangladesh to their home countries," he said.

Mansur made the observations while addressing a discussion on the "Reason for the bad state of Bangladesh's banking sector" at the Economic Reporters' Forum (ERF) auditorium in the capital's Paltan.

Owing to liquidity shortage, Bangladesh is increasingly becoming dependent on debts day by day. The country's borrowing capacity from internal sources is gradually shrinking since banks are facing a liquidity crisis.

In the case of foreign debts, disappointment came from India and China as they did not respond to Bangladesh's requirements as expected, Mansur said.

"On the other hand, the government is not able to raise enough revenues."

Mansur, also a former economist of the International Monetary Fund, said banks are now showing profits by transferring the interest on loans to the income account without receiving it.



Ahsan H Mansur recommends

- Bring transparency to financial sector
- Stop providing incentives on remittance
- Stop printing money to protect weak banks
- Hike policy rate to 10% to contain inflation
- Publish a white paper on the banking sector
- Reveal actual data of banks
- Boost forex reserves by tackling capital flight

"We are selling the plates to buy biriyani."

The economist added banks are also distributing dividends from these profits, and the government is collecting taxes as well.

He said before the national election that took place in the first week of January, it was said that there would be mega reforms in the financial sector.

"However, six months have passed, and nothing has happened. This is very disappointing."

The economist said reforming the banking sector is crucial for the sake of the country.

"It is good that the IMF has given the loan to Bangladesh and has tagged some reforms with it. However, the reforms should be executed for our own sake."

He also talked about money laundering. "If the outflow of assets from the country continues, the current crisis will not be

resolved. Political will is needed to deal with the crisis."

Mansur called for publishing a white paper on the state of the banking sector.

"There are more data anomalies in the banking sector than any other sector, including the export data mismatch."

He claimed actual non-performing loans (NPLs) are around 25 percent in the banking industry although it is hovering around 10 percent on paper.

"There is a question about whether savers will get back their bank deposits."

The economist recalled the banking sector was in bad shape in 1990 when a reform programme was initiated. The current regulations were borne out of the reform programme and the sector had received positive outcomes as well.

READ MORE ON B3

Govt to form autonomous body for proper debt management

REJAUL KARIM BYRON and AHSAN HABIB

The government is mulling to launch an autonomous body to ensure proper debt management.

All aspects of public debt management, from the issuance of treasury securities to the overseeing of the national savings certificates and external borrowing, would be conducted under the Finance Division through the autonomous unit.

The government expressed hope in the latest medium-term debt management strategy that a single debt management entity would improve coordination, reduce redundancies, enhance the government's ability to manage debt-related risks efficiently and maximise the benefits of public debt.

The decision to form an autonomous body comes at a time when Bangladesh is facing a challenge in managing its rising debt amid depleting foreign exchange reserves.

The total debt of the country stood at Tk 1,835,035 crore, or \$156 billion, as of June 30.

Of total debt, domestic debt amounted to Tk 1,035,529 crore, or \$88 billion. The rest is external debt.

To enhance the management of public debt, it is crucial for Bangladesh to gradually move towards a unified debt management framework.

A unified approach would ensure more coherent and effective debt management, the government said.

Capacity development of the debt management unit in this regard will help to ensure better implementation of the debt strategy and maintain public debt on a sustainable trajectory.

The primary objective of the debt management policy is to ensure that the financing and debt service obligations are met at the lowest possible cost with an acceptable level of risk.

A single debt management entity would improve coordination, reduce redundancies, and enhance the government's ability to manage debt-related risks efficiently

Initially, total debt as a percentage of the gross domestic product (GDP) experienced a downward trend, decreasing from 35.9 percent in fiscal year 2006-07 to 26.2 percent in FY17.

However, there has been a subsequent upward trend, with total debt reaching 36 percent of the GDP in 2022-23 fiscal year.

The public debt of Bangladesh is composed of domestic and external debts.

At the end of FY24, domestic debt was projected to account for 56 percent of the total debt stock while the remaining 44 percent would be external debt.

National savings certificates and T bonds are the main components of the

READ MORE ON B3

Digital activities to be included in census for first time

MD ASADUZ ZAMAN

Bangladesh is set to include online economic activities of firms and households in its new census this year to cover all sectors of the country, a move that is expected to present data about the size of the expanding digital economy.

On July 7, the Bangladesh Bureau of Statistics (BBS) rolled out the Fourth Economic Census 2023 Project. Its enumerators will enroll economic establishments and households until July 26.

"The questionnaire for the listing stage contains 14 types of questions this year whereas it was four in 2013," said SM Shakil Akhter, the project director.

On July 7, the Bangladesh Bureau of Statistics rolled out the fourth economic census

"All kinds of e-commerce activities will be enlisted for the first time."

