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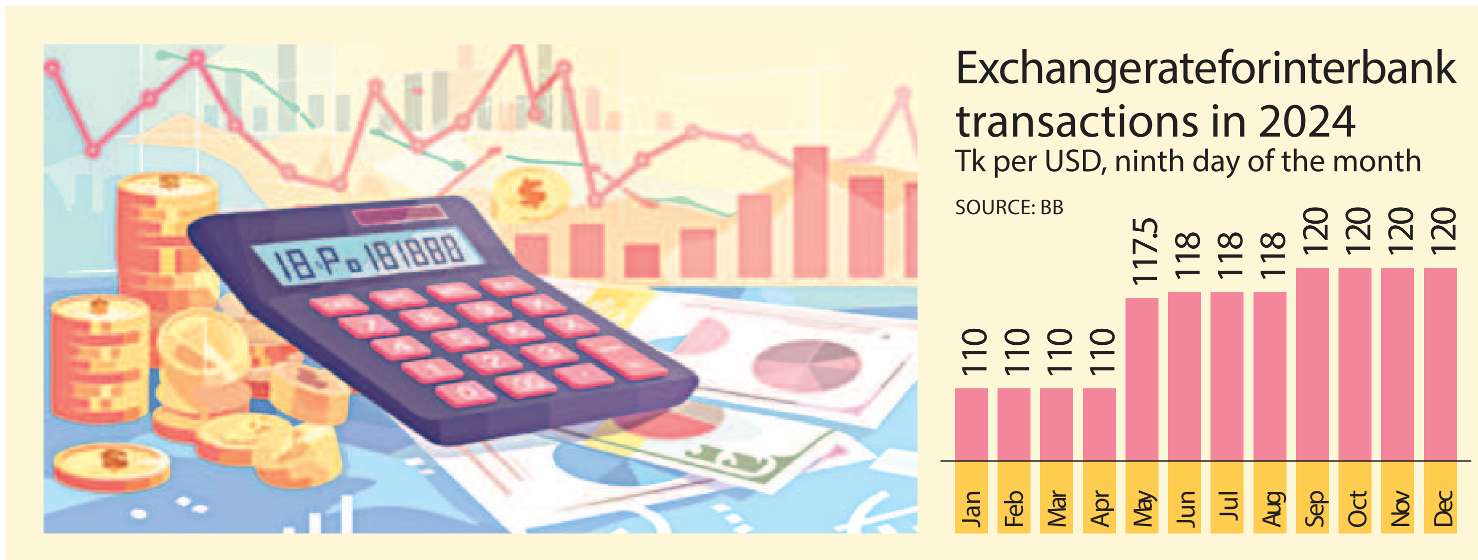
BB to keep policy rates unchanged as panel suggests shift from crawling peg



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A high-powered panel of the Bangladesh Bank (BB) decided to maintain the policy rate at 10 percent until the inflation comes down to a desired level and also spoke about moving away from the crawling peg and letting market forces determine the US dollar exchange rate.

However, the meeting did not finalise anything about ditching the crawling peg right now, according to the meeting minutes of the Monetary Policy Committee (MPC).

Chaired by central bank Governor Ahsan H Mansur, the meeting was held recently.

On May 8 this year, the BB introduced the crawling peg, allowing banks to buy and sell US dollars freely at around the mid-rate of Tk 117.

At that time, it was said that the step would serve as a transitional arrangement, paving the way toward a fully flexible exchange-rate schedule in the future while slowing the erosion of the country's dollar reserves.

After the formation of the interim government in early August, the mid-rate of the crawling peg moved forward slightly, with the inter-bank exchange rate now standing at Tk 120 per dollar.

However, the foreign exchange market, which had been highly volatile for more than two years, started to stabilise in recent months.

Industry insiders credited growing export earnings, higher remittance inflows and a fall in imports as factors behind the recent stability.

Apart from continuing the policy rate at 10 percent, it was decided at the meeting to maintain the standing deposit facility and standing lending facility at 8.5 percent and 11.5 percent respectively.

The central bank's board of directors approved the resolution.

The MPC said the current monetary policy stance is on the right track and there is no immediate need to raise the policy rate further.

The committee anticipated that inflation would likely decrease due to the downward trend in the global price outlook, moderation in geopolitical tensions, stability in the exchange rate, a good harvest of Aman season rice paddy and an increasing supply of winter vegetables.

The MPC also recommended the BB remain focused on credit disbursement to productive sectors, especially agriculture and cottage, micro, small, and medium enterprises (CMSME) for enhancing the supply of essential goods and services.

Moving forward, independent members of the MPC asked the central bank to look into the bank deposit slowdown despite substantial increases in the deposit rates and the exchange rate stability.

Members emphasised the importance of coordination of monetary policy with fiscal policy and stronger Bangladesh Bank of state-owned banks, many of which are in dire financial straits.

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What exactly were global institutions overseeing?

Debapriya questions as debt burden mounts

STAR BUSINESS REPORT

Noted economist Debapriya Bhattacharya raised concerns about the role of global institutions, indicating the International Monetary Fund (IMF) and the World Bank (WB), in assessing Bangladesh's debt sustainability under the previous regime as the country faces increasing pressure from escalating debt servicing obligations.

"Where were they, the organisations that were supposed to oversee us? I won't mention names, but they are known by two- or three-letter abbreviations," said Bhattacharya, a distinguished fellow at the Centre for Policy Dialogue (CPD).

