

DHAKA WEDNESDAY SEPTEMBER 18, 2019, ASHWIN 3, 1426 BS ● starbusiness@thecitizenstar.net

Banks relieved as loan-deposit ratio to stay unchanged

BB withdraws Sep 30 deadline to lower the ratio

STAR BUSINESS REPORT

The central bank yesterday backtracked from its decision to lower the loan-deposit ratio as it looks to alleviate the sector's ongoing liquidity crunch and facilitate lower interest rate on lending.

In a notice yesterday, the Bangladesh Bank said conventional banks would be allowed to keep the ratio at 85 percent and Shariah-based banks at 90 percent, relieving them of the stress of bringing down the ratios by September 30.

"This is a very time-befitting decision as the private sector credit growth has been maintaining a declining trend for months," said Syed Mahbubur Rahman, chairman of the Association of Bankers, Bangladesh, a platform of private banks' CEOs.

Private sector credit growth hit a six-year low of 11.26 percent in July, according to

- » JAN 2018: BB ordered banks to lower ADR to 83.5pc from 85pc by June.
- » FEB 2018: Interest rate market skyrocketed as a dozen banks ran after deposit to down their ratio.
- » EXTENSION OF DEADLINES: First one was till December 2018, then March 2019 and finally September 2019.
- » JULY 2019: BB found private banks' ADR at 84.42pc
- » SEP 17, 2019: BB backtracks from its ADR plan.

data from the central bank.

Earlier on January 30 last year, with a view to reining in aggressive lending, the BB had instructed conventional banks and Shariah-based banks to lower their loan-deposit ratios to 83.5 percent and 89 percent respectively by June that year.

Private sector credit growth in January last year was 18.36 percent.

But the deadline was extended thrice, with the most recent cutoff date being September 30.

"A volatility grasped the entire money market after the central bank had issued the instruction," said a BB official.

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Gamblers at it again. Their victim this time: National Tubes

AHSAN HABIB

Word on the street was that National Tubes has been commissioned to establish pipe lines all over Bangladesh -- a coup for any pipe manufacturer.

But the problem is, the state-run pipe manufacturer has been in the losses since fiscal 2016-17 and its sales and production have been steadily declining since fiscal 2013-14.

So the off-the-record news going around of it getting a work order of this magnitude is bound to raise the alarm.

But it didn't for many unknowing retail investors, who rushed to pick up stocks of National Tubes -- sending its price soaring at a time when the overall market was sinking.

Between August 20 and September 17, when the DSEX, the benchmark index of the Dhaka Stock Exchange, slid 5.88 percent, the pipe manufacturer's stock rose 52 percent to Tk 174.4 -- and on most days there was no seller.

Another rumour floating around then was that the National Board of Revenue has refunded about Tk 19 crore that National Tubes had paid as advanced income tax. The refunded sum would be used to raise production capacity.

None of the two rumours are true, said National Tubes through the DSE website yesterday. And yet its stock rose 9.25 percent to Tk 175.90 at the close of trade.

"It is not possible to return to profit overnight, so we are wondering what led the stock to skyrocket," said S. M. Ziaul Huq, head of commercial department of National Tubes, told The Daily Star.

The company is trying its level best to change its fate and has even resorted to going door-to-door for orders, he added.

What actually transpired was a concerted play by a band of rogue players to make a quick buck using yet another company with a low paid-up capital.

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Onion prices to come down within 24 hours: govt

STAR BUSINESS REPORT

The government yesterday said its measures alongside adequate market supplies would bring down onion prices locally within 24 hours.

"We have recommended lowering the margin (amount needed to be kept with banks) for opening LCs (letters of credit) for onion import from Myanmar," said Bangladesh Tariff Commission Member Sha Md Abu Raihan Alberuni.

"The central bank has already been asked to reduce interest rate on bank loans for onion import," he told journalists at a press conference at the commerce ministry.

