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TAMING CORONAVIRUS RAMPAGE

Without BB's urgent fine-tuning, banks would fail to deliver stimulus packages

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A goal without a plan is just a wish, said the French writer and pioneering aviator Antoine de Saint-Exupéry.

And how the Bangladesh Bank is going about implementing the mammoth stimulus package announced by the government to ensure a soft landing to the stunning nosedive in economic activities brought on by the coronavirus outbreak in the country reminds one of that saying.

The best and fastest way to learn a sport is to watch and imitate a champion, said the French alpine ski racer Jean-Claude Killy, and the country's central bank has three such specimens in the form of the Bank of England (BoE), the European Central Bank (ECB) and the Reserve Bank of India (RBI), to inform its planning process.

For instance, the BoE is purchasing treasury bills and bonds worth £200 billion from banks under its quantitative easing to inject adequate cash into lenders such that they can lend to the private sector smoothly.

If required, the UK's central bank will purchase more securities to protect both banks and the private sector from the ongoing economic fallout.

Because, a failure to lend would create a vicious circle of more bankruptcies and higher losses on loans that would come back to hit the banks themselves, said the BoE Governor Andrew Bailey last week.

"The better path for banks is to keep lending... We keep banging this message home. If the system [ensures a good supply of loans], we'll get a better outcome."

The ECB has taken on similar measures, as it set off to purchase bills and bonds worth €750 billion from the market.

On April 30, the ECB said it would now pay banks at least 0.50 per cent and up to 1 per cent if they tap its three-year loan auction under the Targeted Long-Term Refinancing Operations (TLTRO).

This will help the Eurozone banks earn as much as €3 billion by borrowing from the ECB's package of €3 trillion under the TLTRO.

The RBI, the central bank of the neighbouring country, is also providing Rs 100,000 crore to banks under the long-term repo operation (LTRO) of three-year papers at a floating rate.

This is a great measure to help recessionaffected lenders as the programme will cushion them to keep lending.

The three central banks -- BoE, ECB and RBI -- have also instructed lenders not to provide last year's dividends to both sponsors of banks and investors.

The decision -- which comes after learning a lesson from the last recession of 2007-08, when many banks had collapsed -- has helped lenders prop up their capital base during the ongoing recession, touted to be the worst since the Great Depression of the 1930s

But the Bangladesh Bank is not thinking along this line; rather, some decisions taken by the central bank have created a worrisome situation for banks.

For instance, the BB directed banks on May 2 to transfer all interest accrued or to be accrued between April 1 and May 31 this year from all of their loans to an interest-

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The Bangladesh Bank Building in Motijheel, Dhaka's central business district. Expert navigation from the central bank is needed now to steer the economy out of what could be its worst slump yet.

free blocked account.

Banks will be deprived of transferring nearly Tk 14,000 crore to their income book due to the decision, said managing directors of four banks requesting anonymity to speak candidly on the matter.

"No bank will enjoy profit this year if the amount is stuck in a block account," said Syed Mahbubur Rahman, managing director Mutual Trust Bank.

Last year, banks collectively logged in operating profits of Tk 25,000 crore.

Defaulted loan, which is a major may fuel staggeringly in the days ahead due stimulus package for the two sectors.

have to implement all of them.

Of the packages, the central bank will provide about Tk 51,000 crore to lenders under the refinance schemes, including an additional \$1.5 billion of the export development fund.

But banks will not make any profit of note from the schemes as they will have to give out a good portion of the loans as well from their own sources.

For instance, the central bank formed a refinance scheme of Tk 15,000 crore for the industrial and service sectors as part of problem for the country's banking sector, its effort to implement the Tk 30,000 crore



to the ongoing recession, Rahman said.

BANK OF ENGLAND

A record Tk 50,186 crore was rescheduled last year, often by breaching banking norms, and yet defaulted loans hit Tk 94,313 crore at the end of 2019, up 0.42 per cent yearon-year, according to data from the BB. Banks will have to keep provisioning

massively against the non-performing loans, which will have a further adverse impact on them, Rahman said. Export and import are the other tools for

banks to enjoy profit: they get a commission for enabling the financial transactions.

