

Star BUSINESS



BB buys \$83 million from banks

STAR BUSINESS REPORT

The Bangladesh Bank (BB) has purchased \$83 million from 11 commercial banks in an auction yesterday, reacting to the sharp drop in the US dollar rate.

A senior central bank official, speaking anonymously, said the cut-off rate was set at Tk 121.50 per dollar. Under the multiple price auction method, exchange rates ranged from Tk 121.47 to Tk 121.50.

To curb any steep decline of the dollar against the taka, the central bank had previously bought \$484 million last month in two phases through separate auctions with several commercial banks, marking its first such interventions under the floating exchange rate system.

According to BB officials, the greenbacks purchased in the auction will be added to the country's foreign exchange reserves.

As of August 8, Bangladesh's forex reserves stood at \$25.12 billion, based on the International Monetary Fund's calculation method, up from \$20.48 billion a year earlier.

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Central bank sources explained that the regulator acted to prevent excessive volatility in the foreign exchange market. They emphasised that both sharp rises and falls in the dollar rate are undesirable.

The regulator aims to keep the forex market stable, as both a rise and a fall are not good indicators. If the US dollar weakens too much, exporters and remitters feel discouraged and suffer losses. On the other hand, if the dollar strengthens, it will lead to increased import cost, inflation pressure, higher debt servicing cost and a myriad of other effects.

Economists, however, previously criticised the central bank's move to buy dollars amid high inflation in Bangladesh, arguing that allowing the dollar rate to drop further could help contain inflation.

Bringing the rate down from Tk 120 to around Tk 110 could have made a remarkable difference in taming inflation, they said.

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Governor to hold status of minister, no bureaucrats on BB board

Draft of Bangladesh Bank Ordinance outlines sweeping changes

STAR BUSINESS REPORT

The Bangladesh Bank governor will hold the rank of a minister and take the oath before the chief justice, according to the draft of the Bangladesh Bank Ordinance (Amendment) 2025.

The ordinance, which will replace the Bangladesh Bank Order 1972, is intended to strengthen autonomy and accountability of the central bank, said Governor Ahsan H Mansur.

The draft proposes removing bureaucrats from the BB board, marking a departure from the current structure.

It has been finalised in line with recommendations by the International Monetary Fund (IMF) as part of reform measures to enhance the central bank's independence.

"The government and bureaucracy may resist, but financial sector governance must remain above politics," Mansur told a dialogue organised by the Centre for Policy Dialogue (CPD) in Dhaka yesterday.

Officials involved in drafting the amendment said the new law aims to turn the central bank into a "constitutional institution".

At present, the governor is appointed by the government and holds a rank below that of the cabinet secretary and the principal secretary.

According to the draft, the president would appoint the governor on the prime minister's recommendation and with parliament's approval, subject to "fit and proper" criteria.

Before taking office, the governor and deputy governors would take an oath before the Chief Justice.

The board of directors would comprise the governor, two deputy governors nominated



TAKEAWAYS

- » President to appoint BB governor on PM's advice
- » Governor, deputies to be sworn in by chief justice
- » The initial term for governor to be six years
- » This rank to enjoy same status of a minister
- » Removal to require parliament's approval
- » No govt officials to be allowed on BB board

PHOTO: PRABIR DAS

by the governor, and eight other directors appointed by the government from a list provided by the governor.

None could be serving government officials, and no appointments could be made outside the submitted list.

Currently, the finance division secretary, the financial institutions division secretary, and the chairman of the National Board of Revenue sit on the BB board.

The draft grants the board full supervisory authority and strategic control over the bank's operations, enabling it to take all necessary steps to fulfil its mandate and protect its autonomy.

"Bangladesh Bank shall retain full autonomy over monetary and financial stability decisions, incorporating coordination council recommendations only when consistent with its independent mandate," the draft states.

A coordination council for monetary and exchange rate policies would be formed, chaired by the finance minister, with the BB governor, commerce minister, planning minister and finance division secretary as members.

The governor and deputy governors would serve six-year terms, renewable once.

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Foreign operators for NCT by Dec: Bida

STAFF CORRESPONDENT, Ctg

The authorities will appoint a foreign operator for New Mooring Container Terminal (NCT) of the Chattogram port by December this year, according to Chowdhury Ashik Mahmud Bin Harun, executive chairman of Bangladesh Investment Development Authority (Bida).

He said by this time, the government also wants to appoint foreign operators for Laldia Container Terminal and for at least one terminal of Bay Terminal of the Chattogram port.

At a press briefing in the Chattogram port yesterday, Mahmud said work was ongoing to prepare an international "request for proposal" (RFP) in this regard.

The development comes after Bangladesh Navy-run Chittagong Dry Dock Limited took charge of the NCT from a private operator in early July.

With the Chattogram port's contract with the private operator coming to an end and the government showing interest to appoint a foreign firm for the container terminal, political parties are now opposing the appointment of foreign firms.

