

Exports grew 2.9 percent in July, the first month of fiscal 2024-25, driven by higher shipments of winter clothes for Western markets

Story on B4



BB to hike policy rate in two phases to fight inflation

STAR BUSINESS REPORT

The Bangladesh Bank will increase the policy rate twice and interest rate once by October to tame double-digit inflation, central bank Governor Ahsan H Mansur said at a press briefing yesterday.

Speaking to The Daily Star after the briefing, the governor hinted that the policy rate, at which commercial banks borrow from the central bank, is likely to be increased by 50 basis points to 9.50 percent this month.

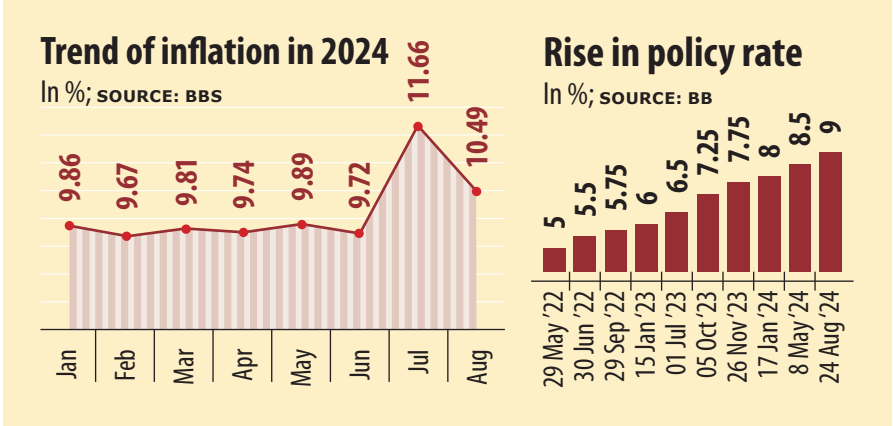
In the last week of August, the central bank hiked the policy rate by 50 basis points to 9 percent in a bid to rein in inflation, which has hovered above the 9 percent mark since March 2023.

Despite the tightening, inflation soared to above 10 percent in July and August.

"There is no doubt that the monetary policy is already quite tight," the governor said. "Yet, we will increase the policy rate by this week and will do it again next month."

Besides, the interest rate will also be increased again soon, he said at the media briefing at the central bank headquarters in Dhaka yesterday which was preceded by a meeting of the banking taskforce for the sector's reforms.

"My priority now is macroeconomic stabilisation. For this, I have finalised three tasks: to stabilise the balance of payments, to stabilise the exchange rate, and to bring the inflation rate down. So, I will tune the policy by increasing the



interest rate," Mansur said.

He said the government's bank borrowing target would be reduced to Tk 80,000-85,000 crore from the previous estimation of Tk 137,500 crore in order to reduce the government's loans from the banking sector.

"If this happens, I am hopeful that it will support macroeconomic stabilisation. Through this, both the monetary policy as well as fiscal policy will be tightened," said the BB governor.

As a result of these policies, Mansur said the GDP growth would not reach the expected levels, saying he would be satisfied if it remains just above 5 percent. "I think it is acceptable."

Cashflow at crisis-hit banks improving

Mansur said cashflow at most of the crisis-hit banks was positive in the last two days, which means deposits were

higher than withdrawals.

Islami Bank Bangladesh had a positive cashflow of around Tk 620 crore on Sunday, which was Tk 320 crore the day prior, according to the BB governor.

"This is a very encouraging sign. We do not need to pump liquidity into the bank if the cashflow is positive," he added.

About the merger of crisis-hit banks, the governor said it would be a "good decision" to merge small banks, but not right now.

"We don't want to do it at this stage. We have to see how far we can go," he said.

Speaking about liquidity support to crisis-hit banks, Mansur said they were simply guaranteeing that healthy banks would provide liquidity support to the troubled ones.

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Revenue receipts drop 11% in July-Aug

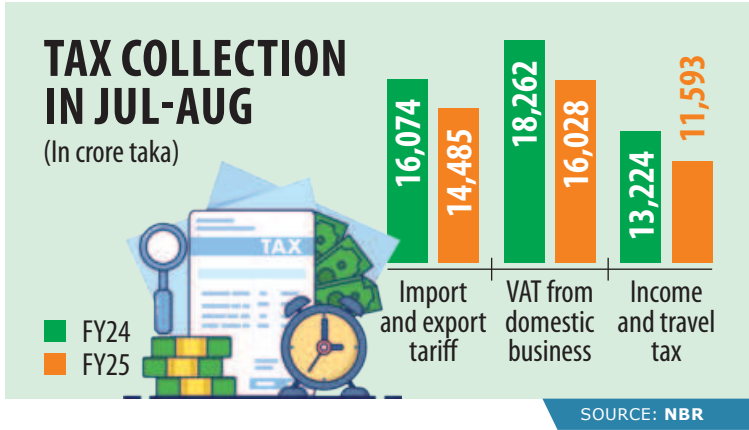
MD ASADUZ ZAMAN

The government's revenue collection in the first two months of the current fiscal year has been 11 percent lower year-on-year, which the tax administration attributed to the recent political unrest and the interim government's emphasis on doing away with inflated figures.

