

Star BUSINESS

Bangladesh is facing several challenges, including restoring law and order and stabilising the economy in the near term



Interview on B4

Govt seeks \$1b budget support from WB

STAR BUSINESS REPORT

Muhammad Fozul Kabir Khan, adviser to the power, energy and mineral resources ministry, yesterday sought \$1 billion from the World Bank as budgetary support.

"At present, the ministry owes \$2.2 billion to suppliers in import costs of power and energy," he said.

Abdoulaye Seck, the World Bank's country director for Bangladesh and Bhutan, met the adviser at his office leading a four-member delegation, according to a press release.

Kabir mentioned that the interim government was formed with many pressing mandates.

"On our first day at office, we have succeeded

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KEY POINTS



Interest payments rose in first 9 months of FY24



Depreciation of taka against dollar raised value of external debt



LDC graduation will limit access to concessional loans



Interest payments will continue to go up in coming years

BY THE NUMBERS

(July-March FY24)

- 162% increase in foreign loan interest payments
- Tk 11,602 cr paid in foreign loan interest
- Tk 71,191 cr paid in overall interest expenditures
- Tk 25,375 cr paid in interest on bank loans
- Tk 74,783 cr paid against saving certificates

INITIATIVES TO REDUCE SALES OF SAVINGS TOOLS

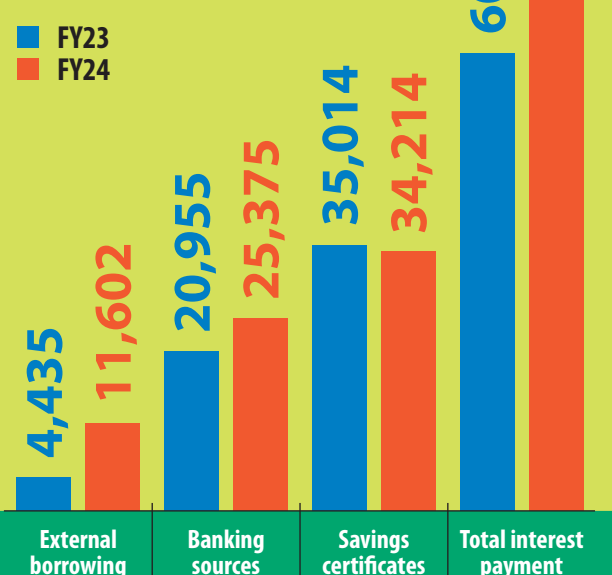
- Online issuance process
- Rationalised investment limits
- Introduction of multi-tier interest rates

As there is pressure on the economy, the government should renegotiate with development partners to reschedule the payment period.

Selim Raihan
Executive director of Sanem

INTEREST PAYMENT OF LOANS FROM VARIOUS SOURCES

July-March period; In crore taka



SOURCE: FINANCE MINISTRY

Taka weakens further

STAR BUSINESS REPORT

Bangladesh's taka weakened further after the central bank allowed more flexibility in the purchase and sale of foreign currencies, reflecting a shortfall of the US dollar in the market.

Banks yesterday traded each dollar for as much as Tk 120 in interbank transactions whereas just a couple of days ago it was Tk 118, according to Bangladesh Bank (BB).

The taka lost value after the BB widened the band of the crawling peg, a predefined range for exchange rate fluctuations, from 1 percent to 2.5 percent on August 18 to increase the inflow of foreign currencies.

The central bank introduced the crawling peg in early May this year, moving away from administered rates of US dollars, in a bid to gradually allow demand and supply to determine the exchange rate.

At that time, the central bank declared Tk 117 as the crawling peg mid-rate by allowing an over 6.3 percent depreciation of the taka, which has significantly lost value in the last two and a half years amid falling foreign exchange reserves.

Taka lost value after the BB widened the band of the crawling peg, a predefined range for exchange rate fluctuations, from 1 percent to 2.5 percent

"There is a gap between supply and demand for the greenback which is why the dollar is gaining," said a senior official of Mercantile Bank.

Bankers said they had to buy the dollar at higher prices than the crawling peg rates from foreign exchange houses that collect remittances from Bangladeshi migrant workers.

In some instances, banks paid up to Tk 120 to collect each greenback.

And the central bank eased the rules following meetings with bankers.

The official added that the present exchange rate of the US dollar was more or less acceptable at this point.

"But before the political changeover, the BB played a dual role as it allowed some banks to buy the dollar by offering higher than the rates of the crawling peg band," he added.

The head of treasury of another leading private bank said some banks were still buying the US dollar from remittance houses at rates higher than Tk 120 because of a shortage.

The pressure to make payments against imports is growing gradually, he said, mentioning that Bangladesh's imports declined drastically over the last two years for official restrictions to prevent fast depletion of forex reserves. READ MORE ON B3

Interest payment for foreign loan jumped 162% in Jul-Mar of FY24

REJAU KARIM BYRON

Interest payments against foreign loans shot up 162 percent year-on-year in the first nine months of the last fiscal year as debt servicing of loans taken for some mega projects has started.

According to the finance ministry's "Quarterly Debt Bulletin" released yesterday, Tk 11,602 crore was paid as interest on foreign loans in the July-March period of FY24.

That number stood at less than half in FY23, amounting to Tk 4,435 crore.

