STOCKS		
	DSEX	CSCX
	▼ 0.44%	▼ 0.64%
	5,789.92	10,188.05

COMMODITIES		
	Gold ▲	Oil ▲
	$1,862.81	$55.50
	(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 1.09%	▲ 0.67%	▼ 0.06%	▲ 0.48%
48,347.59	28,822.29	2,973.65	3,624.24

CURRENCIES — STANDARD CHARTERED BANK

	$ USD	€ EUR	£ GBP	¥ CNY
BUY TK	83.95	101.20	114.16	12.75
SELL TK	84.95	105.00	117.96	13.40

Star BUSINESS

DHAKA TUESDAY JANUARY 26, 2021, *MAGH 12, 1427 BS* • starbusiness@thedailystar.net

BB in a tight spot

It may need to continue expansionary monetary policy, which is creating excess liquidity amid lower credit demand

AKM ZAMIR UDDIN

The central bank plans to continue its expansionary monetary policy in the second half of the current fiscal year because of the persistent business slowdown caused by the coronavirus pandemic.

The monetary policy committee of the central bank will sit on January 31 to decide whether the unconventional tools of the policy will be revised, said a number of central bankers with direct knowledge about the matter.

The major targets of the monetary policy for 2020-21 will not change to a large extent given the economic hardship, they said.

But economists termed the situation "very challenging" for the central bank to implement the monetary policy in the wake of an escalation of excess liquidity in the banking industry.

The central bank's stance of continuing the expansionary monetary policy is justified, but it has to contain the excess liquidity at any cost, they said.

Although there is little probability of inflation escalating at this moment, the excess liquidity has already had an adverse impact on the interest rate of fixed deposit schemes, largely hovering between 3 to 4 per cent.

The excess liquidity at banks surged 95 per cent year-on-year to Tk 204,700 crore in December, data from the central bank showed.

Credit demand from borrowers is still subdued because of the uncertainty. As a result, the surplus liquidity has been on the rise in recent months.

In its monetary policy statement for fiscal 2020-21, the central bank set a private sector credit growth target of 11.5 per cent by December last year and of 14.8 per cent by June this year.

The central bank has already missed its credit growth target for the first half of the fiscal year as loans expanded by 8.37 per cent in December.

"If the economy does not rebound within June, the central bank will face a difficult situation to ease the pressure of the excess liquidity," said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

The central bank will face difficulty in implementing the monetary policy, he said. He, however, said that the central bank had to continue the expansionary monetary policy until June.

The BB began adopting unconventional tools of the monetary policy soon after the virus arrived on the shores of Bangladesh in March last year.

Both the central bank and the government have rolled out 23 bailout packages to absorb the economic shocks arising from the pandemic. The total amount of financial assistance stands at Tk 124,053 crore, which is 4.44 per cent of the gross domestic product.

The BB cut the repurchase agreement (repo) rate in phases to 4.75 per cent, from 6 per cent before the pandemic.

The repo rate is the rate at which the central bank lends to banks and is a major tool to understand the monetary policy of a central bank.

The bank rate, another tool of the central bank, was brought down by 100 basis points to 4 per cent in July, the first such cut in 17 years. The BB uses the rate while giving out money to banks under its refinance scheme.

All in all, the banking sector is flooding with excess liquidity.

READ MORE ON B3

MAJOR CHALLENGES

- Ballooning excess liquidity
- Increase in cash supply from remittance
- Feeble private credit growth
- Falling deposit rates
- Implementation of stimulus packages
- Protecting economy from asset bubble
- Checking inflation

Govt targets $4b from ship exports by 2025

STAFF CORRESPONDENT, *Chattogram*

The cabinet yesterday approved the Shipbuilding Industry Development Policy 2020 to facilitate the growth of the labour-intensive sector and generate export earnings.

The policy aims to fetch $4 billion through ship exports by 2025, according to Cabinet Secretary Khandaker Anwarul Islam.

Under the policy, benefits and loans can be accessed by shipbuilders. This will also help create more employment opportunities and reduce the country's import dependence, Islam said during a press briefing at the secretariat.

In order to implement the policy, there are plans to reduce taxes and VAT as well as provide long-term loans to public and private shipbuilders.

"Many exporting countries, including Germany and Italy, have moved away from the shipbuilding industry, creating a good opportunity for Bangladesh," Islam added.

Bangladesh started exporting modern ships to other countries in 2008, and since then, it has earned around $180 million by exporting 40 ships to several countries in Europe, Africa and Asia.

"Our maritime border is 664 kilometres long, but we can only use 10 per cent of it. Our country is also building ships with a capacity of 2,000 tonnes for exports, which will play a big role in the country's blue economy in the future," Islam said.

Md Saiful Islam, chairman of Western Marine Shipyard, told The Daily Star that no industry could move forward without policy support.

"This industry requires huge investment and takes a long time to establish," Islam said.

Investors were less interested in the past, as there were no guidelines or government policy support until now. But thanks to the recent development, there is now an opportunity to increase domestic and foreign investment in the shipbuilding industry.

There are 100 shipyards and dockyards in Bangladesh. Still, only five of them follow international standards, the entrepreneur said, adding that the plan to earn $4 billion from exports depends on how well this policy is implemented.

Due to the government's policy, most of the shipyards will now work to increase investment in the industry and backward linkages, Islam added.