"What exactly were they overseeing? How did they verify the data provided by the government? Or were they merely complicit in promoting the so-called development narrative?"

He was speaking at a public lecture titled "Public Debt, Domestic and Foreign: How Much is Too Much?" on the sidelines of the "Annual BIDS Conference on Development 2024", organised by the Bangladesh Institute of Development Studies (BIDS).

"The time has come to identify the people in the government who claimed that we were in a good and comfortable zone," Bhattacharya added.

"It is necessary to determine whether they were misleading the government or

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NBR to cut tax exemptions once economy improves: chairman

STAR BUSINESS REPORT

The government will rationalise tax exemptions once the country's economic situation improves to some extent, according to National Board of Revenue (NBR) Chairman Md Abdur Rahman Khan.

"To boost revenue, we must come out of the culture of tax exemptions. Our development partners have asked us to discontinue this practice for our benefit," he said, describing the practice as discriminatory.

Khan made these remarks while responding to queries from journalists at the NBR headquarters in Agargaon yesterday.

The revenue authority is considering bold measures regarding tax exemptions, especially as the International Monetary Fund (IMF) has been persistently urging the government to cut them in a bid to increase the country's tax-to-gross domestic product ratio, which is among the lowest in the world.

"We have no alternative but to cut exemptions," he said.

"We will do it timely. We have already started. It's not like we are sitting idle. Except for essential commodities, we will take steps immediately where we have the scope."

The interim government has introduced various tax exemptions on the import of essential commodities, including rice, oil, eggs, and onions in recent months. The NBR chairman attributed these exemptions to the ongoing "economic crisis".

He also hinted at the imminent withdrawal of some tax exemption facilities.

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Offshore gas exploration fails to attract foreign firms

Seven purchased tender documents, but ultimately none showed up

ASIFUR RAHMAN

Seven global oil and gas companies purchased tender documents for gas exploration in the Bay of Bengal, but none submitted the papers within the deadline, which ended yesterday.

The deadline was initially set for September 9 before being extended by a month. Yet, no company turned up with the documents.

Petrobangla Chairman Zanendra Nath Sarker confirmed the matter to The Daily Star.

At the same time, two other companies did not buy tender documents but purchased seismic survey data, information that indicates the potential for gas and oil exploration in an area, he said.

Gas exploration in the Bay of Bengal was also a long-discussed topic during the previous government's 15-year tenure.

Insiders say the past government was reluctant about exploration, instead focusing on importing high-cost liquified natural gas (LNG).

On March 10 this year, Petrobangla floated the tender, inviting international oil companies to explore Bangladesh's maritime area -- the first major initiative to exploit the natural resources from the sea after maritime border disputes were settled with India in 2012 and with Myanmar in 2014.

The tender process was opened for nine out of the 11 blocks of the shallow sea and all 15 deep sea blocks.

Only foreign companies with experience in offshore daily production of at least 15,000 barrels of oil or 150 million cubic feet of gas a day (mmcfd) were allowed to participate.

- Maritimeborderdisputesettledwith India in 2012 and with Myanmar in 2014
- Posco Daewoo Corporation signed PSC in March 2017
- Another initiative for PSC was taken in 2019, but failed
- Multi-clientsurveyforlatesttendercompletedinMarch2024
- Deadline was extended from September 9 to December 9
- Yet, no companies submitted documents

The model "production sharing contract" (PSC) attached to the new tender was made more attractive than previous contracts, allowing international companies to a greater share of profits.

This time, the gas price -- which used to be fixed in the past -- was set at 10 percent of the present price of Brent Crude, an international benchmark for oil prices.

Other attractive features of the tender include full repatriation of profits, no signature bonus or royalty, and determination of oil prices based on the fair market value prevailing in South and South East Asia.

In 2019, Petrobangla finalised a PSC but did not float the tender, citing a lack of interest from global companies.

This time, before floating the tender notice, the government conducted a two-dimensional multi-client seismic survey, the absence of which was also blamed for the lack of interest on the part of foreign companies during previous attempts.

Prof Badrul Imam, a renowned geologist, was surprised after hearing the news.

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All sides for 9% raise in minimum garment wage

STAR BUSINESS REPORT

A state-run annual increment and wage review committee yesterday recommended that the government raise the minimum wage of garment workers by 9 percent.

The workers had been seeking 10 percent to address yearly inflation in the country while staging demonstrations in August and September over an 18-point demand.

However, the garment factory owners offered 8 percent during recent tripartite meetings organised by the Ministry of Labour and Employment.

One such meeting yesterday settled on 9 percent, according to an agreement signed by the committee's Chairman Md Sabur Hossain alongside representatives of the workers and factory owners.

The labour ministry will now have to finalise the rate and issue a circular to bring it into effect.

A tripartite meeting yesterday settled on a 9 percent increase to the minimum wage for garment workers, according to an agreement signed by Md Sabur Hossain, increment and wage review committee chairman, as well as workers' representatives and factory owners

This will enable workers to receive revised salaries based on the increment from January next year.

Other benefits will also take into account the annual increment as per the Labour Law (amended) of 2006, the agreement said.

In previous years, the increment was fixed at 5 percent.

Over 99 percent of factories under the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) have implemented the previous minimum wage, as promised by the factory owners, according to a report from the Ministry of Labour and Employment.

In late November last year, the minimum wage board finalised Tk 12,500 as the minimum monthly salary for garment workers.

According to the report, at least 2,121 factories out of 2,140 had implemented the minimum wage by October this year, with the remaining 19 yet to comply.