



Roadside vendors in Dhaka's Motijheel are seen closing up shop despite it still being bright out as heavy downpours across the capital are threatening to damage their goods while also keeping customers at bay. The photo was taken yesterday.

PHOTO: FIROZ AHMED

# BB assures BSEC of policy support for stock, bond markets

## STAR BUSINESS REPORT

Bangladesh Bank recently assured the Bangladesh Securities and Exchange Commission (BSEC) that it would continue providing policy support to develop both the stock and bond market.

In a letter to the BSEC on Monday, the central bank said the scope for scheduled banks to invest in the stock and bond markets rose after it had allowed banks to consider the cost price of securities in calculating the exposure limit.

The exposure limit refers to the amount of money invested in listed securities purchased by banks.

As per the Banking Companies Act 1991, a bank's investment in the markets is limited to 25 per cent of its capital, which includes paid-up capital, share premium, statutory reserve and retained earnings.

In response to the longstanding demand of general investors, the BSEC had previously asked Bangladesh Bank to allow banks in the country to use

cost prices instead of market prices for calculating their exposure limit.

The cost price refers to the value at which the security was purchased.

Investors hope that banks would widen their investments if given the scope and thereby improve the market condition.

Following the BSEC's request, the central bank issued a notice last month that gave permission for banks to calculate their exposure limit based on the cost price of all shares, mutual funds, debentures and corporate bonds they purchase.

In addition, Bangladesh Bank had rolled out a separate fund for banks on February 10, 2020, so that any bank in the country can take loans of up to Tk 200 crore for investing in the capital market.

The banking regulator provides banks with the funds through a repurchase agreement against the treasury bills and bonds they own.

Banks have to pay 5 per cent interest on the loan while the credit tenure will be up to February 2025.

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Besides, banks can invest in bonds that are listed and secured by bank guarantees and so, they have the scope to invest more in the bond market, the central bank said in its letter.

"So, for the sake of the financial sector and to develop the bond market, Bangladesh Bank's policy support will continue," it added.

The central bank's assurance came at a time when the stock market was in a falling trend for the past few weeks before bouncing back.

The DSEX, the benchmark index of the Dhaka Stock Exchange, dropped a total of 1,125 points from February to August this year. However, it recovered around 500 points in the last one month.

On condition of anonymity, a top official of an asset management company said the central bank's letter gave nothing but a commitment that it would be supportive to the stock and bond markets.

"The letter brought on a positive sentiment among investors," he said, adding that the central bank has extended supportive measures in recent times.

A top official of the BSEC said both regulators are working for the development of the financial sector, including the stock market.

"The central bank expressed its commitment that it would be supportive to the market as it has an important role in financing entrepreneurs," he said.

"So, I hope investors will be happy to know of the commitment," the BSEC official added.

## Local firms gain ground

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"Consumers are getting both quality products and warranty because of local manufacturing," said Harun-Ar-Rashid, managing director of Super Star Group, one of the top lighting product makers and marketers in Bangladesh.

"Our research and development have been ongoing, and a lot more items would be made here," he added.

Because of local assembling and manufacturing, job opportunities have been created.

"We are making some products here. As such, local value addition is around 15-20 per cent," Rashid said. The group entered into manufacturing after finding that most of the lamps are imported.

The market size of lamps, mainly for domestic use, in Bangladesh would be more than Tk 2,500 crore.

"The amount will be higher if the market for corporate use is added," the entrepreneur said.

"We are going after more detailed manufacturing. The lighting and

accessories industry has bright prospects."

Demand for lighting products is increasing by 10-15 per cent annually, driven by the expansion of electrification, according to Shakil Choudhury, chief financial officer of Bangladesh Lamps, a pre-eminent manufacturer of electric light bulbs in the country.

"Our import dependence on finished goods has declined for domestic manufacturing. We see good prospects for the sector. The government support will enable the sector to flourish further," he said.

Jobaer of Energy+ Electric & Electronics said demand for lighting products and electric accessories was huge.

"But we, the local manufacturers, can't grab the whole of it because of an influx of cheap and inferior quality lights from abroad," he said, urging the authorities for quality examination during the import of lighting products.