Improve climate to attract more Chinese investment

Envoy says at China-Bangladesh Investment Summit

STAR BUSINESS REPORT

The government should improve investment climate in the country to attract more Chinese investment, said Li Jiming, China's ambassador to Bangladesh.

"We want to work with the government of Bangladesh to enhance our investment in the country."

> *Bangladesh has good potential for Chinese investment as the country's per capita income has already crossed $2,000, Jiming said.*

Jiming made the comments while speaking at the China-Bangladesh Investment Summit, styled "Showcase Bangladesh: 2021 China-Bangladesh Investment Virtual Forum", jointly organised by the Bangladesh Investment Development Authority (BIDA) and Standard Chartered Bangladesh.

Bangladesh has good potential for Chinese investment here as the country's per capita income has already crossed $2,000, Jiming said.

While addressing the virtual summit, Planning Minister MA Mannan said the government is implementing a plan to develop the country's investment climate as well as boost its trade and manufacturing capabilities.

"We want to improve the environment for our own country and fulfil the targets set by the government," he said.

Mannan urged the Chinese businesses to invest in labour intensive sectors as there is cheap labour in Bangladesh.

Salman F Rahman, private industry and investment adviser to the prime minister, said Bangladesh is the fastest growing economy in the Asia Pacific region and is committed to be the 28th largest economy by 2030.

Bangladesh's economy remained steady even amid the ongoing coronavirus pandemic thanks to the presence of a stable currency, stable exchange rate, moderate inflation and low public debt as per the global standards.

As part of its efforts to attract investors, strategically Bangladesh offers generous opportunities to foreign investors through liberal industry policies and export-oriented private sector led growth strategies.

All sectors are open for foreign investors, particularly garments, IT and infrastructure, Rahman said. "We are also offering a tax holiday at the special economic zones for investors who want to set up export-oriented industries," he added.

Mohammad Sirazul Islam, executive chairman of BIDA, said Bangladesh has a rapidly growing economy.

READ MORE ON B2

Cash crunch makes survival harder for garment exporters

REFAYET ULLAH MIRDHA

Pandemic-struck local garment suppliers are struggling to survive because of a poor cash flow caused by delays in payments by international retailers and brands despite the restoration of the orders.

In April last year, the buyers started cancelling or suspending the orders following the spread of the virus, which forced shops to shut amid lockdowns in Europe and North America, two major export destinations of Bangladesh.

Some 90 per cent of $3.18 billion worth orders have been restored so far after negotiations by the manufacturers, the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), and the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA).

Buyers have agreed to pay the local suppliers in different modes, which include as high as 50 per cent discount and deferment of payments from six months to one year.

Ahmed F Rahman, managing director of Kappa Fashions Ltd, said nine small and medium-sized garment exporters had together settled with their Hong Kong-based buyer at 43.5 per cent discount after nearly a year of negotiation.

READ MORE ON B3

WOES OF APPAREL SECTOR

- Buyers are delaying payments abnormally
- Some **3.57** lakh workers lost jobs due to pandemic
- More than **300** small and medium factories faced closure
- Some small entrepreneurs trying to sell factories amid capital shortage

Default loans fall for relaxed rules

Finance minister says

STAR BUSINESS REPORT

The amount of default loans in the banking sector decreased after the relaxation of rules and regulations by Bangladesh Bank, Finance Minister AHM Mustafa Kamal said yesterday.

AHM Mustafa Kamal

Non-performing loans (NPLs) decreased by Tk 17,737 crore in one year as of September 2020, he said in response to a query in parliament.

The outstanding classified loans stood at Tk 94,440.47 crore as of September last year, according to data from the banking watchdog.

"The central bank has relaxed several policies on loan classifications, helping reduce default loans," Kamal said.

READ MORE ON B3

Beximco tops DSE turnover list

Accounts for 20.81pc of market turnover

STAR BUSINESS REPORT

Beximco Ltd topped the turnover list yesterday amid an influx of buyers and sellers in the market.

Some Tk 330 crore worth of Beximco's shares were traded at the Dhaka Stock Exchange (DSE), which was 20.81 per cent of the total turnover.

The news of a jump in Beximco's earnings per share in the first half of 2020-21 led to the buoyancy in the market.

Its earnings per share rose 255 per cent year-on-year to Tk 1.92 in the July-December period, according to the company's disclosure published yesterday on the DSE website.

Despite the higher earnings, a number of investors sold off its stocks, which already rose more than four times in the last two months, said a stock broker.

READ MORE ON B2

STAR

People watch price fluctuations of stocks on a television screen at a brokerage house in Dhaka yesterday.

No further cuts in rice import duty: NBR

STAR BUSINESS REPORT

The National Board of Revenue (NBR) yesterday said it is unwilling to reduce import duty on rice in order to protect farmers' interests.

"Farmers do not want to cultivate paddy as they do not get fair prices of their produce. Imports will be cheaper if import duty is reduced further and our farmers will be discouraged to grow the staple," said NBR Chairman Abu Hena Md Rahmatul Muneem.

He made the comments at a press briefing replying to a question whether the revenue authority would cut import duty further as prices of staple grains and edible oil are high.

The revenue authority organised the press briefing at its headquarters to share plans on observing the International Customs Day-2021 today. The NBR last month slashed import duty on rice to 25 per cent from 62.5 per cent following recommendations from the food ministry.

READ MORE ON B3