



BUSINESS

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BANKS, POLITICS BIGGEST WORRIES

The Daily Star has carried out an opinion poll among the business community to get a sense of the bright and weak spots of the economy in the outgoing year. A total of 37 prominent businessmen, including presidents of four leading trade bodies; chief executives of banks, non-bank financial institutions and insurance companies; economists and researchers were interviewed. They also shared their expectations, worries and priorities for 2019.

(Percentage of respondents)

STAR BUSINESS REPORT

A flagging banking sector and possible post-election instability are the two biggest concerns for the economy in the incoming year, according to an opinion poll run by The Daily Star.

As many as four-fifths of the respondents said the ongoing indiscipline in the financial sector may deepen in the new year.

The other risks include: external shocks from geo-political tension and trade war, exchange rate volatility, policy inconsistency, stagnant private

investment, and slow implementation of large infrastructure projects.

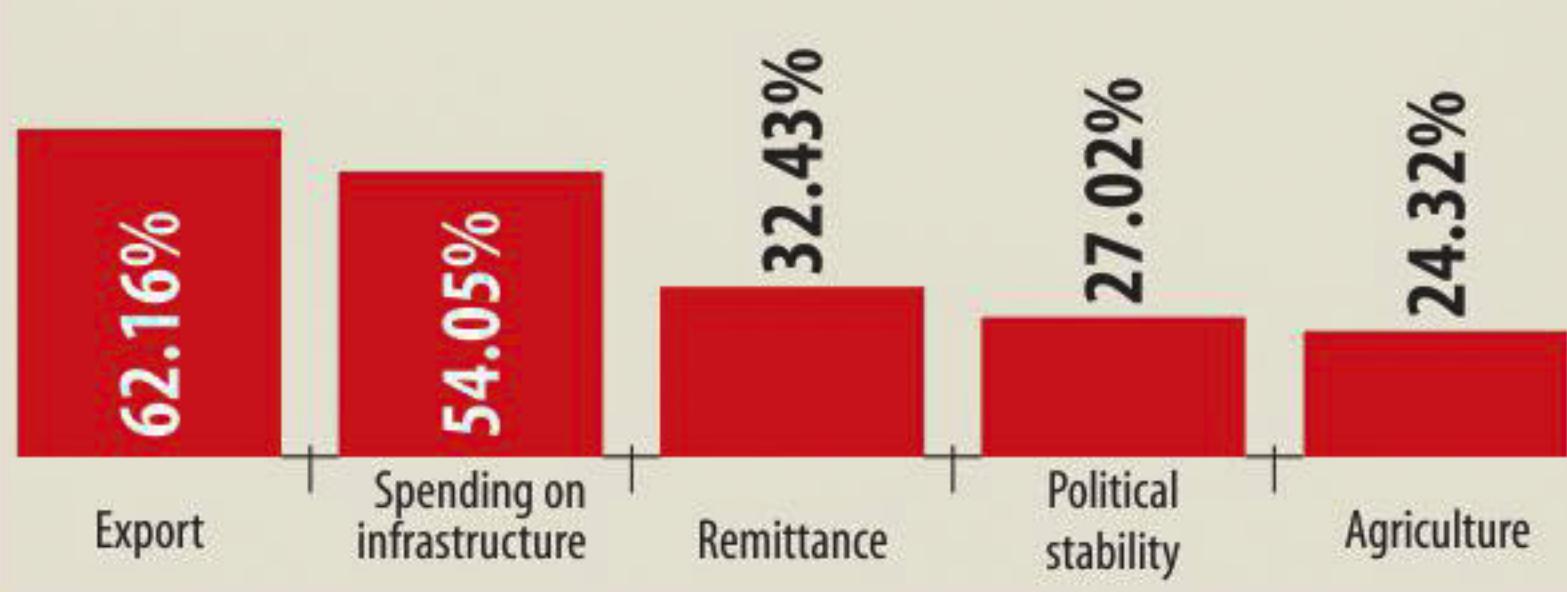
More than 62 percent of the respondents expect the political stability, which they had enjoyed throughout the tenure of the outgoing government, will continue into 2019.

Taming of corruption and improvement in governance are their other major expectations.

