STOCKS	
DSEX	CSCX
▼ 0.65%	▼ 0.48%
5,084.58	8,794.61

COMMODITIES (As of Friday)	
Gold ▲	Oil ▲
$1,880.66	$52.26
(per ounce)	(per barrel)

ASIAN MARKETS (Friday Closings)			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.15%	▼ 0.16%	▼ 0.32%	▼ 0.29%
46,960.69	26,763.39	2,848.98	3,394.90

CURRENCIES (STANDARD CHARTERED BANK)	$USD	€EUR	£GBP	¥CNY
BUY TK	83.95	101.88	112.61	12.68
SELL TK	84.95	105.68	116.41	13.33

Star BUSINESS

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Banks' lending growth slows down

They can't utilise cheap funds as depressed demand from borrowers persists amid pandemic

AKM ZAMIR UDDIN

Lending growth failed to keep pace with the deposit growth in banks in September, putting lenders in an uncomfortable situation as they cannot make the most of cheap funds because of depressed demand from borrowers.

Loans and advances stood at Tk 1,065,570 crore as of September, up 9.56 per cent from a year ago, central bank data showed.

Year-on-year lending growth was 8.95 per cent in June this year and 10.95 per cent in December last year.

Fund disbursement from the stimulus packages unveiled by the government in response to the pandemic-induced economic slowdown helped the credit growth pick up slightly despite a lower demand from the private sector.

But the lending growth is not satisfactory at all given the deposits held by banks.

Earnings by banks chiefly depend on lending, so the upward trend of deposit growth is piling pressure on them. But the demand for loans will go up once the economic impact of the coronavirus pandemic disappears.

LENDING GROWTH AT A GLANCE

- Year-on-year lending growth was **9.56**pc in Sep, up from **8.95**pc in Dec last year
- Deposit growth was **12.39**pc, up from **10.49**pc
- ADR stood at **74**pc in Sep in contrast to **76.22**pc in Jun
- Six foreign banks are in negative zone in terms of credit growth
- **27** local banks have less than **10**pc lending growth

WHAT BANKERS SAY…

- Both bankers and borrowers are cautious about loans
- Demand for retail loans falling alarmingly
- Banks facing huge interest burden for the deposit glut
- Low lending growth will affect profitability
- Lending may pick up once Covid vaccine is available

Deposits at banks rose 12.39 per cent year-on-year to Tk 1,345,436 crore in September although the weighted average interest rate on deposits fell to 4.73 per cent, the lowest in a decade.

The deposit growth stood at 10.49 per cent in June and 12.32 per cent in December last year. This means banks will incur a loss in the coming days if the deposit growth continues to run higher than the lending growth.

The difference between deposit and credit growths was also exposed by the latest data on advance (loan) and deposit ratio (ADR) calculated by banks.

The ADR was 74 per cent in September, down 76.22 per cent three months earlier and 77.34 per cent in December.

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Interest relief for Japanese investors

STAR BUSINESS REPORT

Bangladesh Bank yesterday lowered the interest rate at which Japanese investors can avail funds from the foreign direct investment promotion project, aiming to draw more financing from the East Asian island country.

From now on, Japanese investors, be it individually or through joint ventures with locals, will be eligible for a 5 per cent interest rate instead of the previous 7 per cent, according to a central bank notice. In addition, local exporters whose annual shipments to Japan amount to $1 lakh and above will be allowed to get loans from the project, which is designed to provide financing to financial intermediaries.

The project is essentially a Tk 550 crore worth fund formed in 2017 by the government with assistance from Japan International Cooperation Agency (Jica) to give momentum to the inflow of FDI in the country.

Businesses have so far taken around Tk 140 crore from the fund in the form of refinance and pre-finance.

Under the refinance scheme, banks give out loans to businesses and the banking regulator reimburses the lender afterwards. In case of pre-finance, lenders first avail the fund from the central bank scheme before disbursing the associated loans to borrowers. Both term loan and working capital are now being provided to entrepreneurs. The loans come with a repayment tenure of five to 10 years. A grace period of a maximum of one to two years is allowed.

The tenure of the project is up to 2025, after which it will become a revolving fund. Revolving funds are formed for specific purposes with the proviso that repayments to the fund will be used again for those purposes.

Garment factories reverting to cash for wage payment: study

STAR BUSINESS REPORT

Garments factories are reverting to cash to pay wages and salaries to workers just months after they embraced digital payments at the height of the coronavirus pandemic, according to a new study.

The digitalisation of wages got a leg up after the government enforced countrywide shutdown to slow the spread of the deadly pathogen in April. The upward trend in payments through electronic platforms continued until June.