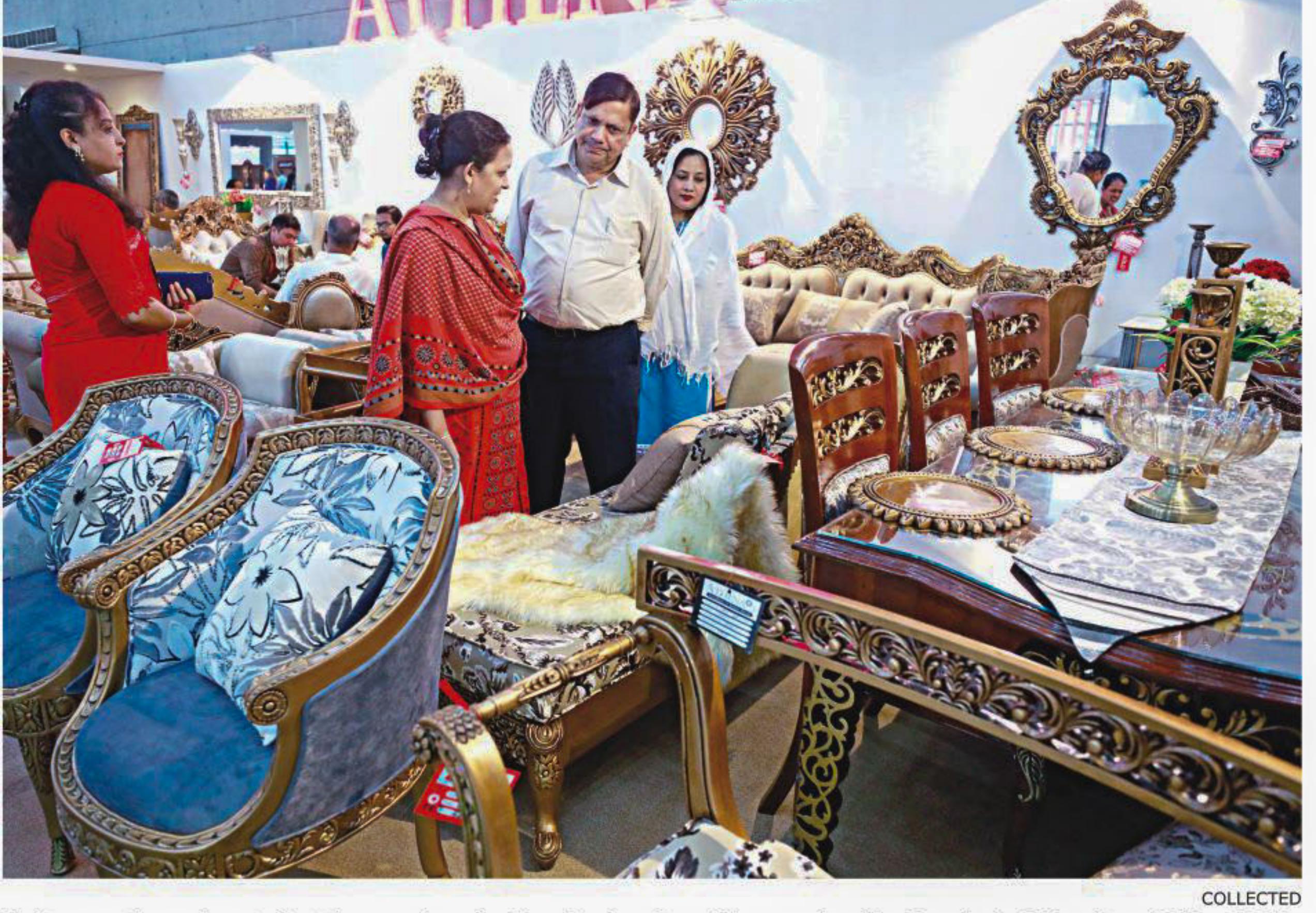
Bangladesh had gone for imports from Myanmar in 2014 and 2017 to cool down local market prices, he recalled.

"I can assure you that the price of onion will come down in the local markets by midday of September 19. Please call me if the prices of onion do not come down within 24 hours," said Alberuni.

The fixing of a minimum export price by India is a non-tariff barrier, he said.

Jafar Uddin, newly appointed commerce secretary, also assured that prices would go down soon due to government measures and monitoring by the Directorate of National Consumer Rights Protection and other government agencies.

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Visitors go through a stall at the opening of a five-day furniture fair organised by Bangladesh Furniture Shilpa Malik Samity at International Convention City Bashundhara in Dhaka yesterday.

Furniture makers demand bonded warehouse facility

Fair begins in the capital

STAR BUSINESS REPORT

The furniture sector could be one of the major export earners for Bangladesh if the government extends bonded warehouse facility to manufacturers, industry people said yesterday.

Bangladesh earned \$74.89 million from furniture exports in fiscal 2018-19, which is 18.53 percent higher than that in the previous year.

"The furniture industry could be our next readymade garment sector as it has good potential," said Sheikh Fazle Fahim, president of the Federation of Bangladesh Chambers of Commerce and Industry.

"The sector can help Bangladesh diversify its export basket," he said, while addressing the opening ceremony of the 16th National Furniture Fair at the International Convention City Bashundhara in Dhaka.

The Bangladesh Furniture Shilpa Malik Samity (BFSMS), a platform of factory owners, organised the five-day event, where 31 companies are showcasing their products from 10am to 8pm.

"Furniture is a labour-intensive industry and we have available cheap labour.

So, we have scope to increase exports as Bangladeshi companies make world-class furniture," said Selim H. Rahman, chairman and managing director of Hatil.

