

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY
▲ 0.42%	▲ 0.30%	\$1,942.60	\$42.66	▼ 1.63%	▼ 1.11%	▼ 0.87%	▼ 0.87%	83.95	98.34	110.63	12.06
4,948.56	8,508.90	(per ounce)	(per barrel)	38,357.18	23,205.43	2,509.64	3,355.37	BUY TK	SELL TK	84.95	102.14
										114.43	12.68

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Loan moratorium may be extended further

Experts for targeted approach, not wholesale facility

AKM ZAMIR UDDIN

The central bank is likely to extend the ongoing moratorium on the payment of loan instalments by another three months to December as borrowers are still struggling to make a comeback from the coronavirus pandemic.

The moratorium on bank loan payments was introduced in the middle of March after the pandemic arrived on the shores of the country and hampered economic activities for the next three months.

The support was expected to last until the end of June. Later it was extended up to September as the health crisis showed no signs of abating.

Although the economic activities are picking up, the health crisis is still there and uncertainties are running deep.

This prompted the central bank to start thinking whether the support should be extended further. A final decision has not been taken yet, Bangladesh Bank officials said.

But commercial bankers say the moratorium extension by another three months would not be a wise move given the ongoing

LOAN MORATORIUM: KEY POINTS

- BB's loan moratorium deadline ends on Sep 30
- The deadline may be extended until Dec 31
- The facility should be extended for at least 1-2yrs, economists say
- Only affected borrowers should be allowed for the support
- Large borrowers should be barred from the support
- Borrowers should pay interest amount under fresh extension of the moratorium
- The Indian central bank has already taken such measures

fragile condition of the financial sector. The decision to bring all borrowers irrespectively under the moratorium facility will not bring any good for the financial sector.

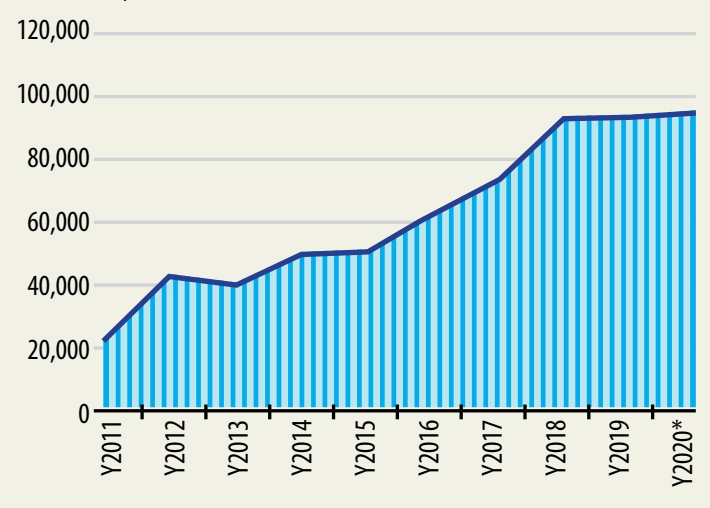
Businesses and individuals, which have not been affected by the pandemic, should not be given the support, they said.

They recommend the BB follow

RISE IN DEFAULTED LOANS OVER THE YEARS

Tk in crore; *As of June 2020

SOURCE: BB,



the footsteps of the Reserve Bank of India (RBI), the central bank, on extending the moratorium.

Last week, the RBI decided to extend the facility for two years only for the borrowers affected by economic hardship. Both the BB and the RBI initially declared the moratorium facility for all borrowers.

On March 19, less than two weeks after the government first reported the country's maiden coronavirus cases, the BB asked lenders not to consider businesspeople as defaulters if they fail to repay instalments until June 30 this year.

The moratorium support declared by the RBI ended on August 31, but it promptly announced an additional two

years only for the beleaguered borrowers.

The Supreme Court of India, however, passed an interim order on September 3, ruling that the accounts not declared as non-performing loans (NPLs) as on 31 August will not be labelled as defaulted until further notice.

On September 1, the Indian government had informed the court that the moratorium facility for all types of personal loans can be extended for two years more.

The loans include all types of retail products, such as vehicle, home, and personal loans, agricultural and crop loans and credit card. The individuals, who have lost jobs or faced salary cut, will avail the facility by submitting

proper documents, according to the RBI decision.

The self-employed will also be allowed to enjoy the support declared by the RBI.