"Bangladesh can make great

strides in electrical lighting solutions if the government extends its support," said Jobaer, calling for low-cost and long-term loans.

He said his company has gained the capacity to provide lighting solutions and has been nominated for loans under an Export Readiness Fund of the World Bank Group to explore international markets.

"This has become beneficial for us. We have taken an initiative to export to three markets – the United Arab Emirates, Australia and Canada," said Jobaer. Chinese firms dominate a good part of the international lighting solutions market.

"But the quality of our products is better and the opportunity is that people are looking for alternatives to Chinese products," said Jobaer.

Energy+ Electric & Electronics started with a Tk 2 crore investment and 30 employees. Today, the company employs nearly 700 people.

The firm has taken up an initiative to make internet of things-based smart lighting solutions.

## Inflation to keep rising in Sep

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Mannan said the country's economy had come under pressure in the post-Covid period due to global circumstances.

But he hopes that progress would be gradually made and the country would start bouncing back to normalcy in October.

On Bangladesh requesting International Monetary Fund (IMF) last month to provide a loan to prop

up its strained foreign currency reserves, the minister said, "IMF is our organisation."

"We're a member of it. As a member state, it gives us technical assistance, loans and sometimes advice. When a member country falls into a ditch, it gives them loan as bailout," he said.

"But we didn't fall into any ditch and we're not taking any bailout from it. We took loans from the IMF in the

past. We're taking loans this time. Maybe we are in a bit of a problem," he added.

As a part of austerity measures, the government divided ongoing projects into three categories focusing implementation priority. "We're in cost cutting measures and we have to do or tune it," said Mannan.

"We will review it in September. Then if we see any problem, we will resolve it," he added.

## Rules eased for exporters to retain dollars

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The banking sector receive an additional supply of US dollars.

Since the volatility has eased to some degree recently, the BB has extended the period for exporters to retain American greenback, a central bank official said.

The BB's decision will help exporters tackle the losses stemming from the fluctuation of the exchange rate between the dollar and the taka.

Also yesterday, the central bank permitted exporters to transfer the value-added portion of export proceeds to other banks for the

settlement of import bills or liabilities of the Export Development Fund.

In May, the BB instructed exporters to sell their export proceeds to the same banks through which they ship goods since many of them sold the dollars to the lenders that offered the higher rate, creating indiscipline in the forex market.

## UK shoppers cut back on non-essentials

REUTERS, London

British shoppers are cutting back on purchases of clothes and other non-essential items as they try to cover their sky-rocketing utility bills and higher food prices, surveys showed on Tuesday.

With the country's next prime minister Liz Truss promising help to tackle the cost-of-living crisis, the British Retail Consortium said the value of total sales at its members – mostly large chains and major supermarkets – rose by 1.0 per cent last month compared to August 2021, weaker than July's 2.3 per cent increase.

On a like-for-like basis, ironing

out changes in shop floor space, sales rose by 0.5 per cent, slowing from July's 1.6 per cent rise.

The figures are not adjusted for inflation, meaning the small rise in sales masked a much larger drop in volumes. "Worryingly, August data revealed a significant fall in clothing sales, the category which has been the most robust performer this year which could signal the start of shoppers pulling back from non-essential spending," Don Williams, a retail partner at KPMG which co-produces the data, said.

The belt-tightening by British households could be an early sign of a recession to come. The Bank

of England has forecast Britain's economy will go into recession at the end of the year and will only emerge from it in early 2024.

Separate data from Barclaycard showed spending on consumer payment cards grew by an annual 4.7 per cent in August, the smallest increase since March 2021, with outlays on essential items such as food up by 7.2 per cent, the highest increase since December 2021.

Average utility bills per customer climbed 45.2 per cent. Clothing retailers saw an almost 2 per cent fall in sales compared to August 2021, while department store sales were down 4.3 per cent.

## Talks on CEPA soon: Modi

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will be able to connect more with each other, support each other. Our bilateral trade is growing rapidly," he said.

Indian Foreign Secretary Vinay Mohan Kwatra told the media that CEPA is expected to be finalised before Bangladesh graduates into a developing country from a least developed nation by 2026.