But the economic fallout has contracted both exports and imports to a great extent, meaning the banks' profits books have been dealt another big blow.

become loss-making banks concerns, this will hurt the entire financial

system," said Rahman, the immediate past chairman of the Association of Bankers, Bangladesh, a forum of managing private banks' directors

The central bank has so far taken seven stimulus packages worth nearly Tk 80,000 crore to revive the

Under the refinance scheme, lenders will get funds in the form of working capital at per cent interest from the BB, which the end-users will get at 9 per cent. But to enjoy the refinance scheme, banks

will have to provide at least 50 per cent of each loan to the borrowers from their own Banks will be allowed to get an interest

subsidy of 4.50 per cent for the disbursed loans, which will be given by their own But the majority of the banks now face

a cost of fund of 7.5 per cent to 8 per cent, meaning that banks will make roughly one per cent gains from the loans. Under the refinance scheme for the

small and medium enterprises, banks will have to give Tk 10,000 crore from their own sources and almost the same consequence will be applicable for this.

In addition, banks are currently implementing the government package of Tk 5,000 crore for disbursement of wages for the export-oriented industries.

Banks will be allowed nearly 2 per cent service charge for implementation of the package, which will not bring any profit for them given their supervisory cost.

Under the stimulus packages, banks economy and banks will have to take all responsibilities if any of the the sensitivity of the topic.



loans turn defaults.

"As a result, banks will have to keep provisioning. So, the central bank should announce credit guarantee scheme to share a partial risk of the loans," Rahman said.

The central bank, however, took some measures to improve the cash flow of banks including cutting cash reserve ratio (CRR), policy rate and relaxation of the loan-

But these have not ignited the banking sector given the gravity of the economic

The regulator of the banking sector reduced banks' CRR by 150 basis points to 4 per cent in two phases, injecting about Tk 19,200 crore into the economy.

The initiative has not helped banks much as depositors are withdrawing their money rapidly to tackle the ongoing crisis. Had people flocked to banks to park

their funds, it would have brought great relief to lenders. Alas, people are withdrawing cash, as in moments of crisis holding more physical

cash tends to give some a sense of control over the situation. The BB also slashed the policy or repurchase agreement rate, popularly known as the repo rate, by 75 basis points

to 5.25 per cent to make funds cheaper for "But the banking watchdog will have to cut the policy rate further like central banks of other nations as lenders are in a liquidity crunch," said Emranul Huq, managing

director of Dhaka Bank. The rate should be lowered from 2 per cent to 3 per cent, he said.

Although the central bank issued a notice to purchase Treasury bills and bonds from banks under the quantitative easing,

the measure will no longer help lenders. All lenders collectively now hold excess liquidity worth about Tk 100,000 crore in the form of T-bills and bonds excluding the

statutory liquidity ratio (SLR). They will have to use the securities as collaterals in the days ahead to get the central bank's fund under the repo

What the BB can do instead is introduce the long-term repo operation, which has already been materialised by the RBI.

The maximum tenure of the central bank's repo is now 28 days.

If banks get a long-term fund with a lower policy rate under the BB operation, banks will keep lending confidently, Hug said.

But, the central bank has yet to declare any roadmap about how much fund will be provided to the market.

The central banks of other nations have already announced different packages to

People's income will shrink in the coming days as many of them will either lose their jobs or businesses, which will ultimately hit the banks' deposit base and affect their lending in tandem.

"Besides, the central bank should bear the banks' deposit expenses for April and May and interests on lending have been transferred to the blocked account," Huq

And one thing the central bank must do without any further deliberation is firmly order banks to stop providing last year's dividend -- an exercise that will add on Tk 3,000 crore to banks' capital base, said the bank chiefs asking not to be named given

Apparel makers demand waiver on container detention charge

Importers such as apparel-makers have called for a full waiver on the detention charges levied by the shipping lines for holding containers beyond the free time because of the coronavirus-induced shutdown.

Detention charges include the money that merchants pay for the use of container within the terminal beyond the free period and the fee that merchants pay for the use of container outside of the terminal or depot beyond the free period.

Although the director general of the Department of Shipping on April 29 issued a notice advising shipping lines not to impose any container detention charge on import and export shipments for the period from March 26 to May 5, global shipping lines and their local agents have refused to comply, saying the sector is bleeding because of the pandemic.

The Bangladesh Shipping Agents Association (BSAA) and the Bangladesh Container Shipping Association requested the DG Shipping in separate letters on April 30 to withdraw the notice and allow their member firms to get by in this hard time.

On May 5, the World Shipping Council sent a letter to the principal secretary of the prime minister and the executive chairman of the Bangladesh Investment Development Authority calling for a withdrawal of the advisory.

The Bangladesh Garments Manufacturers and Exporters Association (BGMEA) has requested the Chattogram Port Authority to instruct shipping lines not to impose the charges and refund the money that has already been realised.