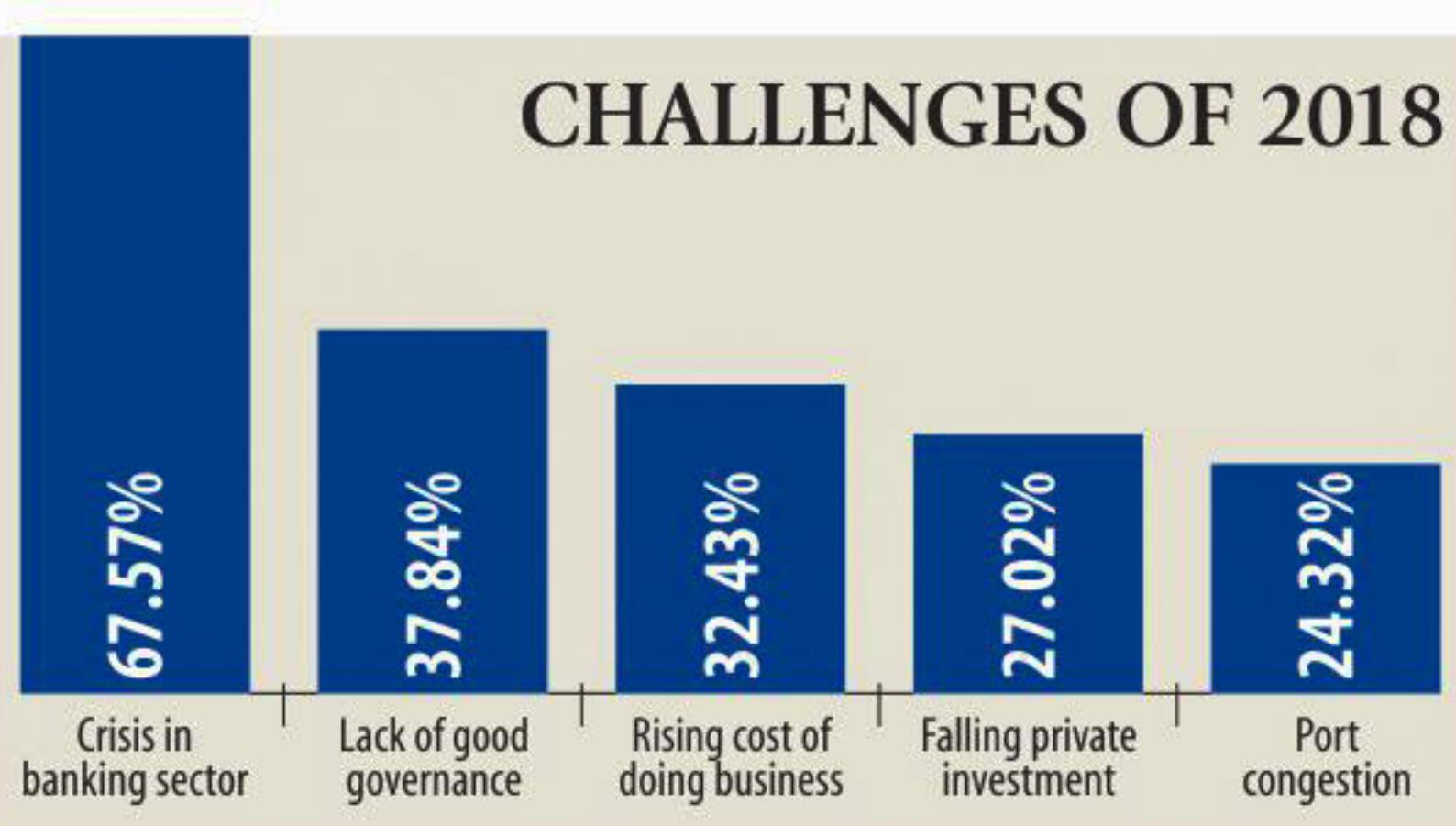
More than one-third of the respondents are hoping on tangible improvements in the ease of doing business in the new year.

