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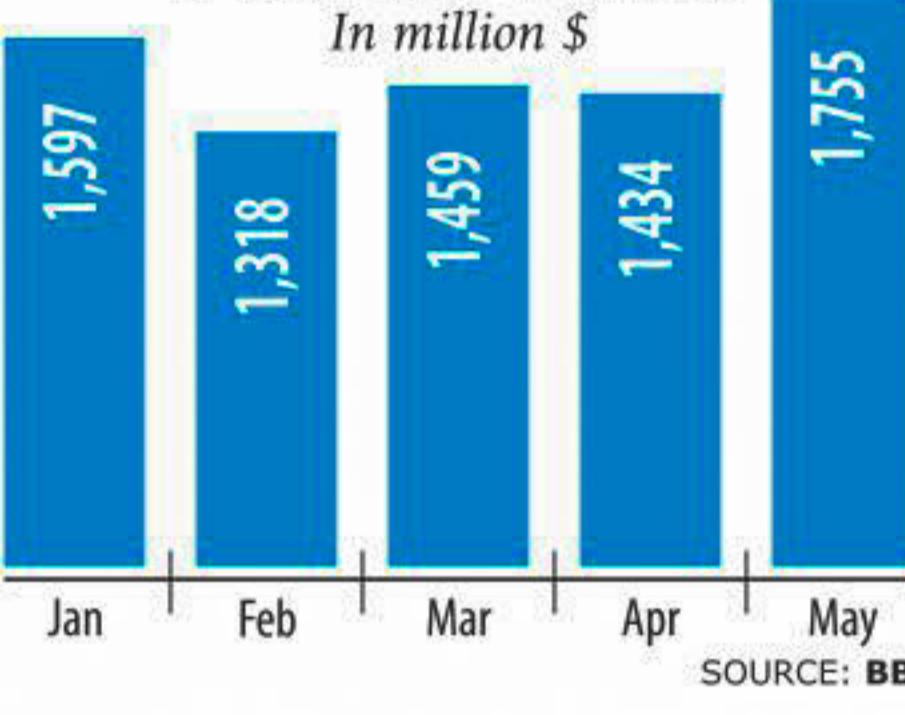
Remittance hits record in May

Receipts were 22.43pc higher from a year ago and 16.64pc up from a month earlier

STAR BUSINESS REPORT

The month of May saw a record amount of remittance flow for a single month as expatriate Bangladeshis sent \$1.75 billion to ensure that their loved ones back home can celebrate Eid-ul-Fitr with more festivities.

REMITTANCE INFLOW



May's receipts were up 22.43 percent from a year earlier and 16.64 percent from a month earlier, in a development that will give some breathing space to the country's strained foreign exchange reserves.

One of the reasons for the spike in remittance is that many banks are offering competitive rate to attract remitters with a view to strengthening their foreign

exchange reserve, said Kazi Sayedur Rahman, executive director of Bangladesh Bank.

Besides, the exchange rate of taka has recently dropped against the US dollar, which has also encouraged remitters to send their hard-earned money through the legal channel.

On May 30, the interbank exchange rate was Tk 84.50 for a dollar, up nearly 1 percent from a year earlier.

Besides, the central bank has beefed up its monitoring against 'hundi', an illegal process of transferring money from one country to another, which had a positive impact on remittance, according to Faruq Mainuddin Ahmed, managing director of Trust Bank.

Both the central bank and commercial banks ran awareness programmes abroad, he added.

May's inflows take the remittance receipts in the first 11 months of the fiscal year to \$15.50 billion, up 11.74 percent year-on-year.

The current account balance, which has been in large deficit for long, will get a respite due to the remittance inflows.

As of May, the current account deficit was \$4.23 billion, down 34.73 percent from a year earlier.

"The deficit is still high," said a central banker. The majority of the banks are facing acute foreign exchange crisis for high import payments for the government's mega infrastructure projects.

The central bank is now injecting the US dollar into the market on a regular basis to help banks manage the ongoing crisis, he added.



With shipmasters and crew members going on Eid holidays, lighter vessels lie safely anchored in the Karnaphuli river. The photo was taken at New Bridge area in Chattogram city yesterday.

RAJIB RAIHAN

Lack of lenders in Eid call money market

Banks go for high-cost borrowing from BB

STAR BUSINESS REPORT

Lack of lenders in the overnight call money market is pushing banks to go for high-cost borrowing from the central bank to meet their additional needs for cash ahead of Eid-ul-Fitr.