Rahman, also the president of the BFSMS, said the furniture sector does not get bonded warehouse benefit to import raw materials needed for the industry as it is not 100 percent export-oriented.

As a result, importers have to pay around 60 percent duty to import raw materials which increase the cost of production, he said.

The bonded warehouse privilege provides entrepreneurs with the opportunity to import raw materials duty-free on the condition that the items manufactured by them would not be sold in the domestic market.

"We have no backward linkage industry for the sector, so we have to depend on imports for raw materials," Rahman said, adding that if the government increases cash incentive on exports from existing 15 percent, shipment will rise.

KM Akhtaruzzaman, chairman of Akhtar Group, said Bangladeshi furniture is winning global praise owing to high quality and modern design.

BB RESERVE HEIST
CID gets more time to submit probe report

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A Dhaka court yesterday set a fresh deadline until October 20 for the Criminal Investigation Department to submit its probe report in the case lodged over Bangladesh Bank's reserve heist in 2016.

Dhaka Metropolitan Magistrate Sadbir Yasir Ahsan Chowdhury set the new date as the CID could not submit the report yesterday.

Hackers stole \$101 million from BB's accounts with the Federal Reserve Bank of New York in February 2016. Of the amount, \$81 million was transferred to four accounts with RCBC in Manila and another \$20 million to a bank in Sri Lanka.

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Forecast-based financing reduces loss

Analysts say at a discussion

STAR BUSINESS REPORT

Early financing and actions based on anticipation of disasters can reduce human sufferings and losses, speakers at a dialogue on forecast-based financing (FbF) said yesterday.

The FbF is an innovative mechanism whereby early actions at community and government level are pre-planned based on credible forecasts, and are funded and implemented before a climate shock, according to World Food Programme (WFP).

These actions minimise losses and damages caused by climate hazards, and reduce the need for humanitarian assistance in their aftermath.

"The FbF is a very innovative approach to tackling disasters," said Tauhidur Rahman, treasurer of Bangladesh Red Crescent Society (BDRCS) at the "1st National Dialogue Platform on FbF" at the Spectra Convention Centre in Dhaka.

The BDRCS, the German Red Cross, CARE Bangladesh, Start Fund Bangladesh, and the WFP jointly organised the event.

The German Red Cross initiated the first FbF pilot projects in 2013. Today, 16 Red Cross and Red Crescent societies across the world are involved, working successfully in countries such as Bangladesh and Peru, according

to a publication of the International Federation of Red Cross and Red Crescent Societies circulated at the dialogue.

Md. Mohsin, additional secretary to the disaster management and relief ministry, said the FbF was very important to address the vulnerabilities of Rohingya people living in the camps in Cox's Bazar because of the risk of landslides and cyclones.

"What will happen to them if there is cyclone and landslide?" he said, adding that early actions should be taken as soon as a disaster hits a community in order to reduce the impact and human sufferings.

He said coordination of humanitarian actions taken by all stakeholders is necessary and community should be involved.

Siddiqui Islam Khan, programme officer at WFP Bangladesh, said Bangladesh was one of the countries most vulnerable to the impacts of climate change.

"Climate shocks are becoming more frequent, causing more losses and damages," he said, adding that the WFP was implementing programmes to support the government in managing climate risks.

He said the FbF enables anticipatory actions for disaster risk mitigation at the community level.

Stocks see sharp fall

STAR BUSINESS REPORT

Just a day after a stakeholders' meeting to find out a way to arrest the ongoing slump, Dhaka stocks fell sharply yesterday -- a development that could cause further worry for investors.

The DSEX, the benchmark index of Dhaka Stock Exchange, fell 30.74 points or 0.61 percent to close at a 33-month low of 4,928.98.

However, the index had risen 26 points in the previous three days.

On Monday, the finance minister headed the meeting with the stakeholders as the market lost over 300 points in a month.

Market insiders said the investors went for massive sell-offs even after the finance minister assured that good stocks will be brought in and good governance will be established in the market to revive confidence.

The minister also declared that a special committee will be formed to implement the goals.

The minister had correctly found out the main reasons behind the fall in investors' confidence, said a merchant banker.

The stock market regulator did not do anything in the last few years to bring back investors' confidence, he said requesting anonymity.

The investors actually think the special committee would not be as useful as it should be.

The stock market has been suffering from liquidity pressure and the market would be benefitted if the pressure eases, he said.

The market started the day on a positive note yesterday. However, it started falling from the first hour of trading and continued till the end.

Among the large cap sectors, fuel and power exhibited highest positive movements with a 0.91 percent gain and pharmaceuticals showed negative movement with a 1.02 percent loss.

Turnover, another important indicator of the market, rose by 12 percent to Tk 435.56.

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