Modi said rising energy prices were now posing a challenge to all developing countries and the unveiling of the first unit of a Maitree thermal power plant in Rampal would increase the availability of affordable electricity in Bangladesh.

"Fruitful talks are also underway between the two countries on connecting power transmission lines," he said.

According to Modi, the inauguration of a railway bridge over the Rupsha river "is a remarkable step" towards enhancing connectivity.

This bridge is an important part of a new railway line being built between

Khulna and the Mongla port under an Indian line of credit. India will continue to extend all support for the development and expansion of Bangladesh's railway system, said the Indian prime minister.

He said the two countries also decided to increase cooperation in sectors like IT, space and nuclear energy, which were of interest to the younger generations.

He said Bangladesh has made remarkable progress under the leadership of Sheikh Hasina in the last couple of years. "Our mutual cooperation has also increased rapidly in every field," he said.

"Today, Bangladesh is India's largest development partner and our largest trade partner in the region," he added.

A joint study by the two countries showed that a CEPA could increase exports from India to Bangladesh by anywhere from \$4 billion to \$10 billion in a span of five years.

Similarly, exports from Bangladesh to India could increase by \$3 billion to

\$5 billion, albeit in a span of 10 years.

The total gain for both countries from such an agreement could be anywhere from \$7 billion to \$15 billion.

The study also showed that of the \$8.1 billion-worth of goods imported by Bangladesh from India in 2019, 31.9 per cent was duty free.

As for the breakdown, some 67.3 per cent of the total capital goods imports from India were duty-free followed by 56.9 per cent of fuel imports and 30.2 per cent of industrial supplies.

In terms of change in real GDP, it will increase by 1.72 per cent from what was in 2019 in case of Bangladesh while in the case of India, it will rise by 0.03 per cent, the study said.

In percentage, the combined effect of a CEPA on Bangladesh's exports to India would result in approximately a 190.15 per cent increase from what was in 2019 while in the case of India's exports to Bangladesh, the estimated increase is expected to be 188.34 per cent.

## Banks asked to suspend evening banking

### STAR BUSINESS REPORT

Bangladesh Bank yesterday asked bank to suspend their evening banking operation in order to reduce electricity consumption as part of the government's austerity measures.

The evening banking was rolled out in 2012, afterwards a good number of banks embraced the operation.

The lenders will have to keep their operations suspended until further instruction is given by the central bank in this regard, according a notice issued by the banking watchdog.

The evening banking is usually operated between 6pm and 8pm specially in the commercial and industrial zones.

Bangladesh Bank on Monday asked banks to reduce use of electricity and energy consumption as part of the austerity measures to contain the volatility in the foreign exchange market.

In late July, Bangladesh Bank asked the lenders to cut spending for petrol, diesel, gas and lubricant by at least 20 per cent within this fiscal year.

But it would be tough for the banks to abide by the instruction because of the recent price hike of the petroleum products, said a BB official.

Under this situation, banks were also instructed not to use official vehicles for personal purposes.

## Stop illegal banking by cooperatives: BB

### STAR BUSINESS REPORT

The Bangladesh Bank yesterday urged the Department of Cooperatives to take measures against the illegal banking operation carried out by several cooperative societies.

It raised the issue at a virtual meeting among the country's top financial regulators, according to Md Serajul Islam, spokesperson of the central bank.

Senior officials of the financial regulators – the BB, the Bangladesh Securities and Exchange Commission, the Insurance Development and Regulatory Authority, the Registrar of Joint Stock Companies and Firms, the Microcredit Regulatory Authority, and the Department of Cooperatives – attended the meeting.

Abdur Rouf Talukder, governor of the central bank, presided over the meeting.

Islam said that some cooperative societies are using the word 'bank' in their names, which is misleading ordinary people.

Besides, they are running illegal banking by mobilising deposits from the general public, putting their funds at risk.

Some cooperative societies are also giving out loans to individuals who are not members of the organisations, ignoring rules.

"So, the central bank requested the Department of Cooperatives to take regulatory measures to stop their unlawful operations," Islam added.

"We talked about the undistributed dividend of the listed banks and NBFIs so that they deposit the funds to the capital market stabilisation fund," said Shaikh Shamsuddin Ahmed, a commissioner of the BSEC.