

# Star BUSINESS

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## 12pc fall in bank default loans in June-Sept

Political turmoil may slow recovery: Bankers

REJAUL KARIM BYRON

Volume of classified loans in the overall banking system has marked a 12 percent decline during the June-September period this year as Bangladesh Petroleum Corporation (BPC) rescheduled its huge amount of loans, according to the banking circle.

Meanwhile, a number of banks registered a rise in default loans during the last quarter due to less response about repayment from the loanees, which, the bankers said, resulted from the present political turmoil.

"Usually the banks recover the default loans at the last quarter of the calendar year, but this time we are passing through a political crisis centring the next general election," a high official of a commercial bank said.

"Loan defaulters are not

responding to our repeated warnings saying that they cannot run their business well due to the political impasse," he added.

The total volume of default loans in the banking system stood at Tk 23,465 crore in June, which declined to Tk 20,686 crore in September, the Bangladesh Bank statistics shows.

Of the total outstanding loans, share of classified loans was 16.59 per cent in June and it marked a 14.30 per cent fall in September.

The latest figure on the declining default loans is, however, higher than it was in last December. The total classified loan in December last year was Tk 17,509 crore.

As per the central bank statistics, the volume of loan default in the four nationalised commercial banks (NCBs) recorded a 20 per cent drop as the figure reached Tk

3,077 crore during the period.

The NCB sources said a huge amount of BPC's loan in the Sonali Bank has been rescheduled, but, the default loans in other three NCBs increased.

Total default loan in the Sonali Bank was Tk 9,701 crore in June, which came down to Tk 5,646 crore in September.

Default loans of the Rupali Bank marked a significant rise during the June-September period. Tk 867 crore remained defaulted in this bank in June, which was 20 per cent of the bank's outstanding loans. It rose to Tk 1,806 crore in September or 42 per cent of the banks outstanding loans.

But, referring to the handover of the bank to a foreign buyer, Rupali Bank officials said that most of the bank's outstanding loans turned into classified ones.

The amount of classified loans

in the private commercial banks (PCBs) has also upped by Tk 315 crore during the period.

The volume of such loans in the development financial institutions (DFIs) has come down by Tk 18 crore.

The default loan in the PCBs reached Tk 4,601 or 6.13 per cent of their outstanding loans in September from Tk 4,286 crore or 5.98 per cent in June.

The classified loan with the DFIs was Tk 3,871 crore or 32.32 per cent of their outstanding loans in September, which was Tk 3,889 crore or 32.70 per cent three months ago.

Default loans also rose by Tk two crore in the foreign commercial banks (FCBs) during the period. The amount reached Tk 65 crore in September, which was 0.71 per cent of their total outstanding loan.

## Singapore, Gulf to talk FTA

AFP, Singapore

Singapore and the Gulf Cooperation Council (GCC) have agreed to start negotiations for a free trade agreement, the city-state said Saturday as Prime Minister Lee Hsien Loong made his first visit to the Middle East.

The GCC Secretariat and the Singapore Ministry of Trade and Industry made the announcement during Lee's visit to Saudi Arabia, the first stop on his Middle East trip which began Friday, a Singapore government press release said.

Singapore has embarked on a strategy to broaden its trade, business and diplomatic ties with the Middle East, which it sees as a growth region.

"As a key institutional framework that will strategically link the Gulf region and Singapore, the FTA (free trade agreement) will help to promote and facilitate the greater flow of goods, services, investment and people between the two economies and play a contributory role towards the process of GCC economic integration," Singapore said.

The GCC comprises Saudi Arabia, Bahrain, Kuwait, Oman, Qatar, and the United Arab Emirates.

"The GCC and Singapore have agreed to hold the first round of negotiations in early 2007, and to endeavour to conclude the negotiations expeditiously," the statement said.

It added the GCC is Singapore's seventh-largest trading partner, with bilateral trade worth 23.7 billion US dollars in 2005, a 43 percent increase over 2004.

Lee is to leave Saudi Arabia for Qatar on Monday. His trip ends on Thursday.

## Wal-Mart sees weak sales

REUTERS, Chicago

Wal-Mart Stores Inc predicted a rare decline in monthly sales on Saturday, even as US bargain-hunters jammed stores in search of gifts at the start of the crucial holiday shopping season.

Wal-Mart, the world's biggest retailer, sounded a cautious note for retailers as they began a second day of Thanksgiving weekend sales with deep discounts and early bird specials on items ranging from cashmere sweaters to plasma televisions.

Wal-Mart estimated that November sales fell 0.1 percent at its U.S. stores open at least a year - a closely watched retail measure known as same-store sales.

The retailer will provide a final monthly sales report on Thursday, when most other major chain stores report their November figures.

## Saarc states eye uniform product standards

XINHUA, Kathmandu

Senior government officials from the South Asian Association for Regional Cooperation (Saarc) have started preparing a homogeneous quality standard for products in the region to expedite trade and business to scope up with global market competition, a leading Nepali newspaper reported Saturday.

