

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
Week-on-week		As of Friday		Friday Closings				As on Thursday			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY
▼ 1.34%	▼ 2.10%	\$1,811.00	\$59.34	▲ 0.71%	▲ 1.54%	▲ 0.05%	▼ 0.16%	BUY TK 83.95	99.86	113.39	12.79
5,647.67	9,853.68	(per ounce)	(per barrel)	50,731.63	28,779.19	2,907.11	3,496.33	SELL TK 84.95	103.66	117.19	13.45



# Star BUSINESS

DHAKA SUNDAY FEBRUARY 7, 2021, MAGH 24, 1427 BS • starbusiness@thedailystar.net

## Loans to weak sectors face significant pressure: Moody's

Non-performing loans may increase in coming quarters as recovery from pandemic remains slow

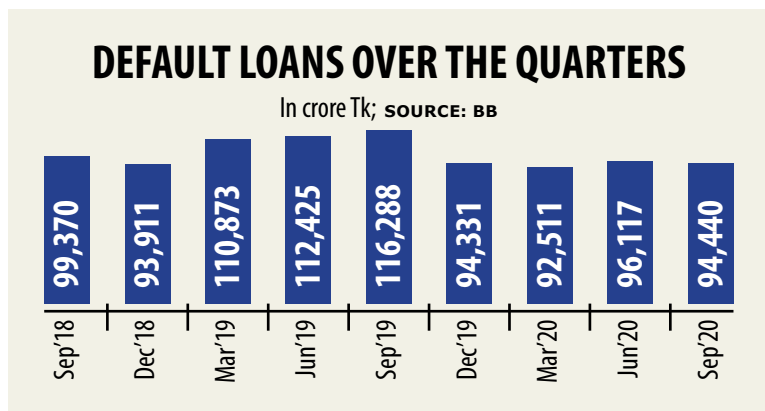
REJAUUL KARIM BYRON and MD FAZLUR RAHMAN

Loans to the vulnerable sectors in Bangladesh such as garment, textile, cement and tanneries will face significant pressure as they are yet to see expected recovery from the shock of the coronavirus pandemic, Moody's said.

"The true asset quality of loans will emerge across all sectors, and we expect significant pressure in loans to vulnerable sectors such as readymade garment and textile," said the global credit rating agency in an analysis.

Garment and textile sectors accounted for 19.4 per cent of banking system loans at the end of 2019.

In the nine months to September, garment-related exports fell by 19.8 per cent from the year-earlier period, according to Moody's.



Between July and January, the first seven months of the fiscal year, the shipment of garment declined 3.44 per cent year-on-year to \$18.40 billion as Bangladesh's key export destinations have been struggling to contain the impacts of the pandemic for more than a year, data from the Export Promotion

Bureau showed. Of the earnings from the apparel export, \$9.98 billion came from the knitwear shipment, which was up 3.84 per cent. The export of woven items declined 10.85 per cent to \$8.41 billion.

"We also expect loans in sectors such as cement manufacturing and tanneries to contribute to asset-quality stress because they have yet to recover from the economic slowdown," Moody's said.

The analysis said non-performing loans would increase in the coming quarters because of the expiration of credit moratorium period and weakening of the repayment capacity of borrowers as a result of the coronavirus shock.



### MOODY'S SAYS

Loan tenure extension will alleviate pressure on borrowers

Moratorium's end is credit positive because it restores transparency and payment discipline

It will allow banks to identify borrowers that are truly affected by the economic slowdown

Revealing the extent of asset-quality problems will provide regulators with more visibility on the health of banking system

"We expect the system-wide NPL ratio to increase in the coming quarters."

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## STIMULUS FUND DISBURSEMENT

### Small enterprises, farmers still languish in neglect

AKM ZAMIR UDDIN

The implementation of stimulus packages for small and medium enterprises, the agriculture sector and underprivileged professionals and businesses is still weak because of lukewarm response from banks although they were unveiled more than a year ago.

The lacklustre execution of the three packages has had an adverse impact on the recovery of the economy from the pandemic-induced slowdown, bankers say.

The government has rolled out 23 bailout packages since March to help various sectors of the economy absorb the coronavirus shock. The majority of the packages were declared in April.

The total amount under financial assistance stands at Tk 124,053 crore, which is 4.44 per cent of the gross domestic product. Of the sum, the central bank has come up with Tk 87,750 crore in the form of seven packages.

The central bank has formed a stimulus package worth Tk 20,000 crore for CMSMEs (cottage, micro, small and medium enterprises). Under the package, loans are given at 9 per cent.