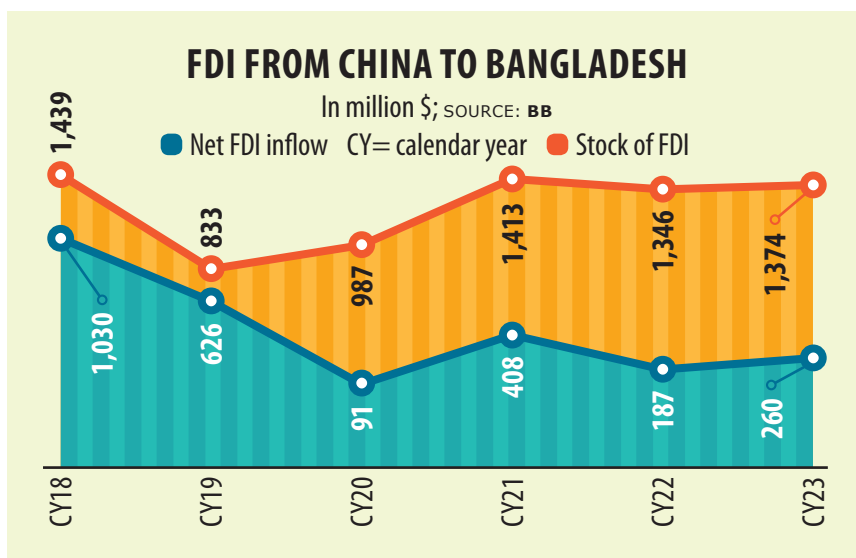
The move reflects the increasing economic activities carried out virtually in Bangladesh. In recent years, e-commerce, f-commerce, e-trade and freelancing have boomed in the country, in keeping with global trends.

"We want to bring under coverage all informal sectors through this census," Akhter said.

Now, the BBS is conducting the census's listing digitally. The main operations will be conducted in December during a 15-day period. The exact date is yet to be fixed. Data will be collected under

READ MORE ON B2

Will there be any uptick in investment after PM's China visit?



JAGARAN CHAKMA and REFAYET ULLAH MIRDHA

There was an expectation that investment inflows from China to Bangladesh would increase substantially following the Covid-19 pandemic as investors in China were looking for an alternative manufacturing hub.

But that has not happened in reality. Instead, over the past six years, investment inflow from China has witnessed ups and downs but has remained far from the heights it had hit in the past.

Around \$1.03 billion was invested in Bangladesh from Chinese sources in FY18 and \$626 million in FY19. But the inflow fell to just \$91 million in FY20 during the height of the pandemic. There were signs of recovery afterwards as \$408 million arrived from China in FY21, but that number declined to \$187 million in FY22 and \$260 million in FY23.

The Chinese Economic and Industrial Zone (CEIZ) in Chattogram has often been highlighted as one avenue for boosting Chinese investment in Bangladesh. But construction of the project is yet to start despite eight years

having passed since the Bangladesh Economic Zones Authority (Beza) first took the initiative.

Furthermore, a joint feasibility study to sign a free trade agreement (FTA) between Bangladesh and China has already been conducted. But the date for the beginning of formal negotiations remains unclear.

Against such a bleak backdrop, Bangladeshi businessmen were optimistic that Prime Minister Sheikh Hasina's recent visit to Beijing would provide the necessary impetus for the expansion of bilateral trade and increased foreign direct investment (FDI) from China.

During the visit, Bangladeshi and Chinese companies signed 16 memoranda of understanding (MoUs) to boost investment in Bangladesh. Under four of those MoUs, Bangladesh is set to receive \$490 million.

The Chinese companies are expected to invest in Bangladesh's textile, electric vehicle, solar power, fintech and technology sectors.

Nihad Kabir, a former president of the Metropolitan Chamber of Commerce and Industry, said that

READ MORE ON B3

Earn more with EBL Foreign Currency Accounts

EBL Offshore Banking

Any resident/non-resident Bangladeshi or foreigner can open Foreign Currency (USD, EURO or GBP) Savings/Current and Fixed Deposit Account in Bangladesh.

Up to 8.28%* interest on Fixed Deposit
No tax on interest
Freely transferable abroad at any time
Fixed Deposit from one month to five years

*Conditions apply, based on benchmark reference rate

Scan to open your account from anywhere in the world

EBL RFCD Account

Any resident Bangladeshi can easily deposit 10,000* USD or equivalent EURO/GBP in EBL RFCD Account after each foreign trip.

Up to 6.83%* interest
Freely remittable abroad at any time
Fund exempted from travel quota
International Debit Card & Zero Account maintenance fee

*FMJ form needed to deposit above that amount | Conditions apply, based on benchmark reference rate

Scan to know more

EBL 24/7 CONTACT CENTER
09612316230

eb.com.bd
myebi

Scan to Download

All Islamic Banking Services in One App



Ahsan Zaman becomes new managing director of Trust Bank

STAR BUSINESS DESK

Ahsan Zaman Chowdhury has been appointed as managing director of Trust Bank with effect from July 10.

Chowdhury was serving the bank as deputy managing director and chief business officer concurrently prior to his new role, the bank said in a press release.

He joined Trust Bank as senior executive vice-president on August 21, 2016. He is credited for establishing a business culture of taking customers' vision and converting it into a functional business model.

Ahsan started his career with AB Bank in 1986.

He joined Eastern Bank in 1998, holding senior positions in different capacities, including area head of corporate and consumer banking of Chattogram and Sylhet regions and head of special asset management.

Ahsan has years of experience in the fields of business development, relationship management, corporate banking, consumer banking, syndication and structured finance, trade solutions, SME and agriculture business, special asset management, and management of human capital.

BRAC Bank's distribution network achieves Tk 5,500cr net deposit growth in 6 months



Meheriar M Hasan, chairperson of BRAC Bank, and Selim RF Hussain, managing director and CEO, cut a cake to celebrate the significant deposit growth of the bank at its head office in Dhaka recently.

PHOTO: BRAC BANK

STAR BUSINESS DESK

BRAC Bank's distribution network achieved a net deposit growth of Tk 5,500 crore in the first half of 2024, breaking industry records.

The milestone reflects increasing customer confidence, strong engagement, and robust relationships fostered by the bank, according to a press release.

Meheriar M Hasan, chairperson of the bank, Selim RF Hussain, managing director and CEO, and Sheikh Mohammad Ashfaq, deputy managing director and

head of branches, joined leaders of the distribution network in celebrating the significant deposit growth at the bank's head office in Dhaka.