According to The Himalayan Times report, the first Saarc joint secretary level meeting that concluded at the Saarc secretariat in Kathmandu Friday has prepared a "plan of action" in which representatives from all member countries

took part.

The first coordination board meeting was chaired by Nepal to discuss issues related to harmonization of standards, conformity assessments and procedures in the Saarc region, Shree Krishna Shrestha, who headed the Nepali delegation, informed the daily.

Shrestha is the director general of the Nepal Bureau of Standard and Metrology (NBSM) that comes under the ministry of industry, commerce and supplies.

The first meeting of the Saarc Standards Coordination Board has decided to take up four sectors, namely food and agriculture, electrical and electronics, jute-

textiles, and leather, according to Shrestha.

Under the standardization procedures, issues such as system certification on products and services requiring harmonization will be taken up.

As per the criteria set by standards bodies, testing procedures will also receive priority.

The standardization of quality will address the problems of non tariff barriers in the regional trade, Shrestha hope.

All countries in Saarc, however, do not have standards board, Bhutan and Maldives are yet to create standard boards in their countries.

## Competition rises as China opens banking sector

ANN/CHINA DAILY

China's commercial banks have been warned that competition will sharpen after the country fully opens its banking sector to foreign-funded banks.

Foreign banks that previously targeted high-end customers would turn their attention to small and mid-sized enterprises, said Bank of China vice chairman Zhu Min.

Meanwhile mainland domestic banks would seek out high-tier business, Zhu told "The China Conference: Financing - Harmonious Growth" in Beijing.

Discussion of China's future

banking sector heated up after the release of regulations on November 16 allowing foreign-funded banks to conduct Renminbi business for Chinese citizens before December 11.

The government will encourage and guide foreign banks to set up incorporated banks registered in China, which will enjoy the benefits of the country's banking sector.

The government has taken measures to open financial markets, including the introduction of foreign strategic investors, which allowed the Industrial and Commercial Bank of China to invite Goldman Sachs, Allianz and American Express, said Dong

Tiefeng, an official with the China Banking Regulatory Commission.

The non-performing loan ratios of major state-owned banks dropped to below five percent after going public, he said.

The reform's ultimate goal was to transform the banks into market players with efficient, modern corporate governance, he said.

Cao Yuanzheng, chief economist with Bank of China International, said Chinese banks should improve their capital structure and provide more diverse products. They should also pay more attention to business risks, especially in fields such as electronics and information resources sharing.



Sophisticated gantry cranes remain inoperative for almost two weeks at Chittagong Container Terminal following a row over operations of the cranes by a private firm. A section of dockworkers have kept the container yard besieged demanding cancellation of the agreement with the private firm. (Story on page 16)

## Euro soars against dollar

AFP, New York

The euro soared against the dollar Friday in volatile trading which saw the euro surpass the 1.30 dollar mark, hitting the highest level against the US currency since April 2005, traders said.

The euro was changing hands at 1.3094 dollars at 1900 GMT, up from 1.2948 dollars late on Thursday, but off an earlier high of 1.3109; the euro's highest mark against the dollar since April 21, 2005.

The euro also hit fresh highs against the Japanese yen, rising to 151.74, compared with 150.47 a day earlier.

The dollar meanwhile was quoted at 115.59 yen, down sharply from 116.25 yen late Thursday, and its lowest level against the yen since December 2004.

Traders said the dollar had slumped heavily on the foreign exchange markets for several reasons.

Some market-watchers said technical factors, such as a wave of automatic dollar selling orders that were executed when the euro broke through the 1.31-dollar level, had been partly responsible.

Others cited concerns about prospects for the US economy. Growth in the world's largest economy slowed to an annual pace of 1.6 percent in the third quarter from 2.6 percent in the second and a blistering 5.6 percent clip in the first.

## Volvo recalls 3.6 lakh cars for speed control bug

REUTERS, Detroit

Volvo, a unit of Ford Motor Co, is recalling about 360,000 cars because of a problem with vehicle speed controls that can cause engines to lose power without warning, Volvo said on Friday.

Volvo said a defect in the electronic throttle module in cars built between 1999 and 2002 could cause the vehicle to shift into a "limp home" mode in which the maximum speed is about 15 miles per hour.

The National Highway Traffic Safety Administration (NHTSA) ordered the Volvo recall.

The recall applies to Volvo C70 and V70 models built between 1999 and 2002, S60 models built between 2001 and 2002, and S70 and V70X models built between 1999 and 2000.



PHOTO: STAR

SM Fazlul Hoque (C), president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA), speaks at a press conference organised under the banner of 'Exporters of Bangladesh' in Dhaka yesterday. Md Fazlul Hoque (2-L), president of Bangladesh Knitwear Manufacturers & Exporters Association (BKMEA), among others, is seen. Export leaders at the press briefing feared that the country takes the risk of being identified as a 'politically unstable country' globally if the present political unrest continues.