

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	JPY
▼ 1.07%	▼ 0.98%	\$1,492.10	\$58.83	▼ 0.78%	▲ 0.45%	▼ 0.01%	▲ 0.78%	BUY TK 83.75	91.17	101.50	0.76
4,810.21	8,900.57	(per ounce)	(per barrel)	37,880.40	21,551.98	3,089.48	2,947.71	SELL TK 84.75	94.97	105.30	0.80

এসআইবিএল
সুপার ডিপিএস
বিশেষ সঞ্চয় কিম
প্রাকালিত মুনাফা:
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৯.২৫% ৯.৫০% ১০%

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Star BUSINESS

DHAKA FRIDAY OCTOBER 11, 2019, ASHWIN 26, 1426 BS • starbusiness@thedailystar.net

Banking ills can derail growth

GDP growth to be 7.2pc this fiscal year, WB says in development update

STAR BUSINESS REPORT

Banking sector vulnerabilities and uncertain global outlook stand to take the momentum off the economy that looks set to grow at a robust pace in the medium term, the World Bank said in its latest update on Bangladesh.

"In Bangladesh, downside risks are primarily domestic," said the Washington-based multilateral lender in the report, which was unveiled yesterday at its office in Dhaka.

Private sector credit growth was weak, constrained by banking sector liquidity.

And one of the reasons liquidity remains constrained is the high default loans, which continued to rise.

As of June, the default loan ratio stood at 11.7 percent of total outstanding loans, up from 10.4 percent a year earlier.

And the default loans are not evenly distributed, with the state banks accounting for almost half of the total -- a result of directed lending, poor risk management, and weak corporate governance and prudential oversight, it said.

"Weak governance in the banking sector could impair its capacity to extend credit and support growth if the economy slows down," said Bernard Haven, senior economist of the WB and co-author of the report.



Zahid Hussain, a consultant of the World Bank's Dhaka office, speaks at a press briefing at the lender's office in the capital yesterday. Mercy Miyang Tembon, WB country director, was present.

For the banking sector, the overall and Tier 1 capital to risk-weighted assets ratio (CRAR) marginally exceeds internationally accepted minimum requirements. The latest stress test by the Bangladesh Bank in December 2018 indicates that credit concentration risk is threat to capital adequacy.

"For example, the default of the top three large borrowers results in 22 out of 48 complying banks falling below the minimum regulatory CRAR."

Furthermore, the central bank has made several concessions in the loan classification rules and write-off policies that are a departure from the global norms enacted in 2012

following the Basel III guidelines.

This has affected the confidence of foreign suppliers on the ability of domestic banks to honour letters of credit payment obligations.

As a result, LCs issued by domestic banks commonly require confirmation by a correspondent bank to be acceptable by overseas suppliers, which has increased the financing cost of import transactions.

Meanwhile, other than the rising default loans, the declining deposit growth, US dollar sales by the BB to moderate the exchange rate and pressure on banks to limit lending rates to 9 percent also constrained the banks' supply of loanable funds.

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Trade deficit narrows on falling imports

AKM ZAMIR UDDIN

Trade deficit narrowed slightly in the first two months of the fiscal year, helped by a decrease in both imports and exports in a sign that the country's overall business is facing sluggishness.

Between July and August, trade deficit, a situation when imports exceed exports, stood at \$1.97 billion, down 6.24 percent year-on-year, according to data from the central bank. Imports stood at \$8.62 billion, down 2.30 percent year-on-year and merchandise exports slipped 1.06 percent to \$6.64 billion.

The decreasing trend of import and export is not a good indication for any economy, but Bangladesh is facing such a bad state of affairs, said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

"The economy has been facing the sluggishness for the last few years. But imports went up last year as a section of people laundered money before the national elections in December," he said.

The falling trend of export and import has depicted the actual image of the country's macroeconomic situation, said Mansur, also the chairman of Brac Bank.

The import growth would have declined more if the import payments for petroleum products had not increased significantly.

Imports of crude petroleum rose 137 percent year-on-year to \$151 million. But the import of capital machinery fell 24.42 percent year-on-year to \$760 million.

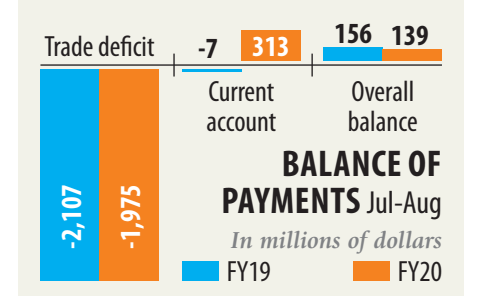
All segments of the financial sector have been facing hurdles, eroding the confidence of businesspeople, said Mansur.

Fresh investment will not pick up if the government fails to restore the confidence of businesses. Against the backdrop, a

quarter will try to launder money instead of making investment, he said.