The bank's chairperson emphasised good governance as the cornerstone of BRAC Bank's ability to earn and maintain customer trust.

"Strong customer engagement and relationships are at the core of the bank's success. We are delighted to witness strides towards doubling our business by 2026."

Hussain added: "BRAC Bank aims

to not only be a banking partner to our customers but also to provide comprehensive financial advisory services.

"The continuous expansion of branches and sub-branches, strategic repositioning for maximum convenience, dedicated customer service, and enhancing digital banking spectrum have significantly contributed to this growth."

Taheer Hasan Al Mamun and AKM Tareq, senior zonal heads of the bank, alongside regional heads, cluster managers and branch managers were also present.

Rume A Hossain re-elected as board executive committee chairman of Bank Asia

STAR BUSINESS DESK



Rume A Hossain has recently been re-elected as the chairman of the board executive committee of Bank Asia at a meeting of the bank's board of directors.

Hossain is one of the sponsor directors of the bank, according to a press release.

He has more than 30 years of business experience in several industries such as electronics, telecom, pharmaceuticals, information technology and publication.

He is the managing director of Rangs Industries Limited and Romask Director.

Hossain is a graduate in mechanical engineering and completed an MBA in international business management.

Oil settles down

REUTERS, New York

Oil futures prices settled slightly lower on Friday as investors weighed weaker US consumer sentiment against mounting hopes for a Federal Reserve rate cut in September.

Brent crude futures settled 37 cents lower to \$85.03 a barrel. US West Texas Intermediate crude futures fell 41 cents, or 0.5 percent, to close at \$82.21 a barrel. For the week, Brent futures fell more than 1.7 percent after four weeks of gains. WTI futures posted 1.1 percent weekly decline.

A monthly survey by the University of Michigan showed US consumer sentiment fell to an eight-month low in July, although inflation expectations improved for the next year and beyond.

Southeast Bank organises half-yearly business conference

STAR BUSINESS DESK

Southeast Bank recently organised its "Half-yearly Business Conference 2024".

Nuruddin Md Sadeque Hossain, managing director of the bank, presided over the event, which was held virtually, the bank said in a press release.

Md Masum Uddin Khan and Abidur Rahman Chowdhury, deputy managing directors of the bank, were present. At the conference, business achievements were reviewed and an action plan was made to continue the momentum. Special emphasis was placed on providing innovative financial services by leveraging the latest technology to ensure customer satisfaction.

Additionally, there was a focus on bringing underprivileged communities under banking services at the grassroots level, disbursing SME and retail loans on easy terms to promising entrepreneurs and individuals, ensuring modern banking services to conventional and Islamic banking customers, and contributing to the economic development of the country by setting up new industrial establishments in the corporate sector.

Divisional heads of the bank, along with senior executives, heads of branches, sub-branch in charges, branch managers, and in-charges of the two offshore banking units, were among others present.



Nuruddin Md Sadeque Hossain, managing director of Southeast Bank, presides over the bank's Half-yearly Business Conference 2024 held recently.

PHOTO: TRUST BANK

PRICES OF KEY ESSENTIALS IN DHAKA CITY			
	PRICE (JULY 11, 2024)	% CHANGES FROM A MONTH AGO	% CHANGE FROM A YEAR AGO
Fine rice (kg)	Tk 60-Tk 78	0	2.22 ↑
Coarse rice (kg)	Tk 48-Tk 52	-3.85 ↓	2.04 ↑
Loose flour (kg)	Tk 40-Tk 45	0	-20.56 ↓
Lentil (kg)	Tk 105-Tk 110	0	13.16 ↑
Soybean (litre)	Tk 145-Tk 155	1.01 ↑	-12.28 ↓
Potato (kg)	Tk 56-Tk 65	5.22 ↑	42.35 ↑
Onion (kg)	Tk 105-Tk 120	45.16 ↑	55.17 ↑
Egg (4 pcs)	Tk 45-Tk 50	-10.38 ↓	-1.04 ↓

SOURCE: TCB

Dhaka Bank opens Kalapara branch in Patuakhali

STAR BUSINESS DESK

Dhaka Bank recently opened a branch in the Kalapara upazila of Patuakhali.

Sheikh Abdul Bakir, deputy managing director and manager of the local office of the bank, inaugurated the branch as chief guest. It is the bank's 116th branch, according to a press release.

Md Mohiuddin (Moin), managing

director of MM Builders & Engineers Ltd, was present as special guest.

Among others, Kazi Mizanur Rahman, manager of Barishal branch, Md Feroz Talukder, manager of Kalapara branch, Altamas Nirjhar, senior vice-president and head of general services division at the head office, and Mizanur Rahman, senior principal officer of communications and branding division, were also present.



Sheikh Abdul Bakir, deputy managing director and manager of local office of Dhaka Bank, inaugurates the Kalapara branch of the bank as chief guest at Kalapara upazila of Patuakhali recently.

PHOTO: DHAKA BANK

Digital activities

FROM PAGE B1

the computer-assisted personal interviewing method.

In Bangladesh, the first economic census was conducted in 1986. The second national survey came in 2001-2003 while the third one was done in 2013.

Khondaker Golam Moazzem, research director at the Centre for Policy Dialogue, welcomed the BBS move aimed at including online commercial activities.

"This will add a new dimension." Moazzem said there is a lack of diversified and updated timely data for policymakers and researchers.

"The economy has expanded and diversified. If data is older and shocks like the Covid-19 pandemic strike, it becomes difficult for the government to set a base year for census and gather and present credible data."