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Investment slump deepens



JAGARAN CHAKMA

As the interim government completes one year in office, signs of a worsening investment downturn are becoming hard to miss, according to business leaders and economists.

Private investment has slowed sharply. Imports of capital machinery have fallen to multi-year lows, dipping even below Covid-19 levels.

Private sector credit growth, a key indicator of economic activity and confidence, is now at its weakest in more than a decade.

According to the Bangladesh Bureau of Statistics, private investment accounted for 22.48 percent of GDP in fiscal year (FY) 2024-25, the lowest in five years and well short of the 28.2 percent target under the 8th Five-Year Plan.

Monetary tightening to battle double-digit inflation has complicated the situation.

The Bangladesh Bank (BB) has been maintaining a contractionary stance, making borrowing costlier for businesses. Loan interest rates now stand at 16 to 17 percent.

Energy disruptions and inconsistent gas supply to industries are further hurting factory output, while business leaders repeatedly expressed concern over regulatory inefficiencies and corruption as major hurdles.

With GDP growth slowing to 3.97 percent in FY25 and unemployment rising to 4.63 percent in the October-December quarter of 2024, the economic consequences are becoming more visible.

"Investment activity has practically stalled," said AK Azad, chairman of Ha-Meem Group, one of the largest garment exporters in the

country. "No one wants to take risks until there is clarity on political stability and policy continuity."

Azad said many believe investment will not return until a new government is in place, adding that political developments now largely dictate the economy's direction.

Domestic instability, he noted, has eroded market confidence, slowing both job creation and investment.

"Investors are concerned about interest

"The indicators show a deeper erosion of confidence in the business environment," he said, adding that political uncertainty is undermining trust in state institutions and casting doubt on the government's ability to ensure economic stability.

Asif Ibrahim, former president of the Dhaka Chamber of Commerce & Industry (DCCI), urged the authorities to act fast.

Private investment, he said, is vital for sustaining growth and creating jobs,

Investment slump in FY25

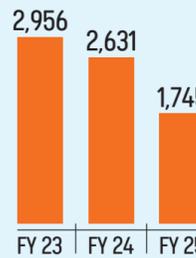
KEY INDICATORS

- Pvt investment-to-GDP lowest in 5 yrs
- GDP growth slows to **3.97%**
- Unemployment **4.63%** in Q2
- Capital machinery imports below Covid-era levels
- Private credit growth weakest in over a decade

ECONOMIC HEADWINDS

- Loan rates up to **17%**
- Inflation remains around **9%**
- Inconsistent energies disrupt production
- Weak taka increases costs

L/C opening for capital machinery (in million USD)



SOURCE: BB

FACTORS RUINING INVESTOR SENTIMENT

- Political uncertainty
- High cost of borrowing
- Regulatory inefficiencies, graft
- Global and domestic macro stress
- Policy unpredictability

rates, law and order, and political risks. Unless political stability and investment security are ensured, few are willing to take the risk of new ventures."

The apparel exporter also cited worsening energy supplies as a serious obstacle for businesses.

Meanwhile, Anwar-Ul-Alam Chowdhury, president of the Bangladesh Chamber of Industries, said, "This is not just a short-term slowdown."

particularly as nearly 20 lakh young people enter the workforce each year.

"Recent trends, such as the deceleration of private sector credit growth and a decline in the investment-to-GDP ratio, suggest that investor sentiment may be weakening. If unaddressed, this could pose challenges for long-term economic stability."

DCCI president Taskeen Ahmed said the drop reflects growing investor hesitation

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NBR warns taxpayers against 'zero return' misconceptions

STAR BUSINESS REPORT

The National Board of Revenue (NBR) yesterday cautioned taxpayers about misleading social media posts promoting the filing of "zero returns", terming the practice illegal under the Income Tax Act 2023.

In a press release, the NBR said some online content has been spreading the false notion that taxpayers can submit returns by filling all sections with "zero".

Such misinformation has led certain individuals to make false declarations regarding their income, expenses, assets and liabilities.

"There is no provision for filing any kind of return called 'zero return'," the NBR said, adding that taxpayers are legally required to accurately declare all relevant financial information in their returns.

Submitting incorrect information, including showing income, expenses, assets or liabilities as zero without reflecting the actual figures, is a punishable offence under sections 312 and 313 of the Income Tax Act

Submitting incorrect information, including showing income, expenses, assets or liabilities as zero without reflecting the actual figures, is a punishable offence under sections 312 and 313 of the Income Tax Act.

Offenders could face imprisonment of up to five years, the tax authority warned.

The NBR also said that even if a person's income is not taxable, they must still provide accurate details in their return.

The NBR further advised taxpayers to be wary of fraudulent claims and to avoid following misleading instructions circulating on social media.

The tax authority said that while no tax is payable if income falls below the taxable threshold, there is no legal basis for filing a return showing zero against all heads in the form.

The NBR urged taxpayers to act responsibly by submitting truthful returns, thereby avoiding imprisonment, fines and other legal consequences.

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