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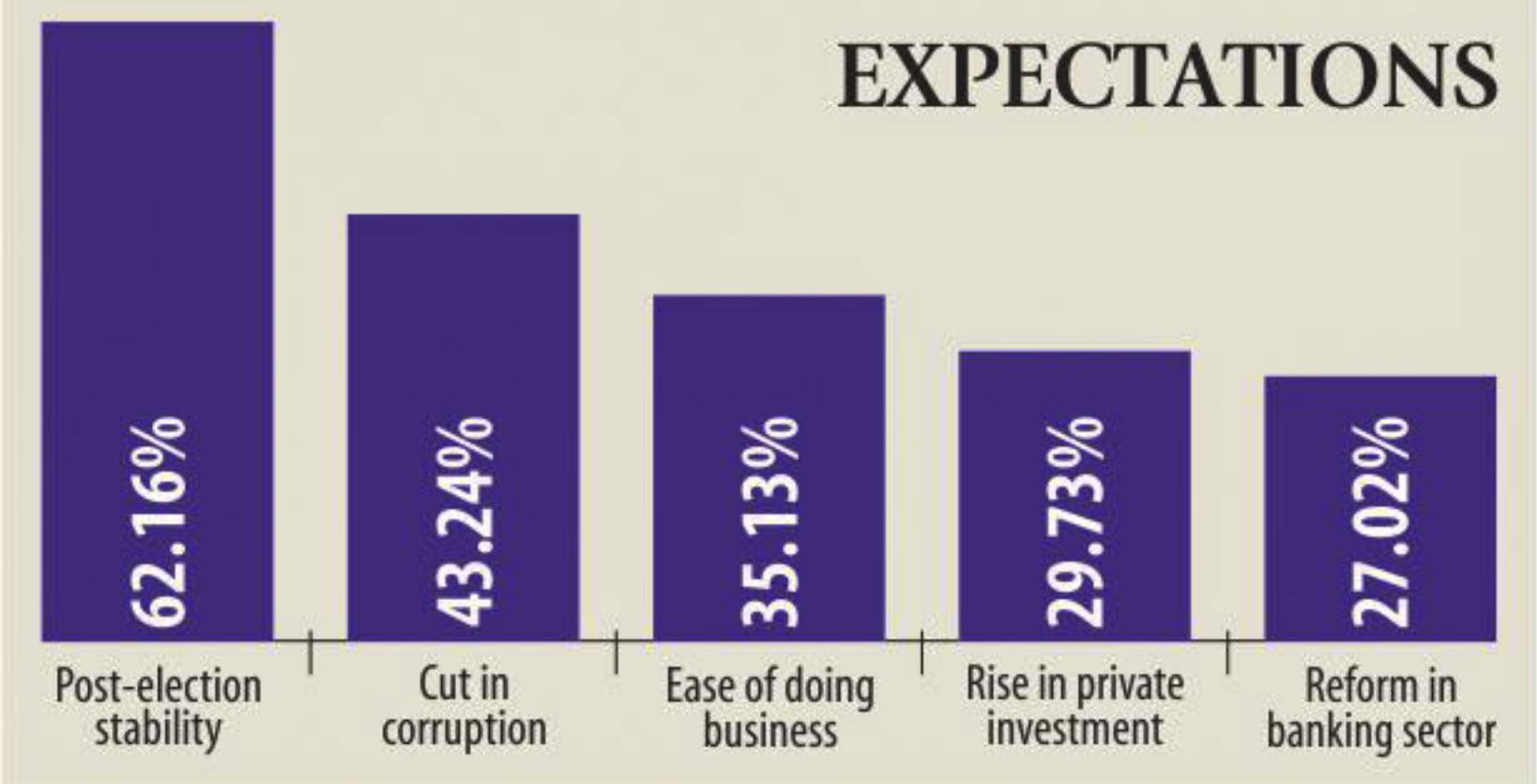
GROWTH DRIVERS OF 2018