Census is usually carried out every 10 years, and it is a costly exercise for the

country as well. Therefore, the economist urged the government to think about surveys every two years to update information. He also suggested exploring diversified sub-sectors to get a clear picture of the economy.

The preliminary key findings are likely to be published in January next year, and it would take at least another six months to present the final report, according to BBS Director General Mohammad Mizanur Rahman.

He said the project about the fourth economic census was initiated earlier but there had been some delays in starting it. About the mid-term surveys, the top official said the BBS has already conducted some surveys to monitor the situation. "It covers some areas. We will consider the issue in the coming days."

The census project will cost the government Tk 579.52 crore. The expenditure will be borne by the state coffers.

China's exports top forecasts, imports fall

REUTERS, Beijing

China's exports grew at their fastest in fifteen months in June, suggesting manufacturers are front-loading orders ahead of tariffs expected from a growing number of trade partners, while imports unexpectedly shrank amid weak domestic demand.

The mixed trade data keeps alive calls for further government stimulus as the \$18.6 trillion economy struggles to get back on its feet. Analysts warn that the jury is still out on whether strong export sales in recent months can be sustained given major trade partners are becoming more protective.

"This reflects the economic condition in China, with weak domestic demand and strong production capacity relying on exports," said Zhiwei Zhang, chief economist at Pinpoint Asset Management.

"The sustainability of strong exports is a major risk for China's economy in the second half of the year. The economy in the US is weakening. Trade conflicts are getting worse."

Outbound shipments from the world's second-biggest economy grew 8.6 percent year-on-year in value in June, customs data showed on Friday, beating a forecast 8.0 percent increase in a Reuters poll of economists and a 7.6 percent rise in May.

But imports hit a four-month low, shrinking 2.3 percent compared with a forecast 2.8 percent increase and a 1.8 percent rise the previous month, highlighting the fragility of domestic consumption.

Stronger-than-expected exports have been one of the few bright spots for an economy otherwise struggling for momentum despite official efforts to stimulate domestic demand following the pandemic. A prolonged property slump and worries about jobs and wages are weighing heavily on consumer confidence.

Still, as the number of countries stepping up curbs on Chinese goods increases, so too does the pressure on its exports to prop up progress towards the government's economic growth target for this year of around 5 percent.

China's trade surplus stood at \$99.05 billion in June, the highest in records going back to 1981, compared with a forecast of \$85 billion and \$82.62 billion in May. The United States has repeatedly highlighted the surplus as evidence of one-sided trade favouring the Chinese economy.



Mahbubur Rahman, chairman of Eastland Insurance Company, inaugurates the insurer's Half-Yearly Business Conference-2024 at DCCI auditorium in Motijheel, Dhaka yesterday.

PHOTO: EASTLAND INSURANCE COMPANY

Eastland Insurance Company arranges half-yearly business conference

STAR BUSINESS DESK

Eastland Insurance Company arranged its "Half-Yearly Business Conference 2024" at the DCCI auditorium in the capital's Motijheel yesterday.

Mahbubur Rahman, chairman of the insurer, inaugurated the conference, according to a press release.

Rahman expressed gratitude to the Almighty, whose blessings helped the company achieve 84 percent of the business targets for June 2024 despite the adverse impacts of the Russia-Ukraine war and the consequences of abnormal hikes in the prices of essentials.

He thanked the management team, including executives and employees, for doing their best to promote the business during the tough time.

The chairman further expressed his

expectation that the executives and employees would continue to bring in business in the coming days.

He went on to state that Eastland Insurance Company has completed 37 years of successful operations and attained sound financial strength and goodwill.

Kamal Uddin Ahmed, Rizwan Rahman and Md Abdul Karim, members of the board of directors of the insurer, attended the conference. Mohammed Salim, chief executive officer of the insurer, presented an analytical report on the half-yearly business performance.

Shahid E-Monzoor Morshed, additional managing director and regional head for Khulna, Md Shafiqul Alam, additional managing director and head of Motijheel branch, and M Golam Hafez, additional managing director, along with other senior executives were also present.



Farmers are planting Aman rice saplings at the Mallikpur village of Terokhada upazila in Khulna recently. Aman, transplanted during July-September, is the second biggest crop of Bangladesh and accounts for over 38 percent of total production.

PHOTO: HABIBUR RAHMAN

Bimstec yet to make substantial progress in trade

Sixth Bimstec summit will take place in September

STAR BUSINESS REPORT

Bimstec, a bloc of seven countries including Bangladesh in the South and Southeast Asia, is yet to make any substantial progress in boosting trade among the member states although trade is one of its priority areas, experts said.

The bloc, which began its journey in 1997, has not yet made any substantial progress in the reduction of tariff and non-tariff measures (NTMs), streamlining of regulatory frameworks and harmonisation of standards, according to the declaration of the third Bay of Bengal Economic Dialogue 2024 concluded on July 12 in Bangkok.

The dialogue took place ahead of the sixth Bimstec Summit, which is scheduled to take place in Thailand in September this year.

The South Asian Network on Economic Modeling (Sanem) in collaboration with the Chulalongkorn University, the Institute of Trade and Development (ITD) and The Asia Foundation (TAF) organised

the dialogue.

Over 100 senior experts, scholars, diplomats and practitioners attended the two-day event.

The declaration, citing Bimstec's bid to accelerate the finalisation of Bimstec Free Trade Area (FTA), urges the leaders to expedite the finalisation of the FTA and implement strategic initiatives to drive sustainable development and regional stability.