The Indian Supreme Court continues the hearing of a case whether to waive the interest on loan moratorium granted by the RBI.

"There is no major difference between the economic situations of India and Bangladesh," said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

"The central bank should extend the moratorium facility for at least one year to two years in the interest of the financial sector," he said.

Personal and SME loans, which have been hit hard by the recession, could be brought under the facility, he said. "Some large loans even should be allowed on a case-to-case basis for the moratorium facility."

The whole process should be implemented under the monitoring of the central bank, said Mansur, also the chairman of Brac Bank and a former high official of the International Monetary Fund.

The central bank should not waive the interest on the loans as this will put a negative impact on the income of the banking sector, he said.

He said borrowers should be allowed to pay only the interest amount of the loans during the recovery period and they will start paying back the principal amount when businesses turn around.

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Credit growth makes a turnaround, pointing to green shoots

REJAUUL KARIM BYRON and MD FAZLUR RAHMAN

Bangladesh's economic recovery from the devastating coronavirus pandemic has received a shot in the arm after both public and private sector credit growths rose sharply in July.

Government borrowing jumped 51 per cent in the first month of the fiscal year while private sector credit growth returned to the pre-pandemic level of 9.2 per cent, data from the central bank showed.

Private sector credit growth in July was the highest in six months and went past above 9 per cent for the first time in five months.

Disbursement of the government's massive stimulus packages and rebounding economic activities from the rubble of the pandemic contributed to the sharp uptick in credit growth.

Outstanding loans in the private sector stood at Tk 10,02,966 crore in July last year and it rose to Tk 10,95,201.8 crore in July this year.

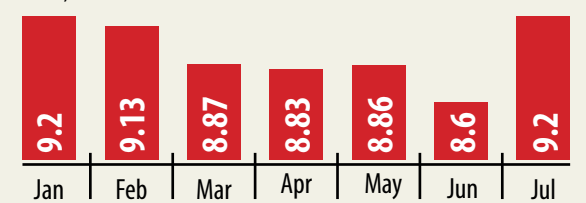
Net credit to the government sector shot up by 51.35 per cent to Tk 196,694.9 crore in July, from Tk 129,962.5 crore in the same month a year ago.

The government borrowed Tk 20,546 crore in July compared to Tk 16,689 crore in the same month in 2019.

Economic activities are picking up and there are normal banking activities, said Md Abdul Halim Chowdhury, managing director of Pubali Bank.

PRIVATE CREDIT GROWTH REBOUNDS TO PRE-PANDEMIC LEVEL

In %; SOURCE: BB



"Govt borrowing was Tk 20,546cr in July 2020, up from Tk 16,689cr in July 2019"

"You would see a lot of crowd at branches," he said. Chowdhury said it took 15 minutes to reach his office in Motijheel from his residence in the capital's Lalmatia a few weeks ago. Now, it takes 1.5 hours.

"The year-on-year growth of credit to the private sector has increased from 8.6 per cent in June to 9.2 per cent in July, suggesting a turnaround," said Zahid Hussain, a former lead economist of the World Bank in Dhaka.

However, the stock of credit to the private sector in July declined by Tk 2,701 crore relative to June, he said.

The private sector has on balance paid back rather than having received additional liquidity from the banking system.

Their net repayment would have been higher in the absence of disbursement from the financial stimulus packages, particularly from the one for large enterprises in industry and services.

According to Hussain, disbursement from the package for the cottage, micro, small and medium enterprises has so far been very weak because of procedural complexities. Cottage and micro-enterprises appear to have been completely left out.

In contrast, the stock of credit to the central government increased by Tk 20,847 crore in July relative to June. This was primarily due to the 6.8 per cent decline in revenue collection by the National Board of Revenue in July 2020 relative to the same month the previous year.

"A more vigorous pursuit of efforts to reduce tax evasion and leakage as well as wasteful government expenditures are needed to contain the acceleration of government borrowing from the banking system," Hussain said.

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Nagad could be the lone cash cow of postal department

STAR BUSINESS REPORT

The government's postal department has been a loss-making concern throughout its operations spanning two centuries but it finally made a profit from one of its services for the first time in the last fiscal year -- thanks to Nagad.

Nagad is a joint venture between the Bangladesh Post Office and Third Wave Technologies. The postal department owns a 51 per cent stake.

The country's fastest-growing mobile financial service yesterday shared Tk 1.12 crore with the postal department as part of its earnings, said the MFS provider in a press release.