Of the rate, 4 per cent is borne by the borrowers and 5 per cent by the government. Banks disbursed 58 per cent of the fund as of January 28, data from the central bank showed.

The central bank had earlier asked lenders to implement the package by September last year, a target lenders could not meet, prompting the BB to extend the deadline several times.

It has recently asked banks to implement the package by March this year.

Some banks have shown reluctance to disburse loans from the fund as the

### STIMULUS DISBURSEMENT STATUS

As of Jan 31; SOURCE: BB

58pc of Tk 20,000cr fund disbursed for CMSME sector

69pc of Tk 5,000cr for farm sector

47pc of Tk 3,000cr for marginal businesses

92pc of Tk 33,000cr for large borrowers

majority of CMSME clients are not running business in an organised manner, a central banker said.

"Lenders don't know whether they would be able to recover the loans," said Syed Mahbubur Rahman, managing director of Mutual Trust Bank.

He, however, said banks had already taken initiatives to disburse loans to CMSMEs.

Banks are also far from reaching the disbursement deadline for farm loans under the stimulus package of Tk 5,000 crore.

When the package was announced in the form of a refinance scheme, the central bank asked banks to distribute it by September last year. But banks performed poorly, forcing the central bank to push back the deadline twice.

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## Women entrepreneurs need digital skills: experts

STAR BUSINESS REPORT

Women entrepreneurs need to be skilled in digitalisation in order to avail the advantages of modern technology so that they can give a boost to their businesses, according to Shirin Sharmin Chaudhury, speaker of Bangladesh Parliament.

"We have seen many potentials in e-commerce businesses during the pandemic so technology can help women," she said.

E-commerce has shown its importance

from a gender perspective because it is a strong platform for empowerment, she said.

"Our women are suffering from some problems even in normal times such as low access to finance, training, markets and mobility," Chaudhury added.

Other major challenges faced by women entrepreneurs are inadequate access to credit facilities and a lack of accounting and managerial knowledge, she said.

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## Steel exports jump 83pc

JAGARAN CHAKMA

Bangladesh's steel export, mainly semi-finished casting products, leaped 82.91 per cent year-on-year during the July-January period of the ongoing fiscal, interestingly coinciding with the ongoing pandemic-induced economic slowdown.

Of the export, \$10 million worth of goods went to China.

Bangladesh's steel mills primarily import scrap metal to produce the intermediate casting products which need further processing to be turned into finished goods.

The industry deals with ferrous waste and scrap, re-melted ingots and products made from such metal of all shapes and sizes such as angles, rods, plates and pipes.

The export destinations are mainly the United Arab Emirates, India, Malaysia, Japan, Thailand, Pakistan and Myanmar.

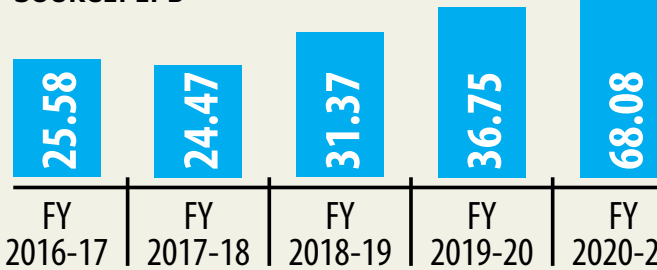
"The export increased due to a leading steel maker exporting around 45,000 tonnes of billet during the pandemic which showed a big jump in steel export," said Manwar Hossain, president of Bangladesh Steel Mills Owners Association.



### STEEL EXPORTS

Jul-Jan period; In million \$;

SOURCE: EPB



The leading steel makers tried to bring in cash instead of making a profit by selling at less than the production cost as the situation was not favourable during that time, he said.

According to him, such strategies in steel export are good for building images but not commercially viable.

Tapan Sengupta, deputy managing

director of Bangladesh Steel Re-rolling Mills, said Bangladesh's steel mills export by-products which they themselves cannot make use of including air pollution control dust and parts of scrapped ships such as scrapers.

He said the ferrous waste and scrap were exported to India, China, Taiwan etc.

As for finished products, he said Bangladesh had attained quality of international standard but not export volumes as per expectations. Though some were exported to north east India, the amount is very insignificant, he said.

Shahriar Jahan Rahat, deputy managing director of Kabir Steel Re-rolling Mills Group, said there was no scope of exporting finished steel as the millers were capable of only catering to local demand.

He said the sector was dependent on importing the raw materials.