"Trade and transit facilitations must be given top priority along with energy and digital connectivity," said the declaration, adding, "The conference recommended that the Bimstec FTA should be concluded in a year time."

It said productivity enhancement, knowledge exchange and mutual recognition of standards and certification, paperless trade and currency cooperation could make the Bimstec FTA more effective, said the declaration.

The conference has recommended setting up a digital dashboard on trade barriers with coverage on NTMs, it added.

The intra-regional trade within Bimstec—the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation—remains low around 7 percent to total trade, according to a recent article of Sanem Executive Director Selim Raihan.

He said the share of Bimstec intra-regional trade remains higher than the Saarc region.

But it lags significantly behind Asean approximately by 25 percent, he added.

Raihan, a professor of economics at Dhaka University, said a deficit in political commitment from the leaders of member countries is a crucial factor limiting Bimstec's advancement.

The Bangkok declaration following the dialogue said the geographical contiguity, abundant natural and human resources, rich historical linkages and shared cultural heritage are some of the unique advantages that Bimstec enjoys.

"Bimstec shares high trade potential and economic complementarities. Not only an energy hotspot, Bimstec's

strategic location is its greatest asset," it said.

The declaration said Bimstec, with its unique geographic location, can play a role in bridging South Asia and Southeast Asia through trade and connectivity.

"Second, Bimstec member states are surrounding the Bay of Bengal, which is not only a space to support regional trade and transport connectivity but it also connects international maritime trade routes between the Indian Ocean and the Pacific Ocean."

"Maritime and digital connectivity is the key in trade and security."

The declaration said the Bimstec member states are a powerhouse in some of the global products such as garments (Bangladesh), digital services (India), maritime services (Sri Lanka), consumer durables (Thailand), tourism (Nepal and Bhutan), among others.

"Therefore, greater intra- and inter-regional cooperation may pave the way for higher trade and growth."

Pakistan pledges \$7b IMF aid deal will be its last

AFP, Pakistan

The International Monetary Fund has agreed to loan Pakistan \$7 billion to bolster its faltering economy, with Islamabad pledging Saturday it would be the last time it relied on relief from the Washington-based lender.

The South Asian nation agreed to the deal — its 24th IMF payout since 1958 — in exchange for unpopular reforms, including widening its chronically low tax base.

Pakistan last year came to the brink of default as the economy shrivelled amid political chaos following catastrophic 2022 monsoon floods and decades of mismanagement, as well as a global economic downturn.

It was saved by last-minute loans from friendly countries, as well as an IMF rescue package, but its finances remain in dire straits, with high inflation and staggering public debts.

"This programme should be considered the last programme," Prime Minister Shehbaz Sharif told ministers and revenue officials in Islamabad. "We should tax those who are not being taxed."

— Dealing with a downturn —

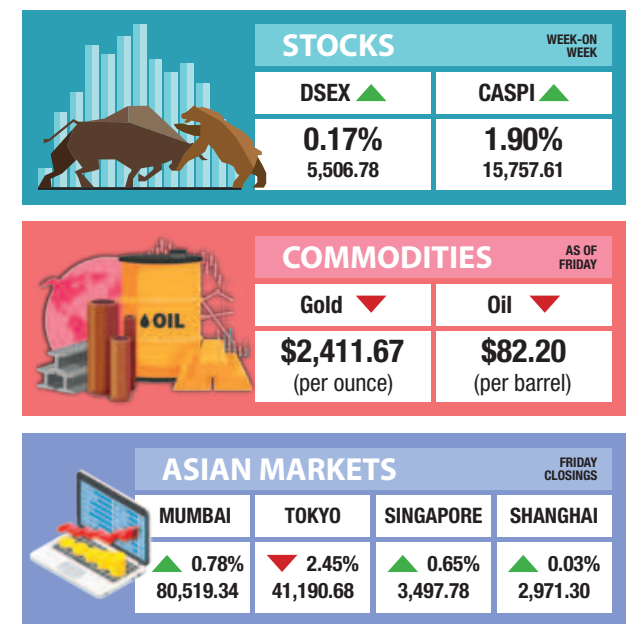
Islamabad wrangled for months with IMF officials to unlock the new loan announced Friday, which will be paid out over three years subject to approval by the organisation's Executive Board.

It came on condition of far-reaching reforms including hiking household bills to remedy a permanently crisis-stricken energy sector and uplifting pitiful tax takings.

In a nation of over 240 million people and where most jobs are in the informal sector, only 5.2 million filed income tax returns in 2022.

During the 2024-25 fiscal year that started at the beginning of July, the government aims to raise nearly \$46 billion in taxes, a 40 percent increase from the previous year. More unusual methods have seen the tax authority block 210,000 SIM cards of mobile users who have not filed tax returns in a bid to widen the revenue bracket.

Under the deal "revenue collections will be supported by simpler and fairer direct and indirect taxation including by bringing net income from the retail, export, and agriculture sectors properly into the tax system", IMF Pakistan Mission Chief Nathan Porter said in a statement.



Govt to form autonomous body

FROM PAGE B1 domestic debt, which also comprises of short-term securities or treasury bills, bonds, Sukuk, demand promissory notes and special bonds.

Financing from domestic sources has increased substantially over the years, with the domestic market debt projected to reach 65.85 percent of the total domestic debt.

To carry on with the much-needed public investment, the government is increasingly reliant on the domestic market.