"This is because the government has started paying interest against some major foreign loans," the report said.

A finance ministry official said interest payments against foreign loans are charged as soon as the loan is disbursed. However, a grace period is allowed before repayment of the principal amount.

Loans have been disbursed for several mega projects, including the Russia-funded Rooppur Nuclear Power Plant. As a result, interest payments have started, the official said.

Overall, the government's outlay on interest payments for both foreign and domestic loans increased by 18 percent to Tk 71,191 crore in the nine-month period. At the same time, interest payments against domestic borrowing increased

by 7 percent to Tk 59,589 crore.

Prof Selim Raihan, executive director of the South Asian Network on Economic Modeling (Sanem), also said that one reason for the increase was the fact that interest payments against foreign loans for major projects had started.

He added that it would increase further in the coming days.

"As there is pressure on

percent in FY22, reflecting the growing impact of external debt on the budget, according to the report.

It also said two major factors contributed to the increase in interest payments for foreign loans.

One factor is that the reference rates in advanced economies are expected to stay high. A reference rate is an interest rate benchmark that

implicit interest rate on external borrowing exhibited a gradual increase from 1 percent in FY21 to 2.6 percent in FY27.

"This increase is attributed to a higher proportion of borrowing through floating and semi-concessional rates, which are more sensitive to market fluctuations compared to fixed-rate financing."

It also mentioned that the depreciation of the taka against the US dollar has elevated the value of external debt when measured in terms of local currency.

In the case of domestic borrowing, although debt servicing against loans from banking sources increased, it decreased for non-bank borrowing, according to the latest finance ministry report.

In the first nine months of FY24, interest payments against loans from banking sources increased 21 percent to Tk 25,375 crore.

At the same time, interest payments against non-banking sources, mainly national saving certificates, stood at Tk 34,214 crore, which was Tk 800 crore lower compared to the year prior.

The government set a borrowing target of Tk 257,885 crore from both foreign and domestic sources in FY24. However, it could borrow only Tk 80,101 crore, or 31 percent of the



the country's economy, the government should renegotiate with the development partners to reschedule the payment period," he said.

In a report, titled Medium-Term Macroeconomic Policy Statement (MTMPS), the finance ministry said interest payments will continue to rise gradually in the coming years.

The proportion of external interest payments as a percentage of the national budget will rise to 2.6 percent in FY27 from 0.9

is used to set other interest rates. The Fed Funds Rate, the Secured Overnight Financing Rate (SOFR), and the prime rate are among the most common reference rates.

The other factor is that Bangladesh's graduation from the category of least developed countries in 2026 will gradually narrow the window to obtain concessional loans from external sources, according to the report. So, the pressure is higher now.

The report added that the

BSEC forms panel to look into activities of stock exchanges

STAR BUSINESS REPORT

The Bangladesh Securities and Exchange Commission yesterday formed a four-member investigation committee to look into the overall activities of the Dhaka and Chittagong stock exchanges.

The BSEC also asked stock market intermediaries to block the beneficiary owner's (BO) accounts of its former chairman Shibli Rubayat-Ul Islam and 10 others.

The stock market regulator formed the committee as investors' confidence on the stock exchanges was low and they believed that the stock exchange management bodies had not been playing their role properly.

The committee was formed yesterday and will be headed by BSEC Director Md Abul Kalam. Other members of the committee are Miraz-Ul-Sunnah, Bony Yeamin Khan and Sadekur Rahman.

The committee has been asked to submit a report within 20 working days and is empowered to investigate any issue relating to the stock exchange.

The BSEC asked the stock exchange management to assist the committee and facilitate audit activities. The regulator already sent letters to the bourses yesterday.

The regulator took the decision shortly after Khondoker Rashed Maqsood's appointment as BSEC chairman. A top official of the BSEC said this was a step to unearth whether the stock exchange management had been conducting their activities properly.

An official of the DSE confirmed that they had been informed of the committee and were ready to assist. But the BSEC should investigate its own activities too as several officials were allegedly involved in malpractices, he added.

Gold price hits new heights. Here's why

SUKANTA HALDER

Jewellers in Bangladesh have hiked the price of gold ornaments to a historic high in line with rising pure gold prices and growth in the global market, according to industry people.

Also, pure gold prices increase every time there is a supply crisis compared to demand.

As such, the price of 22-carat gold rose to Tk 124,501 per bhori (11.664 grams) effective yesterday, according to a press release from the Bangladesh Jewellers Association (Bajus).

The trade body's standing committee on pricing and price monitoring took this decision as the price of pure gold increased in the local market, said a Bajus official.

Bajus Vice-President Reponul Hasan, also the owner of Jewellery House, informed that gold jewellery sales have increased significantly over the past three days.

"This sudden spike in demand will create a kind of volatility in the domestic market," he said.

At present, about 80 percent of the demand is still met by smuggled gold, according to industry people.

On August 18, Bajus hiked the price of gold to Tk 122,985 per bhori. Bangladesh saw the price of gold rise to Tk 100,000 per bhori for the first time on July 20, 2023.

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Gold prices have been going up in recent times, hitting an all-time high of Tk 124,501 per bhori yesterday. Jewellers attributed the rise to gold's growing value in the international market.

PHOTO: STAR/FILE