Rahat said Bangladesh's annual consumption had risen by 15 per cent to 20 per cent between 2017 and 2019 whereas earlier it was increasing by some 10 per cent.

He believes the demand would persist for a long time in Bangladesh.

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## Get ready for gradual end of LDC-specific support: Tipu Munshi

STAR BUSINESS REPORT

Bangladesh should start preparing for the gradual withdrawal of international supports as the country is set to graduate from the group of least developed countries, Commerce Minister Tipu Munshi said yesterday.

The country should move towards signing of free trade agreements (FTAs) or preferential trade agreements (PTAs) to cope with the post-graduation scenario, he said.

He was addressing a virtual workshop on "Effective Partnership with the Private Sector for Sustainable Graduation". The Support to Sustainable Graduation Project of the Economic Relations Division (ERD) organised the event.

The graduation is likely to create new dynamics in international trade and businesses due to the loss of LDC-specific supports, speakers said.

"Likewise, we would be able to adjust very well with the upcoming dynamics," said Finance Minister AHM Mustafa Kamal.

The minister called on the private sector to enhance research and development capacity to cope with the upcoming Fourth Industrial Revolution and the LDC graduation.

ERD Secretary Fatima Yasmin said the government would prepare a smooth transition strategy in consultation with the stakeholders, including the private sector to grab the opportunities and cope with the challenges of graduation.

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## Improve infrastructure, business climate to remain competitive

Planning ministry report suggests measures for Bangladesh to offset post-LDC fallouts

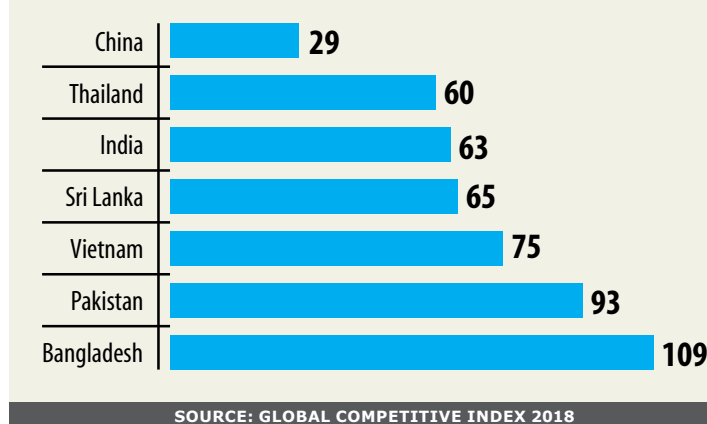
REJAUUL KARIM BYRON and REEYAT ULLAH MIRDHA

Development of physical infrastructure, improvement of the business climate and labour productivity and technological adoption are the key to making Bangladesh competitive in global trade by offsetting the fallouts of the LDC graduation.

"Improved infrastructure and labour productivity will reduce the costs and smoothen the business in the post-LDC period," the General Economics Division (GED) said in a study report.

The wing of the planning ministry carried out the study styled "Impact assessment and coping up strategies of graduation from LDC status for Bangladesh" as the country is set to graduate from the group of the least developed countries in 2024.

### RANKING IN INFRASTRUCTURE



SOURCE: GLOBAL COMPETITIVE INDEX 2018

It said although the government must be lauded for increasing the number of power plants to 108 in 2020 from 27 in 2009, most of them are small scale.

Keeping in mind the rise of projected demand for electricity to 34,000 MW by 2030, the government is planning to invest around \$70 billion in the power

### TIME NEEDED TO GET ELECTRICITY

COUNTRY	TIME (IN DAYS)
Bangladesh	150.2
India	55
Indonesia	34
Malaysia	24
Myanmar	77
Nepal	70
Philippines	37
Singapore	30
Thailand	30
Vietnam	31

SOURCE: WORLD BANK; DOING BUSINESS 2019

sector over the next 15 years.

"It is important that this investment is based on using least-cost options and renewable energy

to the extent technically possible to lower the cost of electricity, ensure the sustainability of primary energy supply and reduce carbon pollution.

"Proper pricing of primary energy will be of critical importance."

Emphasis will also have to be given to power transmission and distribution, upgrading of grid capacities, and energy trade in the region.

Cooperation with neighbouring countries such as India in the field of energy trade is ongoing, and this should be broadened to include Bhutan and Nepal, the report said.

The GED report said the current road network was inadequate to provide infrastructural support to a country with a population of more than 160 million and that is aspiring to become a high-income country in 2041.

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