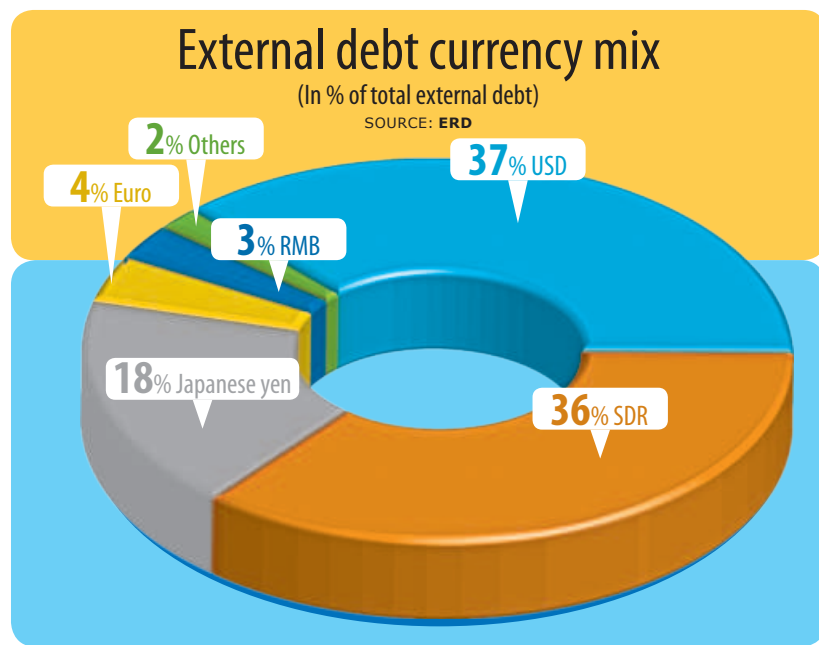
But the domestic borrowing is high cost-bearing as the interest rate for national savings certificates, bills and bonds is high.

So, a plan should have been made to keep it at a minimum level.

Bilateral and multilateral debt from development partners are the only sources of external debt since Bangladesh is yet to issue a sovereign bond.

However, the terms of external financing have been shifting from concessional to semi or non-concessional in recent years.

The risk in the existing debt portfolio is moderate, primarily due



to the majority of the debt being denominated in the local currency and the long maturity period of external debt.

Domestic debt is significantly more expensive than external debt.

However, the exchange rate risk has increased over time due to high reliance on external borrowing.

About the macroeconomic risks and its implications for debt management, the government said

Govt short of taka, USD

FROM PAGE B1 The second financial sector reform programme was initiated in 2001, which also yielded good results. The bad loans at both state-run banks and private banks came down.

Other indicators of the sector also showed improvements and the momentum continued till 2009 or 2010, Mansur said.

"Since then, the banking sector has been witnessing a downward trend."

"When the structure of governance changed, it has adversely affected not only the banking sector but also other sectors."

The economist urged the government not to support ailing banks by providing liquidity, and the central bank should stop supporting

Islamic banks by printing money in the name of protection.

"If it continues, inflation will increase further."

Annual inflation rose to 9.73 percent in 2023-24, the highest since 2011-12. This is the second year in a row that the Consumer Price Index crossed 9 percent.

There are four components in the financial sector: banks, the stock market, the bond market, and the insurance sector.

Mansur said while the bond market has never fared well, the performance of the three other components worsened.

He criticised the unsuccessful bank merger initiative of the central bank.

Mansur said the foreign currency reserves are now being augmented by borrowing from other countries.

"In this way, the reserves can't be increased for a long time."

In June, several bilateral and multilateral lenders approved \$4.8 billion in loans for Bangladesh.

The economist said the reserves should be increased using sustainable methods like export incomes and remittance inflows and by tackling money laundering.

The gross reserves stood at \$41.83 billion in June 2022 before falling to \$26.81 billion at the end of 2024, BB data showed.

Mansur recommended discontinuing the 2.5 percent incentive given on remittance inflows.

rising inflation can fuel interest expenditure, which may create higher fiscal pressure. It added that external loan servicing may become expensive in terms of local currency if the exchange rate continues fluctuating.

In its latest debt service analysis, the International Monetary Fund (IMF) assessed the public debt of Bangladesh, saying the country has a low risk of external and overall debt distress.

The IMF document was published last month.

The increasing debt service to revenue ratio highlights the urgency to mobilise tax revenues to support much-needed spending to achieve proper green growth recovery, it said.

The government told the IMF that higher interest rates, both external and domestic, would remain a critical challenge in the coming years although the debt distress remains low.

It acknowledged the urgent need to accelerate domestic revenue mobilisation to meet financing needs.

The government also reconfirmed to the IMF that it has no plan to issue Eurobonds.

"This is because these incentives are being gobbled up by some firms in Dubai."

He said since the exchange rate is market-based, incentives are not required.

On May 8, the central bank relinquished its unwritten grip on the exchange rate and allowed banks to trade the US currency freely within a band.

ERF President Refayet Ullah Mirdha chaired the discussion, which was moderated by General Secretary Abul Kashem.

Daily Samakal's Special Correspondent Obaidullah Rony and Prothom Alo's Senior Correspondent Shanaullah Sakib presented a paper on the banking industry.

Will there be any uptick in investment

FROM PAGE B1 alongside Chinese investors, the Asian Infrastructure Investment Bank had also shown an interest in investing heavily for big infrastructure projects in Bangladesh.

If the investments materialise as per the investment proposals and MoUs, it will bring a substantial amount of FDI from China, she said.

Although Kabir said that it would take time for the investments to materialise, she also highlighted the importance of the MoUs.

Ashraf Ahmed, president of the Dhaka Chamber of Commerce and Industry, said the visit occurred at a crucial time and is expected to open new areas of cooperation for trade and investment.