Injection of funds into the market before Eid is a common phenomenon, but the situation of this time is slightly different than other time, said Md Arfan Ali, managing director of Bank Asia.

"The banking sector has been facing a liquidity crunch for months. And the Eid withdrawal pressure has deepened the crisis," he added.

Cash-strapped banks borrowed Tk 3,000 crore from the Bangladesh Bank yesterday through the repurchase agreement (repo) and assured liquidity support facility (ALSF) that cost much

higher than the call money.

Borrowing through repo and ALSF costs banks 6 percent in interest rate when the interest rate in the call money market hovers between 4.5 percent and 4.6 percent only.

Repo is a short-term fund that the central bank extends to banks in case of capital shortfall, while primary dealer banks, which are dedicated to lending to the government, are allowed to get funds through the ALSF.

The central bank also provided Tk 2,300 crore on May 30 to mitigate the cash crunch faced by banks.

To ease the situation, banks will have to give more efforts in their recovery as the ongoing cash crunch has mainly stemmed from rising default loans, according to Ali.

The high default loans have eroded the lending capacity of banks. If the ongoing situation continues, it will be difficult for banks to support the GDP growth," Ali said.

Meanwhile, transactions in the interbank call money market, which allows banks and non-banks to borrow and lend for a short period, also shot up in the last few days.

But, the weighted average interest rate in the call money market is still under control as the BB has repeatedly instructed lenders verbally not to hike the rate. It stood at 4.53 percent to 4.59 percent.

"The call money market is under control, which is a positive thing for the banking sector," said Faruq Mainuddin Ahmed, managing director of Trust Bank.

Import of knitted fabrics on the rise

Local spinners tread a tightrope

REFAYET ULLAH MIRDHA

Import of knitted fabrics is spiralling thanks to the growing tendency of the Western retailers to demand the use of fabric from a particular country or vendor to manufacture apparel in Bangladesh.

In 2018, knitted fabrics worth Tk 9,590.41 crore were imported, up 27.69 percent year-on-year, according to data from Bangladesh Textile Mills Association (BTMA).

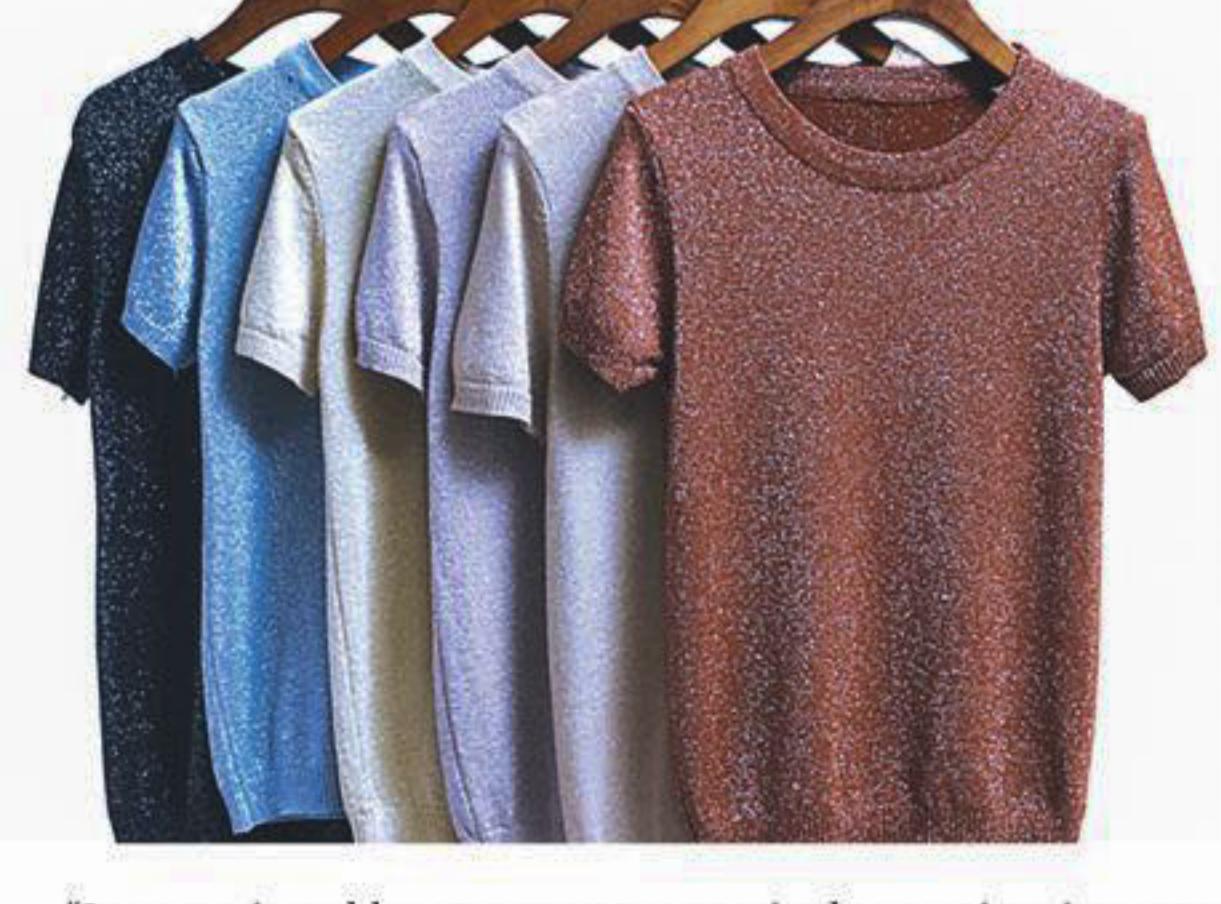
In the first four months to April 2019, imports were Tk 3,629 crore.