Later, the ratio of digital payments began to decline despite higher benefits of digitalisation such as decreased payroll processing costs, lost worker production time, and enhanced security associated with digital payments, said a press release citing the study.

The Microfinance Opportunities in collaboration with the South Asian Network on Economic Modeling (Sanem) carried out the study under a project called Garment Worker Diaries.

The project aims at collecting data on the working conditions, income, expenditure, and financial tool usage by workers in the global apparel and textile supply chain.

Researchers collected data on factory wage digitalisation from 1,377 workers in the main industrial belts such as Chattogram, Dhaka City, Gazipur, Narayanganj and Savar from April to October.

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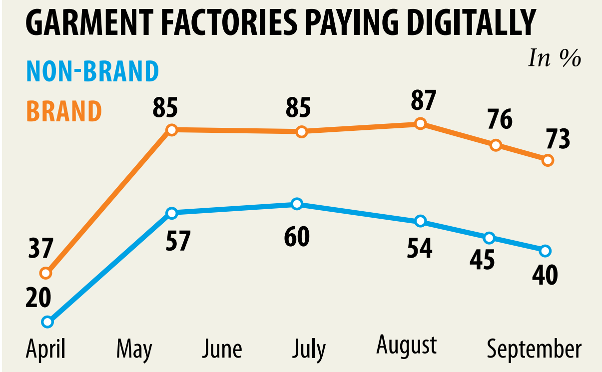
GARMENT FACTORIES PAYING DIGITALLY



SOURCE: MFO & SANEM

Future of export hinges on continuity of EU duty benefit

PRI study says

STAR BUSINESS REPORT

The future of Bangladesh's exports heavily depends on the continuation of duty-free privileges to the European Union, the country's largest export bloc, following the 2024 status graduation, according to findings of a study released yesterday.

If the EU extends the duty privileges, then other developed countries will follow suit, said MA Razzaque, research director of Policy Research Institute (PRI).

As a least developed country (LDC), Bangladesh currently enjoys duty-free access to the EU under the latter's Everything But Arms (EBA) initiative, with around 61 per cent of its yearly exports destined for the region.

Of these exports, garments account for about 64 per cent, or $24 billion.

So far, only the EU has assured that it would continue providing the zero-duty benefit until 2027 to allow Bangladesh a period for preparations following its status graduation from an LDC to a developing one.

If the privilege is not extended, then local exports will face 9.5 per cent to 10 per cent duty on shipments to the EU, which may pose a challenge in staying competitive in the EU markets, Razzaque said.

Therefore, Bangladesh needs such an extension to go beyond 2027 even though its economy has been severely affected in the Covid-19 fallouts, he added.

The EU is set to review the existing Generalised System of Preferences (GSP) facility in 2023.

So Bangladesh needs to engage in dialogues with the EU to secure duty-free privileges for the new era past the graduation, said the PRI research director.

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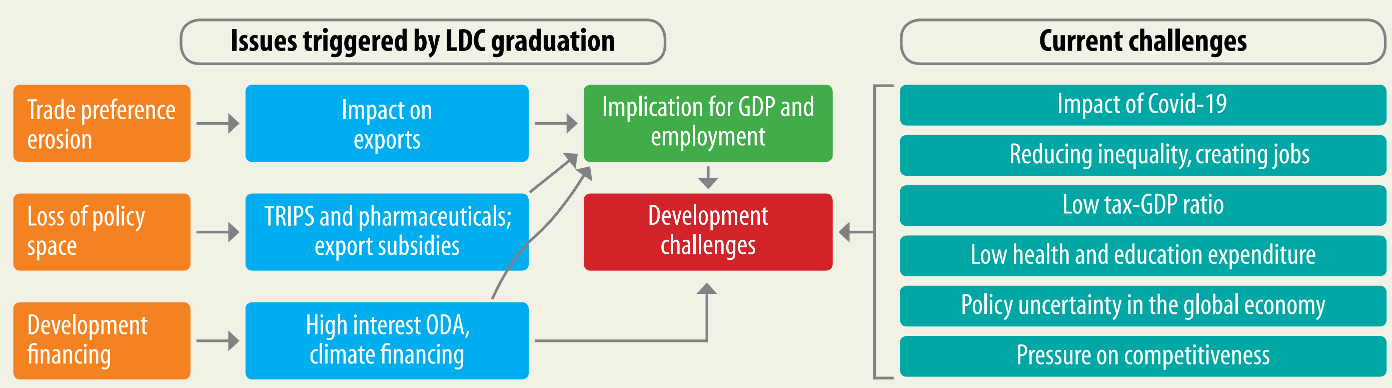
LDC GRADUATION TO POSE CHALLENGES AND AFFECT EXPORT COMPETITIVENESS