According to him, private sector trade and investment flows between the two countries are significantly larger than government-to-government transactions.

The visit focused largely on promoting cooperation between the two countries' private sector, he said, adding that widening trade in that area was very important for economic growth.

As of now, Bangladesh is operating on a large trade deficit with China. But exports to China have to be enhanced eventually to balance that, he said.

To that end, Ahmed said Bangladesh needs to position itself for growing markets in China, especially in areas where it has a competitive advantage.

Al Mamun Mridha, secretary general of the Bangladesh China Chamber of Commerce and Industry, said Chinese investors are keen to invest in different sectors.

He added that a high-powered business delegation would visit Bangladesh immediately to explore the country's business potential. He added that around 1,000 Chinese

investors and academicians took part in a trade and business summit during the Prime Minister's visit to Beijing.

Siddiqur Rahman, a former president of the Bangladesh Garment Manufacturers and Exporters Association, opined that Bangladesh would benefit from Chinese investment whether it is under a joint venture or not.

Additionally, Chinese businessmen will also benefit as their products will enter the US market for a lower duty than that levied on goods made in China, he said.

However, he ruled out a reduction in the trade gap between the two countries as Bangladesh is dependent on China for raw materials but China possesses everything from raw materials to technology and capital.

In a post made on the social media platform X, formerly known as Twitter, Salman F Rahman, the private industry and investment adviser to Bangladesh's prime minister, said Chinese President Xi Jinping has assured Bangladesh of several types of economic assistance, including interest-free loans.

Bangladesh and China will celebrate 50 years of diplomatic relations in 2025. On this occasion, China is keen to work on several projects to strengthen bilateral relations, he said.

Rahman added that China has promised to increase imports of jute and leather products, pharmaceuticals, mangoes and other fruits, and ceramics from Bangladesh and pledged to provide training in various trade, technical, agricultural and manufacturing sectors while also increasing scholarships for students.

Bangladesh exported goods worth \$677 million to China while imported goods worth \$22.90 billion from the nation in FY23, according to commerce ministry data.

Govt to award export trophies to 77 exporters

STAR BUSINESS REPORT

The government is set to honour 77 companies with export trophies for their extraordinary contribution to national exports in fiscal year 2021-22, State Minister for Commerce Ahasanul Islam Titu said yesterday.

Prime Minister Sheikh Hasina is scheduled to hand over awards to winners at a programme at the Osmani Memorial Hall in Dhaka today, Titu said at a press conference at the TCB building in Dhaka.

The national export trophy awards will be given in 32 categories.

The highest award, the Bangabandhu Sheikh Mujib Export Trophy, will be given to Rifat Garments Ltd.

A total of 29 gold, 27 silver and 21 bronze trophies will be awarded.

The winners were assessed under the National Export Trophy Policy 2013, which includes value of total export, compliance, number of employees, working environment, payment of

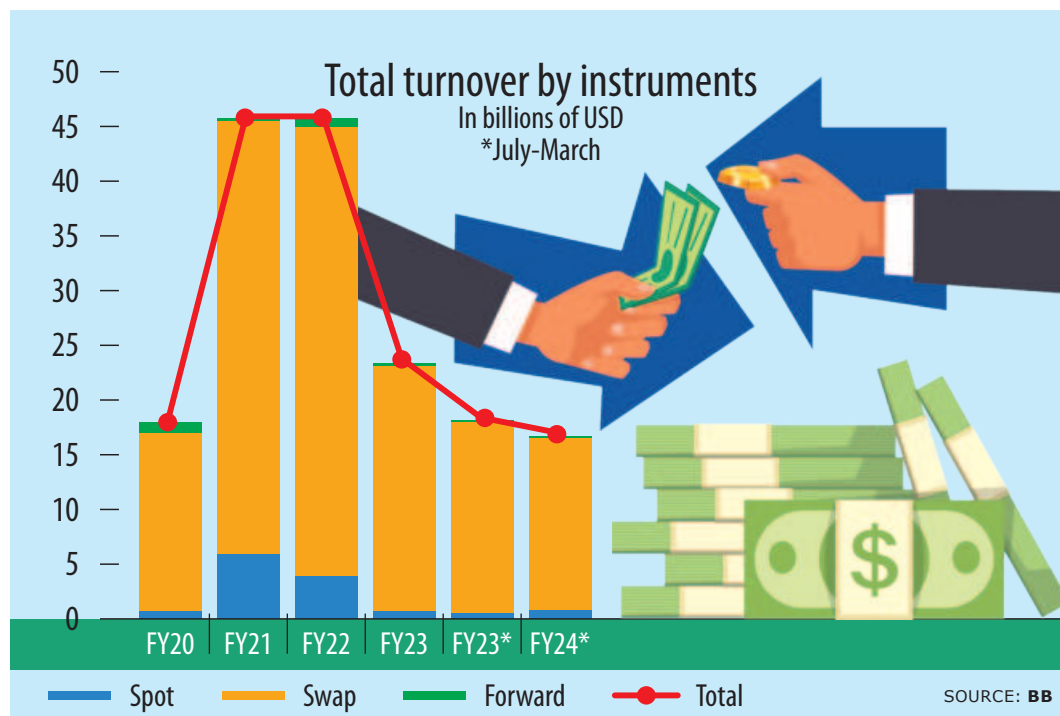
The national export trophy awards will be given in 32 categories. The highest award, the Bangabandhu Sheikh Mujib Export Trophy, will be given to Rifat Garments

regular taxes and annual growth of businesses, according to a statement from the commerce ministry.

Titu also said his government has been working to sign trade agreements with India, China and Japan. Bangladesh has also been working to tap into the trade potential of markets in the south and south east regions of Asia, he said.