Tanvir Ahmed Mishuk, managing director of the venture, handed over a cheque to Posts and Telecommunications Minister Mustafa Jabbar at a programme at the newly built Postal Building in Dhaka.

Nagad shared the amount as part of the service revenue, which is counted as the postal department's net income, for the just-concluded fiscal year.

The postal department runs 16 services, including the digital financial service through Nagad. But it has never received net income from any of its other services until yesterday.

The situation changed for the better in just one and a half year's journey of Nagad.

নগদ
ডাক বিভাগের ডিজিটাল লেনদেন

"This is a historic moment. I have never thought that the postal department could pull off this feat," said Mustafa Jabbar, telecom minister

What is more, the postal department's income came without making any investment into the venture because of the public-private partnership nature of the service, said Nagad.

In the first year after independence, the postal department started with losses of Tk 1.6 crore and the deficit has widened every year ever since.

In the 2018-19 financial year, the deficit between the revenue and expenditure was Tk 433 crore, down from Tk 438 crore a year ago. The figures for the last fiscal year have not been published yet but it is expected to keep up the unprofitable trend.

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BB raises inter-bank fund transfer limits

STAR BUSINESS REPORT

Bangladesh Bank yesterday increased the limit of inter-bank fund transfers through internet banking with a view to giving a boost to IT-based banking services.

Clients will be allowed to transact a maximum of Tk 5 lakh per day against the existing ceiling of Tk 2 lakh, according to a central bank notice.

People have now embraced internet banking more than ever in order to maintain social distancing and protect themselves from the coronavirus pandemic.

This has widened the use of inter-bank internet banking through the National Payment Switch Bangladesh platform.

The central bank also doubled the ceiling of a single transaction to Tk 1 lakh from the existing limit of Tk 50,000.

Clients will be permitted to settle as high as 10 transactions per day against the existing number of 5.

The new instructions will come into effect from September 10.

The central bank also specified for the first time the transaction ceiling of internet banking for business institutions.

An entity will be allowed to transfer Tk 10 lakh and conduct a maximum of 20 transactions per day under the inter-bank internet banking.

The highest limit of a single transaction is Tk 2 lakh.

Exports show promise as US, EU markets reopen

REFAIYAT ULLAH MIRDHA

Bangladesh's merchandise export earnings increased by 4.32 per cent year-on-year to \$2.96 billion in August following a rise in demand due to the reopening of retail stores in the EU and US markets.

Experts attributed the hike in earnings to the release of goods in June and July, which were stuck in warehouses because of the ongoing Covid-19 pandemic.

"We expected a faster recovery but it is taking a bit of time as the western economies are taking some time to fully reopen their doors," said Arshad Jamal Dipu, vice-president of the Bangladesh Garment Manufacturers and Exporters Association.

Garment shipments began rebounding in July, when international retailers and brands started returning to Bangladesh with new work orders while also accepting previously cancelled ones.

However, export receipts in August were 11.72 per cent lower than the monthly target of \$3.36 billion, according to data from the Export Promotion Bureau.



Moreover, garment shipments decreased by 0.06 percent year-on-year to \$5.71 billion between July and August even though overall export earnings grew 2.17 per cent year-on-year to \$6.87

billion at the same time. Of the total garment export, \$3.11 billion came from knitwear and \$2.59 billion from woven.

During July-August period, knitwear exports saw a 6.64 per

cent increase year-on-year while woven fell by 7.06 per cent, according to the data.

Meanwhile, total export earnings in July grew by 0.59 per cent year-on-year to \$3.91 billion,

which was also 13.39 per cent higher than the monthly target of \$3.44 billion.

Usually July, August and September are lean months for the apparel sector as garment shipments remain slower compared to other months, said the vice president of the garment makers' platform.

"This is why the shipments were in a slow lane," he added.

However, it is expected for the garment sector to recover in line with the rise in export orders as Bangladesh is very strong in the production of medium and basic garment items, Dipu continued.

In April, Bangladesh experienced a deep fall in exports as almost all the stores were closed in the EU and US markets while local factories were shut down as well to curb the spread of coronavirus.

That month, overall export earnings were \$0.52 billion with the apparel sector's contribution being \$0.37 billion.

In May, \$1.23 billion out of the overall export earnings of \$1.46 billion came from garments sector.

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