Usually, containers can stay from five to 21 days without incurring any charges depending on the contracts with shipping companies. After that, \$5 to \$120 are charged for a container per day in detention charges.



Hasan Abdullah, chairman of the port and shipping committee of the BGMEA, called the DG Shipping's notice a pragmatic step.

Consignees like the BGMEA members have been hit hard and subsequently strapped of cash, so they will not be able to pay huge amounts of detention fees.

A major portion of the import consignments, which are mainly raw materials for garment factories, are customsbonded goods and need to be stored in bonded warehouses, which were already running at full capacity. But the shipping lines in gross disregard to the notice

have continued to collect the charge, Abdullah said. Apparel makers are being forced to pay Tk 1.5 lakh to

1.75 lakh per container in charges. Otherwise, the shipping agents are not issuing the delivery orders, he said. The offices of DG Shipping in India and New Zealand

also issued similar orders and the shipping lines that also operate in Bangladesh have implemented the directives in the countries. Transport shortage, closure of most factories owing to the lockdown and limited working hours at customs, banks

BGMEA Director Anjan Shekhar Das. Foreign mainline operators, the carriers of the containers, are the sole authority to impose or waive the charges, said BSAA Chairman Ahsanul Huq Chowdhury.

and other offices caused the detention of containers, said

"Shipping business has been the worst affected sector because of the fallout of the coronavirus pandemic," he said. Due to the port congestion last month, feeder vessels had

to wait 16 to 18 days at the outer anchorage and berth stay time rose by another six to seven days, resulting in overall 25 to 26 days of turnaround time.

This has inflicted a huge amount of losses on shipping lines as they have to pay the charter fare for each day, he said. "Last month, we sent a letter to the shipping ministry calling for a review of several port charges and tariffs to

protect the shipping companies from the losses. But we

received no response. If the charges are not reviewed or waived, it will not be possible for the mainline operators to consider waiving the detention charges, Chowdhury said.

Egg producers cracking under pressure of demand slump and high production cost

AKLAKUR RAHMAN AKASH, Savar

Eggs producers in Bangladesh have been counting huge losses due to the decline in retail prices of the protein because of the demand collapse amid the coronavirusinduced countrywide shutdown and higher production cost.

On the other hand, the price of feed for chickens is high, adding another burden for the poultry farmers.

The poultry farms in several parts of the country, especially in Savar and Manikganj, have been spending around Tk 5.5 for producing an egg since the middle of March, which is higher than the wholesale rate of Tk 4.1 to Tk 4.5 a piece.

Now, retailers buy each egg at Tk 5 and sell

at Tk 6.5-8. Yesterday, eggs were selling at Tk 26-28 per four pieces in Dhaka, down 12.90 per cent from a year ago, according to data from staterun Trading Corporation of Bangladesh.

Only farmers are bearing the brunt of the falling prices as the retail prices of egg have remained almost unchanged despite the virus pandemic and the lockdown, growers say. Wholesalers say the falling egg prices at

the growers' end are down to oversupply, the coronavirus pandemic and the thin presence of customers. The price of egg began to slide at the

beginning of 2020 after new entrepreneurs entered the sector and many old entrepreneurs who had stopped farming due to losses in 2017-2018 returned, said Mahmudul Hasan, an egg wholesaler in Savar.

Firoz Mia, a poultry farmer in Dhamrai, had 10,000 chickens in his farm and produced 9,000 eggs each day.

He was compelled to sell 6,000 chickens at a poor price a month ago due to the fall in the

Now, he has 4,000 chickens and produces 3,800 eggs every day on an average, counting a loss of Tk 2,000 to Tk 2,200 per day.



"The falling egg prices have hit me badly as well as other farmers in my area," said Mia, adding that farmers who started farming after taking loans are in big trouble.

He is now praying for a rebound in egg prices and subsidy from the government.

Humayon Kabir, a poultry farmer in Manikganj's Daulatpur, echoed the same. After incurring huge losses Kabir had quit the

trade only to return in January 2019 by selling a piece of land and borrowing from a lender. "All was going well until the coronavirus

hit. I have again fallen in great difficulty as the price of eggs is falling whereas the price of poultry feed and medicine is going up. He is counting Tk 2,000 in loss each day.

If the situation persists for a long time, I will have to shut my farm again," he added. Poultry farmers are facing losses due to the

coronavirus outbreak, said Saidur Rahman, upazila livestock officer in Dhamrai, adding that his office collecting the list of farmers who are facing the losses.