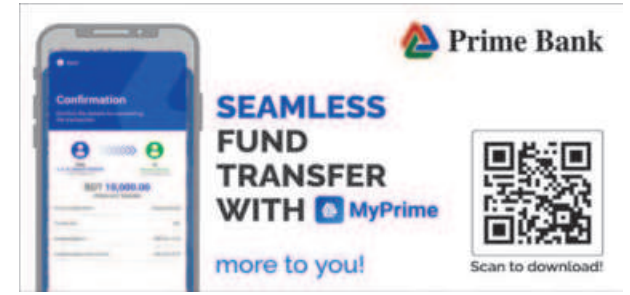


Star BUSINESS



ANALYSTS SAY...

- Credit growth rising despite liquidity stress in banks
- Lending cap of 9pc is responsible for credit expansion
- High credit growth may fuel inflation further
- BB should tighten money supply

PRIVATE SECTOR CREDIT GROWTH

In %; SOURCE: BB

BB's target for pvt credit growth:

- 13.6pc by Dec 2022
- 14.1pc by Jun 2023

INFLATION

- Target by this fiscal year: 5.6pc
- July's inflation: 7.48pc

INTERIM LICENCE Nagad gets extension for sixth time

STAR BUSINESS REPORT

The Bangladesh Bank has once again renewed the interim licence of Nagad as the Bangladesh Post Office (BPO) could not form a subsidiary to run the mobile financial service within the deadline.

This is the sixth extension since the state-run agency secured provisional approval from the central bank in March 2020. This time, the interim licence has been extended for a year.

It came on September 25 after the Directorate of Posts had sought the extension, said a BB official.

Nagad has been operating without a full-fledged licence since its inception in March 2019. It has more than six crore customers and facilitates transactions of around Tk 750 crore daily.

Recently, the BB has started taking into account users' number and transaction figures of Nagad while preparing the data for the entire MFS industry.

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Private credit growth surges, nears BB target

AKM ZAMIR UDDIN

Bangladesh's private sector credit growth surged to 14.07 per cent in August, almost touching the central bank's target for the entire fiscal year, an ominous sign for the economy since it may stoke inflationary pressures.

When the Bangladesh Bank unveiled its monetary policy for 2022-23 in June, it called the stance contractionary. But the ongoing credit expansion in the private sector does not bode well for the central bank's stance aimed at reining in inflation.

The BB has set a private credit growth goal of 14.1 per cent for the fiscal year after it expanded by 14.5 per cent the year before. The credit growth has kept rising since March, data from the BB showed.

Analysts say that the contractionary monetary policy is not working owing to the interest rate cap of 9 per cent on loans. A higher credit growth means the money supply is on the rise, which will ultimately put an adverse impact on price pressures.

In July, inflation fell to 7.48 per cent from a nine-year high of 7.56 per cent in June.

The government has not published the inflation figure for August. However, Planning Minister MA Mannan signalled earlier this month that inflation would go up in August and September owing to the hike in the cost of living and the ongoing Russia-Ukraine war.

Monzur Hossain, research director of the Bangladesh Institute of Development



Studies, said: "The central bank has taken a contractionary monetary policy to squeeze the private sector credit growth given the inflationary pressure."

"But the stance to reduce the money supply is not bringing about expected output thanks to the interest rate cap on lending. There is little scope to follow a contractionary monetary policy by maintaining the cap."

Owing to the interest rate ceiling, businesses have continued to take up a hefty amount of loans.

"So, the central bank should reduce the money supply by lifting the cap, or else it may fuel the inflationary pressure further," Hossain said.

The central bank hiked the benchmark interest rate by 75 basis points to 5.50 per cent

in May in order to tighten the money supply. A spike in policy rates makes loans costlier.

Commercial banks follow it to fix the interest rates on both loans and deposits. Quoting the policy rate, cash-strapped banks take short-term loans from the BB before disbursing them among individual borrowers.

But the policy has become ineffective to contain inflation due to the lending cap.

"No tool of the monetary policy can contain inflation unless the lending cap is withdrawn," said Hossain.

The economist, however, noted that if the loans given by banks go to the productive sector, people would be able to absorb the price pressure.

"Expansion of the productive

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STOCKS	
DSEX ▼	CASPI ▼
0.33%	0.09%
6,489.04	19,163.73

COMMODITIES	
Gold ▲	Oil ▲
\$1,639.37	\$77.68
(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.06%	▲ 0.53%	▼ 0.52%	▲ 1.40%
57,107.52	26,571.87	3,165.50	3,093.86



Jobseekers are seen speaking to information desk attendants at a job fair for technical positions in various companies at the PSC Convention Hall in Dhaka's Mirpur yesterday.

PHOTO: COLLECTED

Reforms key to more investment from EU

Ambassador Charles Whiteley says

STAR BUSINESS REPORT

Regulatory reforms ensuring level playing fields for local and foreign companies and reforms in taxation are required to attract more foreign direct investment (FDI) from the European Union (EU) nations to Bangladesh.

This was stated by Charles Whiteley, ambassador and head of the delegation of the EU in Bangladesh, at a 16th annual general meeting of the International Business Forum of Bangladesh (IBFB) at the Sonargaon hotel in Dhaka yesterday.

Only the sky is the limit when it comes to investment from the EU to Bangladesh, said Whiteley.

He said the general inflow of FDI from the EU to Bangladesh was \$3.5 billion over the last five years, which was good.

Bangladesh has more opportunities to attract more FDI from the EU, he said.

Vietnam, having a population of less than 100 million, received more than \$6 billion in FDI from the EU nations whereas Bangladesh, with over 160 million people, received \$3.5 billion, said Whiteley.

Bangladesh should be in a position to achieve the GSP Plus status to confirm

duty-free market access to the EU after it makes the UN's status graduation from a least developed to a developing country in 2026, the ambassador said.

Bangladesh needs to achieve the status through ensuring compliance with 32 international conventions that cover four core areas, including good governance, human rights, labour rights and environmental protection.

The EU will continue the duty-free market access for Bangladesh up to 2029 as it is the largest trade bloc's custom to provide three more years to a graduating nation for taking preparation for a smooth transition, he said.

Whiteley also said the EU would hold a talent hunt programme in November to select young people to send them to EU nations for imparting training on different subjects for four years.

After four years, they will come back to Bangladesh with the knowledge so that brain drain can be stopped, he said.

The EU ambassador suggested revival of the jute sector and for exploring more export of pharmaceuticals as garments alone contribute over 83 per cent of national exports in a year.

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Thousands through technical job fair

STAR BUSINESS REPORT

A day-long fair for technical jobs witnessed huge response yesterday with more than 25,000 jobseekers, including experienced and fresh graduates, taking part in the show where top employers offered a staggering number of jobs.

The Technical Job Fair at PSC Convention Hall in the capital's Mirpur was organised by Bdjobs.com, the country's largest online employment platform.

More than 60 leading local companies, including Walton, Pran-RFL, City Group, Akij Group, Bengal Group, Anwar Group and Runner, offered employment opportunities on the spot.

In 400 job categories, the companies will hire around 5,000 people

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