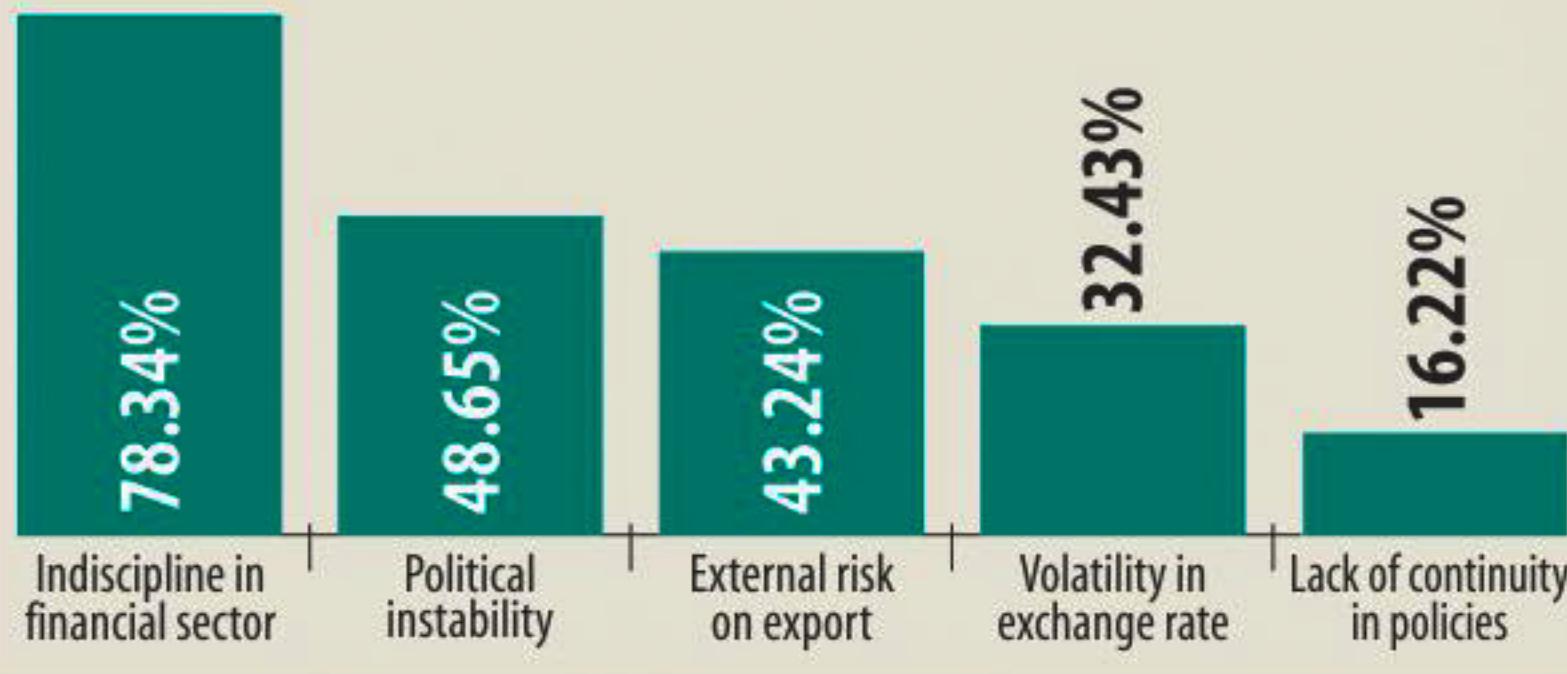
CHALLENGES OF 2018



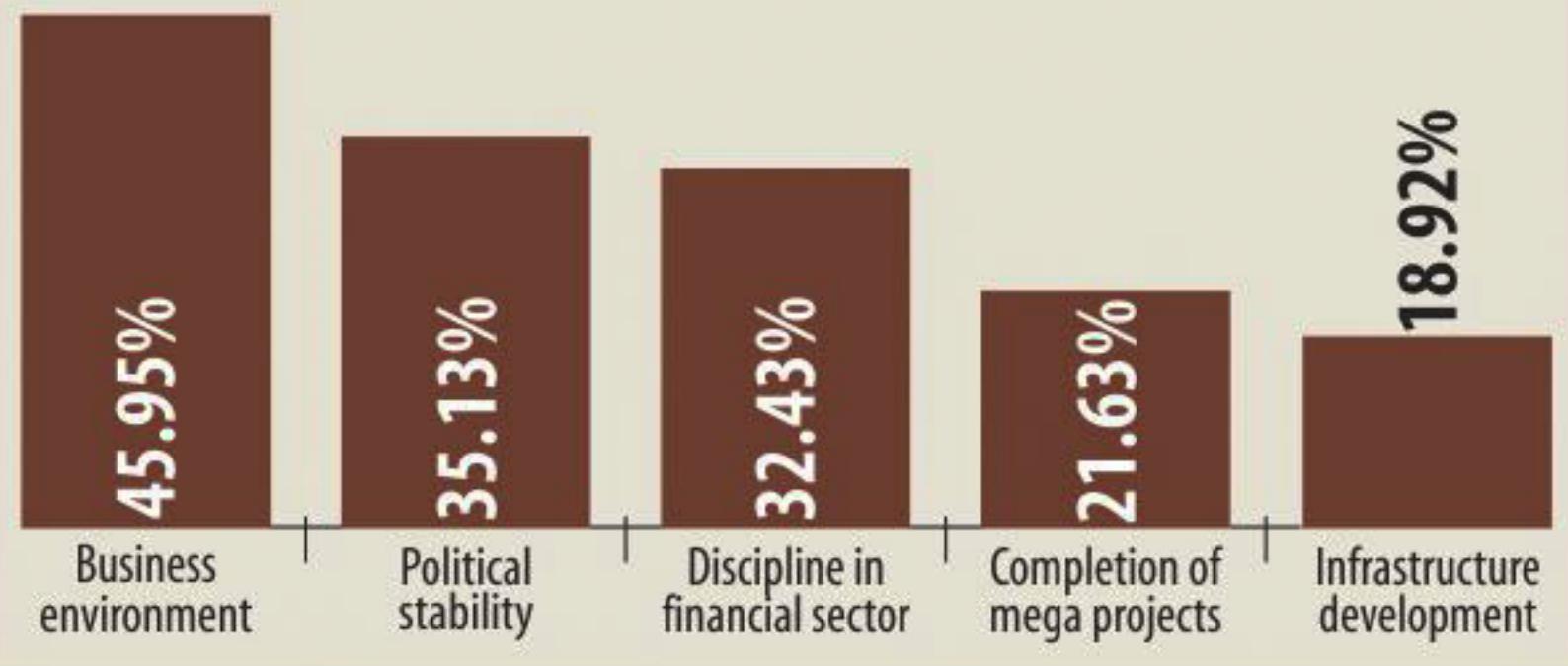
EXPECTATIONS



RISKS AHEAD



TOP PRIORITIES FOR 2019



Banks' capital rises, but artificially

BB's support to Sonali gives the boost

AKM ZAMIR UDDIN

The banking sector's capital base strengthened in the third quarter of the year as state-run Sonali Bank got a shot in the arm from the central bank as it exercised its 'regulatory forbearance' right.

Regulatory forbearance is a policy that allows the central bank to not take any disciplinary action against problem banks for a certain period of time to keep them afloat.

As of September, Sonali's capital base was Tk 848 crore, in contrast to a shortfall of Tk 6,602 crore three months earlier.

The state-run lender was given extra time of up to 3/4 years to keep the required provisioning in many cases against its defaulted and unclassified loans, said a Bangladesh Bank official.

Banks are required to maintain at least 11.817 percent capital adequacy ratio (CAR) -- which is a measure of a bank's financial strength expressed as a ratio of its capital to assets -- as per the roadmap set by the central bank to implement Basel III.

But when it came to Sonali, as part of

AT A GLANCE

Capital shortfall in 9 banks hit Tk 19,064 cr

BKB had the highest capital shortfall of Tk 8,205 cr

As of Sep, Sonali's capital was Tk 848 cr, against a shortfall of Tk 6,602 cr 3 months ago

As of September, banks' capital adequacy ratio reached 10.89pc, up from 10pc a quarter ago

In reality, the strong capital base of the bank is completely artificial as the improvement has mainly not stemmed from recovering the non-performing loans, he said.