"The government should give all-out efforts to perk up the economy, create fresh jobs and improve the living standard of people."

The export earnings from the garment sector have declined in July and August, raising an alarm, said Fahmida Khatun,



executive director of the Centre for Policy Dialogue (CPD). The policymakers should explore new destinations to give a boost to the RMG export, she said.

She said the country's external sector is going through volatility. So, the government should take prompt action to ward it off.

The economist said the peers of Bangladesh have devalued their currencies against the US dollar and the central bank should consider the issue to rein the instability deriving from the external sector.

The current account balance enjoyed a surplus of \$313 million during the July-August period, up from a deficit of \$7 million a year ago, BB data showed.

An increased flow of remittance has played a major role in registering the robust current account, said a Bangladesh Bank official, adding that the feeble import payments has also helped to this effect.

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Omera to install 2.6MW rooftop solar panel

STAR BUSINESS DESK

Omera Renewable Energy on Wednesday embarked on a partnership with Tarasima Apparels for installing a 2.6-megawatt rooftop solar panel.

Once installed, this would be the largest rooftop solar installation in the country, a statement claimed. Omera is a subsidiary of East Coast Group while Tarasima is of Bitopi Group.

Tanjil Chowdhury, managing director of East Coast Group, and Miran Ali, managing director of Bitopi, signed a memorandum of understanding at East Coast Centre in Dhaka. East Coast Group Chairman Azam J Chowdhury was present.

"This is a game changing moment for the country's energy sector," said Ali.

The renewable energy company aims to produce 200MW of electricity from rooftop solar installation by 2021, according to the statement.

DSE key index plunges to three-year low

STAR BUSINESS REPORT

Shares on Dhaka Stock Exchange fell during all the trading days last week, sending the key index to its three-year low of 4,810.21 points.

The DSEX, the benchmark index of the bourse, lost 127.61 points in the four days available for trading. The market was closed on Monday on the occasion of Durga Puja.

The fall in the last two weeks wiped off Tk 12,642 crore in investors' share value despite a number of recent steps taken by the government to give a boost to the market.

Market insiders say the government steps have failed to boost investors' confidence as the stock market regulator is yet to take any action against the manipulators of junk stocks.

Some junk stocks regularly featured in the list of top gainers every day during the weeks.

For instance, Zeal Bangla, Shyampur Sugar Mills, Maksons Spinning Mills, and Tung Hai Knitting were among the top gainers yesterday.

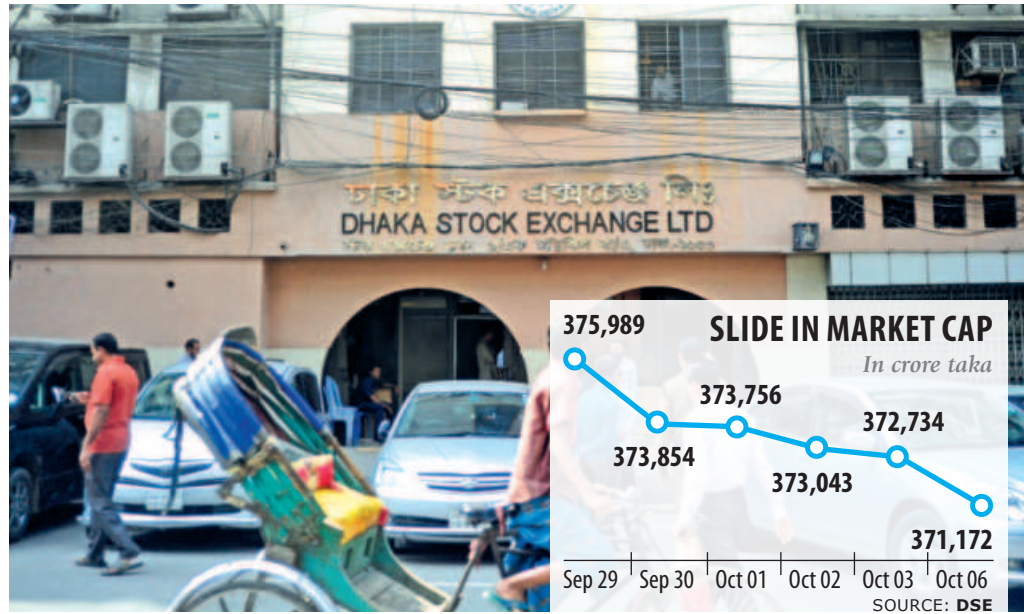
"Junk stocks rose in the last few days whereas the shares of well-performing companies moved in the opposite direction. Such a mismatch is not a good sign for the market," a stock broker said.

He said analytical-minded investors suffer in the market. Now, they are reluctant to inject money until they see a strong initiative from the regulator aimed at punishing manipulators.