The state minister added that during last week's visit to China, he noticed that businessmen wanted to turn Bangladesh into a manufacturing hub and that China remains interested in cooperating with such an initiative.

Turnover in interbank forex market on the decline



STAR BUSINESS REPORT

Turnover in the interbank foreign exchange market of Bangladesh has been falling for the last two years amid a shortage of liquidity, according to a central bank report.

The transaction on the interbank foreign exchange market consists of spot, forward, and swap transactions. It has dipped since 2021-22.

Turnover slumped 48.9 percent year-on-year to \$23.6 billion in 2022-23, the central bank said in its Monetary Policy Review 2023-24 published last week.

In July-March of the last fiscal year of 2023-24, turnover declined 8.7 percent to \$16.7 billion from \$18.3 billion a year ago, reflecting a crunch of liquidity.

Swaps accounted for 94.8 percent of the transactions. It decreased 9.6 percent year-on-year in July-March.

Spot transactions, which account for 4.9 percent of the total turnover, increased by 9.7 percent, said the BB.

The central bank said Bangladesh's economy experienced the most volatile episodes in the external sector in recent years. The crisis started

to emerge with depreciating pressure on the exchange rate resulting from the expanding current account deficits of the balance of payments (BoP) at the beginning of FY22.

To address the challenge, the BB took several steps such as discouraging unnecessary imports, selling foreign currencies from the forex reserves, and allowing the depreciation of the local currency.

The local currency has lost its value by about 35 percent against the US greenback in the past two years.

The BB said it continued selling foreign currencies to address the demand and supply gap and prevent any sudden depreciation of the taka, leading to a reduction in the reserves.

The central bank sold a net \$7.62 billion in FY22 and \$9.02 billion in FY23. As a result, the reserves, which were \$41.83 billion in June 2022, fell to \$31.2 billion in June last year. At the end of 2024, it stood at \$26.81 billion, BB data showed.

The dollar sales amounted to \$9.3 billion in July-April of FY24. Despite the decline, the reserves remained sufficient to cover import bills for 4.6 months, based on the prevailing import trends, the review said.

Why are we shy of signing FTAs?

MAMUN RASHID

Free trade agreements (FTA) are made between countries to lower trade barriers through little to zero government tariffs or subsidies and other means.

Most countries sign multilateral FTAs to increase regional trade such as the North American Free Trade Agreement (Nafta), the world's largest free trade bloc, where commerce among Canada, Mexico and the United States tripled in 2017.

Bangladesh is economically at a stage where it needs foreign direct investments (FDI) to create more jobs and set up infrastructure for sustainable development, which can be accelerated by FTAs.

So, what is stopping Bangladesh from entering into such deals? Bangladesh, along with Saarc countries, signed the South Asian Free Trade Agreement in 2006. Even though there are special provisions in the treaty to support the growth of least-developed countries (LDCs) like Bangladesh, concerns have been raised about the effectiveness of those provisions.

One apparent flaw is its incapability of addressing, and consequently tackling, the extensive negative list maintained by India. This includes Bangladesh's major exports such as RMGs and chemicals. Subsequently, the Safta failed to deliver on its promises of accessible trading and higher gains, becoming ineffective as an agreement.

After such a tainted start to multilateral FTAs, Bangladesh is no doubt shying away from future agreements, encouraged to support local entrepreneurs in market diversification. But allured by the benefits of accessing new markets, Bangladesh entered into a preferential trade agreement (PTA) with Bhutan in 2020.

For successful FTAs that bring true economic growth, we need FTAs with economic powerhouses such as India and China, but bureaucratic entanglements

and geopolitics tend to get in the way.

Though our prime minister mentioned possible FTAs with 11 countries, as of today, we do not have an FTA with any country. It is being discussed that some policymakers are averse to the idea of FTAs. Tariff commission people often make the plea of revenue loss due to FTAs. Many analysts felt high tariff in Bangladesh is also a barrier to signing FTAs with partner countries.

To me, it seems that FTA is the logical way to go forward in increasing investment in a country.

Bangladesh's average nominal tariffs are higher than in low-income, middle-income and high-income countries, as well as most of its competitors. This impacts adversely the process of export diversification.

It does not make sense to create higher tariff barriers and import duties. I believe the average rate of tariffs can be brought down. The so-called revenue loss argument can be more than offset by progressively taxing the wealthy segment and people in the higher income bracket.


More people must be brought under the taxable income fold. Our tax-to-GDP ratio is still low compared to other countries. Domestic savings also need to be increased.

While negotiating FTAs, we have to protect our interests in the sectors where there is high export potential. One should follow a sector-by-sector approach. Expertise, experience and competence are needed, and recommendations should be taken from all stakeholders.


Bangladesh is set to graduate from the LDC group and become a developing country by the end of 2026. So, we must prepare accordingly as we will lose some of the benefits given to LDCs. Negotiating skills in concluding agreements are vital to deriving maximum benefits.

The author is chairman of Financial Excellence Ltd.







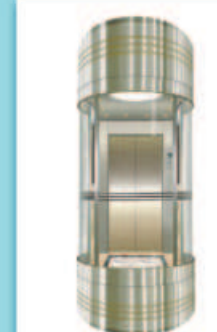
PROPERTY LIFTS
Uncompromising quality and service



36 YEARS







36 YEARS OF EXCELLENCE IN BANGLADESH

Property Lifts is now manufacturing International Standard lifts in Bangladesh.

www.propertylifts.com

0961 3737 777 | 0800 7777 777 (Toll Free)