As of September, banks' CAR stood at 10.89 percent, up from 10 percent a quarter earlier, according to data from the central bank.

In other words, despite the extraordinary support extended to Sonali, the banking sector fell short of maintaining the regulatory requirement.

Capital shortfall in nine banks, including six state-run ones, stood at Tk 19,064 crore at the end of September, up from Tk 18,541 crore three months earlier.

The banks are: BASIC, Rupali, Janata, Agrani, Bangladesh Krishi Bank (BKB), Rajshahi Krishi Unnayan Bank, Bangladesh Commerce Bank, ICB Islamic Bank and Social Islami Bank.

Of the nine banks, BKB had the highest amount of capital shortfall of Tk 8,205 crore, followed by Janata at Tk 3,923 crore, BASIC at Tk 3,434 crore and ICB Islamic at Tk 1,540 crore.

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its regulatory forbearance support, the banking watchdog disregarded the bank's provisioning requirement to some extent while calculating the required capital against its risk exposures. It is the provisioning requirement that burns a hole in a bank's capital base.

"This ultimately showed a strong financial health of the lender," the BB official said.

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BB suspends MFS ahead of election

STAR BUSINESS REPORT

Bangladesh Bank has suspended all kind of mobile financial services in the run-up to the 11th general election.

All MFS providers have been asked to keep their services suspended from 5:00pm on December 28 through to 5:00pm on December 30, according to a notice from the central bank yesterday.