"Junk stocks rise only because of manipulation," the broker added.

A merchant banker said when the market falls for a long period, it spooks investors' confidence.

"In such cases, they don't invest because they



can't understand where the lowest point of the fall is. The market is now in such a position."

The DSE data showed that United Power Generation and Grameenphone were the top negative contributors to the index, shaving 14 points jointly off the prime index.

Turnover, however, rose 2.12 percent to Tk 327.81 crore.

National Tubes topped the turnover list with its shares worth Tk 24.13 crore being traded, followed by Bangladesh Shipping Corporation, Wata Chemicals, Atlas Bangladesh, and Silco

Pharmaceuticals.

Of the traded issues, 59 advanced, 271 dropped, and 23 remained unchanged.

Chittagong stocks also fell, with the bourse's benchmark index, the CSCX, declining 88.14 points, or 0.98 percent, to finish the day at 8,900.57.

Losers beat gainers as 183 securities declined, 34 advanced and 22 finished unchanged on Chittagong Stock Exchange.

The port city bourse traded shares and mutual fund units amounting to Tk 12.38 crore.

NEWS IN brief

IDLC venture capital gets nod

The Bangladesh Securities and Exchange Commission has approved IDLC Finance's application for opening a venture capital fund worth Tk 45 crore having a tenure of seven years. The fund would be utilised in sectors including fintech, enterprise solutions, core technologies, education, food and agri-tech and internet devices.

BSEC cautions three stock brokers

The stock market regulator has cautioned three stock brokers over breach of securities law.

Md Fakhru Islam Securities Ltd failed to deposit an investor's money into its account while United Enterprises and Company delayed submitting its yearly financial audit report of 2017 to the regulator.

The third, EC Securities Limited, reappointed its managing director without taking the BSEC's approval.

Mirror Financial faces dealership licence cancellation

The BSEC has threatened to cancel the stock dealership certificate of Mirror Financial Management Ltd if it fails to bring its stock trading to "a sufficient level" by November 14.

Informing that the stock dealer of Dhaka Stock Exchange failed to trade stocks at "a sufficient level" in recent months, the regulator also fined the entity for breaching laws by giving margin loans to its officials' relatives.

The regulator warned of imposing more penalties if the broker fails to pay the complete fine and withdraw the margin loans by November 14.

Tea production surges on favourable weather

MINTU DESHWARA

Tea production grew 23.62 percent to 52.53 million kilogrammes as of August this year, in an indication that may see the country pull off the highest yield on record at the end of the current year.

The production of the tea leaves by the country's 166 tea gardens was 42 million kg in the first eight months last year.

If the current pace of production continues in the last four months of 2019, Bangladesh will set a new record for the past 165 years, thanks to good rainfall and favourable temperature, officials and garden owners said.

Some 67.38 million kg of tea was produced in 2015, which was 85.5 million kg in 2016, 78.95 million kg in 2017 and 82.13 million kg in 2018.

If the current trend remains unchanged, over 90 million kg of tea is expected to be produced by the end of the season in December, according to Mohammad Ali, director of Bangladesh Tea Research Institute (BTRI), and Md Jahangir Al Mustahidur Rahman, chairman of Bangladesh Tea Board.



Workers busy plucking leaves in Rangichhara tea garden in Kulaura of Moulvibazar recently.

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Sustainable banking reforms in progress

IFC-SBN report says Bangladesh among 38 countries to initiate the move

STAR BUSINESS DESK

Bangladesh is among 38 emerging market economies having initiated key banking reforms to drive development and fight climate change, according to a report of the countries' platform for sustainable finance.

These reforms require banks to assess, manage and report on environmental, social and governance risks in their lending operations and put market incentives in place for banks to lend to green projects.

International Finance Corporation (IFC)-facilitated Sustainable Banking Network (SBN) prepared the second Global Progress Report, the World Bank Group member said in a press release yesterday.

Established in 2012 with a commitment to sustainable finance, the SBN is now a community of 53 financial regulators and banking associations from the 38 countries, which represent \$43 trillion, or 85 percent, of emerging market banking assets.

Of the 38, some 22 adopted national

sustainable finance policies and voluntary principles, seven of which were launched in 2019 alone.

The report also captured the progress made by 14 countries to actively grow their green bond markets and data showed increasing innovation by financial institutions to green their lending portfolios.

In addition to providing practical resources for countries undertaking sustainable finance reforms, the report also highlighted the peer-to-peer knowledge sharing of the SBN members.

Bangladesh is among the group of countries advancing implementation of sustainable banking framework over the past few years.

Since 2011, Bangladesh Bank has developed several policies to promote sustainable finance, including policy guidelines on green banking in 2013, and Guidelines on Environmental and Social Risk Management in 2017.

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