



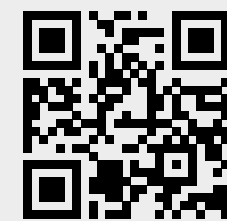
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Banks now allowed foreign trade in Yuan

Mehedi Hasan with Talukder Farhad

The Bangladesh Bank has allowed banks to maintain Yuan accounts alongside three other major foreign currencies, further easing the process of settling international trade transactions.

A circular issued by the regulator on Thursday granted authorised dealer (AD) banks the permission to maintain accounts in Chinese Yuan Renminbi (CNY) with their correspondents or branches abroad for settlement.

Before this announcement, banks had permission to settle foreign transactions through the American greenback, British pound sterling, and Euro accounts with their correspondents' bank in abroad.

Speaking to The Business Post, a senior official of the central bank said, "Previously, in the case of Chinese Yuan, the authorised dealers could only maintain foreign currency clearing accounts with the Bangladesh Bank."

"We are now allowing banks to hold Yuan accounts abroad because the demand for this currency has gone up significantly following Russia's invasion of Ukraine."

In August 2018, the central bank had granted banks the permission to open foreign currency clearing accounts with the regulator in Yuan. At that time, the banks already had permission to operate clearing accounts for USD, Pound, Euro, Yen and Canadian Dollar.

The Chinese currency was not very popular in international trade before 2021, but it gradually gained popularity when the European Union and US imposed sanctions on Russia over the Ukraine invasion.

It put pressure on Russia because the country can

"Bangladesh's bilateral trade with China, or international trade, will no longer be dependent on the USD thanks to the central bank's latest move."

"We can settle payments with Yuan now, but since the amount of export earnings from China is insignificant, as the amount of Yuan in the hands of Bangladesh is currently small."

He continued, "It will now be possible to pay for a small part of a larger amount of imports with Yuan. However, the facility will not be able to play a significant role in reducing the ongoing USD shortage in Bangladesh."

"I do not think the central bank's move to allow banks to hold Yuan accounts abroad has anything to do with geopolitics."

Echoing the same, former Bangladesh Ambassador to China Munshi Faiz said, "Even before the Russia-Ukraine war began, China took the initiative to trade in Yuan with various countries."

"So, we do not think there are any geopolitical issues here. Rather, the monopolistic dominance of the USD would have resulted in an unhealthy competition in world trade. Now, the situation would ease to some extent."

Import payments to China stood at \$18.51 billion in the last fiscal year, an increase from \$12.93 billion in FY21. Besides, export earnings from China reached only \$683.43 million in FY22, compared to \$680.65 million in FY21.

no longer settle foreign transactions by USD. Russia then requested Bangladesh, along with other countries, to settle foreign transactions by other currencies including Yuan as an alternative to USD, the central bank official said.

Commenting on the issue, Mutual Trust Bank Managing Director Syed Mahbubur Rahman said, "Currency diversification is a great move in the context of foreign trade. It is the beginning of a journey to reduce dependency on a single currency for trade settlements."

Zahid Hussain, former lead economist of World Bank Dhaka Office, said,



Students have lunch at Jatir Janak Bangabandhu Sheikh Mujibur Rahman Hall at DU campus - Shamsul Haque Ripon

PUBLIC UNIVERSITIES

Resident students face lifestyle squeeze amid price hikes

Turanur Islam

Soaring inflation and commodity price hikes have put resident students of public universities in a tough spot as paying more for food, including canteen meals, has resulted in a big squeeze on their lifestyle.

They used to spend Tk 20-35 on each canteen meal on average six months back. This has risen to Tk 30-60 now. They are struggling to even buy snacks from dormitory shops because of the price hikes.

For example, a roti or a banana used to cost Tk 5 a few months back, which has now increased to Tk 10-15. An omelette used to cost Tk 12-15, which is now Tk 18-20.

The extra expense is compelling many students to skip one or two meals a day as their families cannot send them additional money. To save money, they are opting for walking instead of taking rickshaws and buying affordable dry food.

There is a long-standing allegation that public university canteens fail to serve quality food while the meal quantity is not adequate either. Students now say prices have increased but food quality or quantity has not. Instead, it is getting worse.

A major segment of the students residing in the dormitories of 52 public universities often come from villages or small towns. Many of them usually are not from well-off families. They

live in dorms to get a better study environment and also because the living cost is low.

Sadekur Rahman Sunny, who lives in Hazi Muhammad Mohsin Hall at the University of Dhaka, said, "I have to spend Tk 10-15 more on every meal. There are also additional costs if I eat more items."

He said he now spends at least Tk 3,000 extra on food every month, adding he would have to privately tutor more students to keep up with the price hikes.

Mridha Hasib, a resident student of Jatir Janak Bangabandhu Sheikh Mujibur Rahman Hall at the same university, told The Business Post he now buys

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EDF loans can be repaid in three instalments

Staff Correspondent

The Bangladesh Bank has allowed exporters to repay loans taken from the Export Development Fund (EDF) in three instalments.

Earlier, such loans had to be repaid at once.

On Thursday, the Bangladesh Bank's Foreign Exchange Policy Department issued a circular in this regard and sent it to all authorised dealer (AD) banks engaged in foreign exchange transactions.