However, individual transactions of up to Tk 5,000 can be allowed from 5:00pm on December 29 through to 5:00pm on December 30.

The decision was taken following instructions from the election commission, the notice said.

MFS has progressively become an essential part of rural lifestyle, so the move is likely to affect people in those areas.

The daily average mobile transaction through the platform in November was Tk 1,050.91 crore, up 0.3 percent from October, the central bank data shows.

The total monthly transactions declined 2.9 percent to Tk 31,527 crore in November from the previous month.

Despite high election expenditure, cash withdrawals and deposits from the mobile wallets also declined.

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Exports in fiscal 2018 could have been \$17.4b more: PRI

STAR BUSINESS REPORT

Bangladesh could have exported \$17.4 billion more last fiscal year even with the current capacity were there certain constraints not in place, found a study by the Policy Research Institute.

Export receipts in fiscal 2017-18 amounted to \$36.66 billion, up 5.81 percent from a year earlier but short of the government's target of \$37.5 billion, according to data from the Export Promotion Bureau.

Had Bangladesh utilised its full export potential, receipts that year would have been \$54.06 billion, according to the study styled "Bangladesh LDC graduation and apparel exports to the EU".

The major constraints include low productivity, poor infrastructure and low price negotiation capacity by the manufacturers and so on, said Abdur Razzaque, research director of the PRI, while presenting the study yesterday at the PRI office in Dhaka.

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Bangladesh may lose apparel business abroad once it leaves the LDC club.

Internet users fell for first time in 2 yrs

STAR BUSINESS REPORT

The mobile phone operators collectively lost 6.48 lakh active internet connections in November, the first decline in two years.

At the end of November, active internet connections fell to 9.18 crore from 9.24 crore in October, according to a report of the Bangladesh Telecommunication Regulatory Commission published yesterday.

"We have been observing an overall downturn in recent times. Data consumption also declined," said Shahed Alam, head of corporate and regulatory affairs at Robi.

Of the internet users, the number of mobile internet connections was 8.62 crore, broadband connections 57.35 lakh and WiMax connections 61,000, the report showed.

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BAIRA Life Ins fined Tk 4.49cr for flouting laws

STAR BUSINESS REPORT

The insurance regulator has imposed a fine of Tk 4.49 crore on BAIRA Life Insurance Company for persistently breaching laws for seven years.

In a statement yesterday, the Insurance Development & Regulatory Authority said the insurer did not assess its annual liabilities from 2011 to 2017 as per laws and subsequently did not submit the assessment report on liabilities to the authorities.

As a result, BAIRA Insurance was fined Tk 5 lakh per year during the period and Tk 5,000 per day from October 1, 2012 to December 12, 2018 as the flouting of the laws continued. The fine totalled Tk 4.49 crore.

Workplace deaths halve in apparel

Other sectors lag behind for lack of safety measures, a study finds

STAR BUSINESS REPORT

Better workplace safety measures have cut the number of deaths in garment factories compared to any other sectors, Bangladesh Occupational Safety, Health and Environment Foundation found.

Some 28 workers were killed in the garment sector this year while the number was 52 in the previous year, according to a report of the foundation.

"Cautiousness on safety issues rose in the garment sector only so it brings a result in this sector. But it is still neglected by the other sectors," said AR Chowdhury Repon, the foundation's executive director, while revealing the findings yesterday.

At least 898 workers were killed and 341 injured across the country in 2018 while last year it was 1,242 and 371

respectively, according to the report based on information gathered by its staff and 15 newspapers' reports.

The casualties occurred on way to workplaces and from fires, falls from roofs, lightning and boiler and cylinder explosions. Of this year's deaths, 157 were in the formal sector while the rest in the informal. The highest 281 were in the transport sector while two in tannery.

In the last 10 years, at least 11,968 workers were killed and 9,424 injured in workplace accidents. Of the deaths, a maximum of 1,864 were in the garments sector.

The government should focus on other workplaces as well, said Repon at a press briefing at Dhaka Reporters Unity with a suggestion of bringing all injured workers under a government rehabilitation programme.

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Energypac Engineering

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400/132kV SUBSTATION

CONGRATULATIONS TO ENERGY PAC

Energypac is the first Bangladeshi EPC Contractor to be entrusted with the construction of 400/132kV substation for PGCB, located in Gopalganj, in collaboration with SEPCOIII, China.

DATE: DECEMBER, 26, 2018

The Future is Today