MOST LIKELY POST-LDC TARIFF SITUATIONS FOR BANGLADESH

Countries	Current tariff rate facing Bangladesh as an LDC	Post-graduation tariff rates (AVG)
EU	0%	9.5%
Canada	0%	17%
China	0% in 97.5% products	16.2%
India	0%	8.61%
Japan	0%	8.71%

Port users irked by delays in bay terminal construction

Express concern at Ctg port advisory committee meeting

STAFF CORRESPONDENT, *Chattogram*

Chattogram port users and businesses yesterday expressed their concerns over delays in the construction of a bay terminal, the long-waited mega expansion project of the port at Patenga coast.

They also underscored the need for expediting other ongoing expansion projects, including the one for the Patenga container terminal.

They spoke at the 14th meeting of the advisory committee of Chattogram Port Authority (CPA) held at Shaheed Mohamad Fazlur Rahman Munshi Auditorium with State Minister for shipping Khalid Mahmud Chowdhury in chair.

CPA Chairman Rear Admiral SM Abul Kalam Azad moderated the meeting attended by Information Minister Hasan Mahmud.

Discussions with different foreign investors for the bay terminal are going on, said the state minister for shipping.

"The construction activity will start after the completion of negotiations," he added.

Mahmud hoped the Patenga container terminal will go into operation by next year.

The CPA took the bay terminal project several years back to construct a mega container terminal and create a six-kilometre-long channel for vessel movement.

It was planned to complete the full project in three phases while the first phase was earlier expected to be completed by 2021, creating around 4,00000 square metres of container storage space.

Five international port giants, including PSA Singapore, China Merchants Sports Holding Company Limited, DP World of UAE, International Port Development Co-operation of Korea as well as India, have so far expressed interest in funding and constructing the mega project.

In its last meeting held in September 2019, the port advisory committee had decided to complete land acquisition for the bay terminal as soon as possible as a part of its efforts to include it in the government's fast track projects.

While speaking at yesterday's meeting through virtual platform, the information minister reiterated the importance of including it in the government's fast track project list.

Chattogram Chamber of Commerce and Industry President Mahbubul Alam expressed dissatisfaction for not completing the land acquisition activity yet.

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PROPOSED BAY TERMINALS AND THEIR CAPACITY

TERMINALS	JETTY LENGTH	HANDLING CAPACITY
Bay multi-purpose terminal	1,500 metres	50 lakh tonnes (bulk)
Bay container terminal-1 (Northern terminal)	1,225 metres	18.50 lakh TEUs
Bay container terminal-2 (Southern terminal)	800 metres	12.33 lakh TEUs

Ctg port handled 30 lakh TEUs container in 2019

Ctg businesses urge India to cut non-tariff barriers

Call for better trade facilities at a meeting with Indian envoy

STAFF CORRESPONDENT, *Chattogram*

Businesses in Chattogram yesterday called upon India to cut non-tariff barriers to boost Bangladesh's exports to the neighbouring country and reduce the trade gap.

They also demanded enhancing the port infrastructure of both countries to facilitate the movement of goods.

The businesses made the demands during a meeting with Indian High Commissioner Vikram Doraiswami.

The Chattogram Chamber of Commerce and Industry (CCCI) organised the meeting with its President Mahbubul Alam in the chair at the Bangabandhu Conference Hall of the World Trade Centre.

Doraiswami said that the trade, maritime and manufacturing sectors in Chattogram have a lot of potentials, and the seaport is being considered as the gateway to this region.

Both countries need to take initiatives for the development of sea, river and land ports to enhance bilateral trade, he added.

India is interested in cooperating with Bangladesh in the areas of logistics, ports, infrastructure, communications and manufacturing.

It is also keen on the operational activities of the Patenga Container Terminal and the Bay Terminal of Chattogram Port.

"Bangladeshi traders have a huge opportunity to export packaging foods to the Indian market after ensuring quality," Doraiswami said.

India has proposed to set up a food safety lab in Bangladesh through a bilateral agreement, which will reduce the sufferings of traders in importing and exporting food products, he said.

Mahbubul Alam proposed the formation of a special task force comprised of ministries, ambassadors and business leaders to formulate a 10-year development plan based on the potential of both countries.

Aameir Alihussain, managing director of Bangladesh Steel Re-Rolling Mills, SM Abu Tayab, a former vice-president of the Bangladesh Garment Manufacturers and Exporters Association, Nazmul Karim Chowdhury Sharun, a director of the CCCI, and Mahfuzul Hoque Shah, a former director, also spoke at the event.