The circular said exporters would be able to partially repay EDF loans. A maximum of two partial repayments can be made during the loan tenure while the remaining amount has to be repaid in a single instalment.

The Bangladesh Bank provides exporters with foreign currency refinancing from the EDF to import production materials. The tenure of EDF loans is

180 days, subject to the approval of the central bank, and this period can be extended by another 90 days.

Exporters said repaying the entire EDF loan at once was a problem for them previously as the full export income cannot always be obtained at once.



The circular said exporters would be able to partially repay EDF loans in instalments only after receiving export proceeds.

In another circular, the same department of the central bank said banks must check whether exporters have fully repatriated export proceeds to the country before giving incentives or approving EDF loans.

In a third circular, the Foreign Exchange Policy Department said it has been decided to extend the usage period to up to 360 days from 180 days for importing raw materials of the pre-fabricated steel structure industry.

Service exports jump 34.5% in FY22 amid global crisis

Arifur Rahman Tuhin

Amid the global economic crisis and the Covid-19 pandemic, Bangladesh experienced 34.49 per cent growth in earnings from service exports in FY22 year-on-year, which was 18.51 per cent higher than the target.

In this period, the country exported \$8.89 billion of services, which was led by government, transportation, construction, and computer services, according to the Export Promotion Bureau (EPB).

Bangladesh exported \$6.61 billion of services in FY21, and the government set the export target at \$7.5 billion for the 2021-22 fiscal year.

However, despite this excellent performance in the last fiscal year, the commerce ministry set \$9 billion as the earnings target for FY23 considering the ongoing global economic crisis.

Industry people and experts claimed that Bangladesh could earn more foreign currency by exporting services if



The picture shows goods containers at the Chittagong port - TBP Photo

the government took proper initiatives.

They also claimed that the country may earn billions of dollars from tourism and computer service exports if it makes a long-term master plan and improves tourism facilities.

The EPB data shows that Bangladesh's transportation sector earned

\$1.75 billion in the last fiscal year, which was the highest amount and up 105.49 per cent compared to FY21. The country exported \$852 million of transportation services in this period.

Bangladesh's service export earnings rose from \$480 million in FY21 to

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BUDGET SUPPORT

ADB to provide \$500 million

Staff Correspondent

The Asian Development Bank (ADB) will provide \$500 million budget support to Bangladesh for economic recovery and tackling climate change.

"ADB provided the same amount of budget support to Bangladesh in the last two fiscal years. Continuing their support, ADB will give \$500 million budget support to Bangladesh in this fiscal year," Planning Minister MA Mannan said after ADB's Country Director Edimon Ginting called on him at the planning ministry on Thursday.

Mannan said interest of the loan has been fixed at 0.5 per cent. Bangladesh will have a grace period of three years and the country will get 15 years to repay the loan.

He also said this loan will be helpful in the rehabilitation of the flood-affected population.

"We are successful in dealing with the current economic situation. We have successfully reduced costs of different projects under the leadership of

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The picture shows examinees in a classroom at Ideal School & College in the capital's Motijheel on Thursday, the first day of the Secondary School Certificate (SSC) tests. This year's SSC exams started seven months behind the schedule due to delays caused by the coronavirus pandemic and floods - Shamsul Haque Ripon

Digital currency trading not allowed at all

Bangladesh Bank iterates

Staff Correspondent

The Bangladesh Bank (BB) has once again asked all to refrain from trading all kinds of virtual currency or cryptocurrency in the country in a bid to curb the digital hundi.

The banking regulator made the call as the definition of "currency" given by the Foreign Exchange Regulation Act, 1947 does not recognise virtual currencies.

An official of the concerned department of the central bank said the steps have been taken to stop digital hundi.

"Virtual currencies or virtual assets have no financial claim embedded and neither issued by any sovereign nor guaranteed by any jurisdiction. Thus,

their value is highly volatile and associated with high financial risks," reads the notice issued on Thursday.

Virtual currencies [subset of virtual assets] are not approved by the central bank to settle any type of foreign exchange transaction or make those for investment as per the act, according to a BB notice.

The central bank in the notice said borderless transactions of unregulated virtual currencies are growing fast and being exchanged with some other foreign currencies.

Nonetheless, borderless transactions of unregulated virtual currencies are growing fast and being exchanged



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FROZEN FOOD

Exporters for fixing dollar rate to reduce discrepancy

Staff Correspondent

The Bangladesh Frozen Foods Exporters Association (BFFEA) on Thursday demanded to set the US dollar rate afresh to reduce the gap between the exchange rates in collecting remittance and export bill encashment.

They also demanded fixing the price of the greenback by Tk 1 margin as before, the association said in a press statement.

Earlier on Sunday, the Bangladesh Foreign Exchange Dealers' Association (BAFEDA) fixed a uniform exchange rate of the US dollar to curb the instability in the foreign exchange market.

The apex body of dealer banks set a maximum of Tk 108 for foreign exchange houses to collect remittance and Tk 99 for encashment export bills.

On the other hand, the rate of LC (letter of credit) settlement will be the weighted average rate of the above two rates plus 1 taka.

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