In 2017, the knitted fabrics import grew 49.16 percent year-on-year to Tk 7,510.62 crore, according to the BTMA data.

In 2017, Bangladesh brought in 140,142 tonnes of knitted fabrics, up from 107,903 tonnes in the previous year.

Local spinners can supply nearly 90 percent of the required yarn and fabrics for knitwear.

In case of woven fabrics, the local weavers can supply below 40 percent of the requirement because of which the woven garment industry remained dependent on foreign fabrics.



"International buyers are progressively nominating yarn and fabrics of any particular country as they place orders," said Monsoor Ahmed, secretary to the BTMA, the platform of spinners, weavers and dyeing industries.

For instance, some Western retailers recently suggested using knitted fabrics from India as the apparel products would be sold in the neighbouring country, where foreign brands have set up shop.

"It is setting a dangerous precedent," said A Matin Chowdhury, managing director of Malek Spinning Mills, a leading spinner.

This trend has led to stockpiling of yarn and knitted fabrics.

Local spinners are in big trouble due to rising import of knit fabrics, jeopardising the \$8 billion invested in the primary textile sector over the years to get the industry up to speed, he added.

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A salesman helps a kid try out a new dress as Eid-ul-Fitr draws nearer. The photo was taken at the Sanmar Ocean City shopping mall in Chattogram yesterday.

Deal signed for export privileges to Eurasia

STAR BUSINESS REPORT

Bangladesh has signed a memorandum of understanding with the Eurasian Economic Commission (EEC) to enjoy trade privileges and economic cooperation in the region.

Commerce Minister Tipu Munshi signed the MoU with the EEC in the Russian capital of Moscow on May 31.

The Eurasian Economic Union (EAU), a region like the European Union, is becoming a major export destination for Bangladesh, especially for the garment sector.

It comprises five Eastern Europe and central Asian countries: Russia, Belarus, Kazakhstan, Armenia and Kyrgyzstan. Since, there is no customs border among the EAU nations, this region could be a good market for Bangladesh, according to a statement from the commerce ministry yesterday.

This area's population is 18.27 crore, per capita income \$27,000 and GDP \$5 trillion, the statement said.

Through the signing, Bangladesh expects to increase the export volume of garment items, jute, frozen shrimp and potatoes.

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New system ensures faster goods delivery at Benapole port

OUR CORRESPONDENT, Benapole

Goods are now being delivered quickly from Benapole land port thanks to the introduction of a time-saving method, allowing importers to cut time and cost.

The "D Mark" method, which allows delivery of goods without examination, has been applied on 80 percent of items entering the country's biggest land port since December last year.

As a result, a maximum two days are needed to hand over the goods to importers from the previous five to seven days. Since the delivery time has reduced, importers are incurring lesser costs, helping to bring down the overall import cost in an improvement that has a direct impact on the prices of goods.

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Enhanced monitoring has made it tougher to bring in devices through illegal channels.

REUTERS/FILE



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