The National Board of Revenue (NBR) logged Tk 42,106 crore in the July-August period of fiscal year 2024-25.

This resulted in a shortfall of around Tk 15,069 crore from its own target for the two months.

By the end of the fiscal year, the tax administration aims to collect Tk 480,000 crore in revenue.



SOURCE: NBR

The interim government will not cut the revenue collection target set by the past government for this fiscal year, Finance Adviser Salehuddin Ahmed recently said.

"The slowdown in revenue growth in July-August is driven by the political unrest," said Ashikur Rahman, principal economist of the Policy Research Institute of Bangladesh.

The massive political unrest that ousted the Awami League government on August 5 significantly hampered the nation's economic activities, including trade through ports.

However, Rahman thinks the NBR has

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To maintain a stock fund, board spent millions on meetings

AHSAN HABIB

What does it take to manage undistributed money of stock investors and hand it over to rightful recipients? You appear to be wrong if the answer is simply sincere effort.

For this task, it would not only require a board of governors but also nearly half a dozen committees and as many as 54 meetings in just one year – along with spending Tk 2.12 crore on conferences and events.

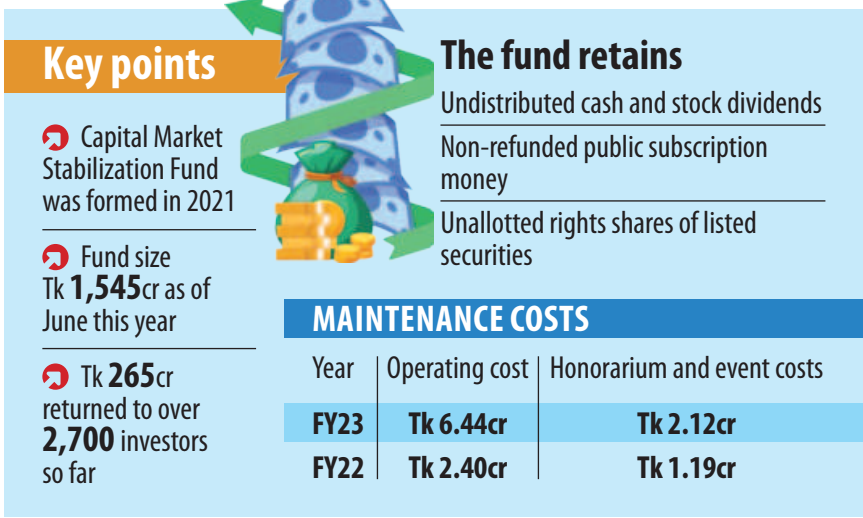
At least, this is how things were

expenditure.

In 2021, the Bangladesh Securities and Exchange Commission (BSEC) established the CMSE to retain undistributed cash and stock dividends, non-refunded public subscription money and unallotted rights shares of listed securities.

The cash and stocks in the fund are meant to be returned based on vetted claims of shareholders or investors at any time.

Until that happens, the funds are meant to be utilised for maintaining



done by a board led by former principal secretary to the prime minister, Md Nojibur Rahman, to manage the Tk 1,545 crore fund.

After retiring from the principal secretary post, Rahman was appointed as the chief custodian of the stock market board to manage the fund, officially named Capital Market Stabilization Fund (CMSE).

As honorarium and event expenses, the former bureaucrat and his colleagues spent Tk 2.12 crore in fiscal year 2022-23 – which is one-third of the fund's operating cost for that year, according to documents obtained by The Daily Star.

In the previous year, 2021-22, they spent Tk 1.19 crore for honorariums and events while the total operating cost was Tk 2.40 crore.

The stock regulator has taken notice of this issue and launched an inquiry to assess the justification for so many meetings and the subsequent

stability in the capital market.

This can be achieved by ensuring liquidity through the purchase and sale of listed securities, investment in other securities, loans to market intermediaries, lending and borrowing of listed securities and settlement of investors' claims.

Nojibur Rahman had been the 11-member board's chairman since the fund's inception. His three-year tenure ended last month.

The board was aided by nearly half a dozen committees, including an Operation Management Committee, Audit and Accounts Management Committee, and Risk Management Committee.

In fiscal year 2022-23, the board and committees held at least 54 meetings. The spending breakdown is Tk 1.47 crore for honorarium and Tk 65 lakh for events, according to financial reports obtained by The Daily Star.

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Duty-free access for all products to China from Dec

STAR BUSINESS REPORT

Bangladesh, along with other least developed countries (LDCs), will enjoy zero-tariff access when exporting any product to China from December 1 this year.

A statement from the Chinese embassy in Dhaka yesterday said its Tariff Commission decided to open its markets for all products from the LDCs having diplomatic relations with China, including 33 countries in Africa.

"This has made China the first major developing country and the first major economy to take such a step," said the statement from the world's second largest economy.

In his keynote address at the opening ceremony of the Beijing Summit of the Forum on China-Africa Cooperation on 5 September this year, President Xi Jinping announced that China will voluntarily and unilaterally open its market wider.

In 2022, China had granted duty-free access to 98 percent of Bangladeshi goods, including 383 new products, especially leather and leather goods.

In 2020, it was for 97 percent of Bangladeshi products.

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