

Star BUSINESS



DURGA PUJA 3,000 tonnes hilsa being exported to India

BSS, Dhaka

Bangladesh will export around 3,000 tonnes of hilsa to India marking upcoming Durga Puja, the biggest religious festival of the Hindu community scheduled to be held next month.

"We have been exporting hilsa continuously for the last three years to India as a goodwill gesture 15-20 days ahead of the Durga Puja festival," said Commerce Minister Tipu Munshi.

A total of 60 private companies - each to export a maximum of 50 tonnes - got approval from the commerce ministry.

The ministry, however, in its latest order has extended the export timeframe till October 5 instead of the previously scheduled timeframe of September 30 as the government has imposed

READ MORE ON B3

OBJECTIVES OF RAISING POLICY RATE

- Containing inflation
- Reining in pvt sector credit growth
- Squeezing money supply

Analysts' observations on BB stance

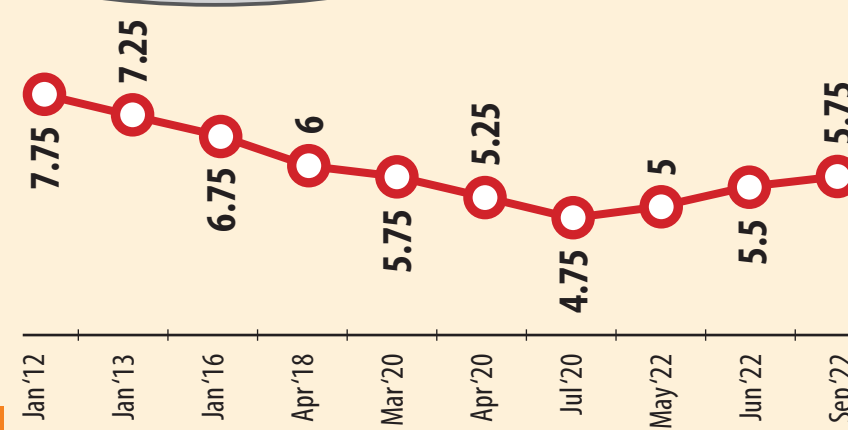
- Hiking policy rate can't contain inflation
- Demand for loans will not fall
- No scope to reduce money supply
- Withdrawal of lending cap can check inflation largely
- Profitability of banks will shrink



BB's target for pvt sector credit growth: 14.1pc for FY23
Pvt credit growth in Aug: 14.07pc

Govt target for Inflation: 5.6pc for FY23
Inflation in July: 7.48pc

REVISION OF POLICY RATE BY BB



SOURCE: BB

Solar outage may disrupt TV broadcasting

STAR BUSINESS REPORT

Television broadcasts of local channels could be disrupted for a total of 81 minutes from tomorrow to October 7 as the sun could be in direct line with Bangabandhu Satellite-1, disrupting the signal of the satellite.

The sun's radiation overwhelms a satellite's signal when it stays in direct line with a satellite, which is also called a solar outage.

In case of sun outage, the users could face broken pictures in all 39 local channels, which are airing programmes using Bangabandhu-1, the country's first communication satellite.

"The disruptions could occur for few minutes due to the sun outage," said Md Shafiqul Islam, general manager for technical, research and planning at the Bangladesh Satellite Company Limited (BSCL).

"However, the disruption will be limited. The viewer could see low quality pictures or vertical and horizontal artificial lines during the broadcast. All of the satellite in the world could face such problem at a certain period in a year."

READ MORE ON B3

BB hikes key interest rate by 25 basis points

Move may not curb inflation as loans still cheaper, say economists

AKM ZAMIR UDDIN

The Bangladesh Bank yesterday raised its benchmark interest rate by 25 basis points to 5.75 per cent as it stepped up its fight against inflation, which is running at a multi-year high.

This was the third hike since May 29, an unprecedented move on the part of the BB as it has never revised the rate upwards multiple times in such a short time.

The move is in line with the efforts of central banks around the globe as they are desperately trying to curb inflationary pressures amid supply chain disruption, driven by the Russia-Ukraine war.

For example, the Federal Reserve of the US, the central bank of the US, hiked interest rates in September for the fifth consecutive time. Similarly, the European Central Bank raised interest rates in July and September.

The UK raised the rate recently, while India's central bank is expected to increase its policy rate by half a point for the third time in a row.

But it remains to be seen whether the BB's intervention,

which is meant to be making funds costlier for borrowers, would be able to contain inflation since loans are relatively cheaper in Bangladesh at the moment owing to a ceiling on interest rates.

The central bank has maintained the lending interest

rate cap of 9 per cent since April 2020.

Usually, central banks raise interest rates to curb accelerating inflation and safeguard price stability.

A higher interest rate pushes up the lower limit for lending rates to firms and households, disincentivising their consumption and investment.

In turn, this reduces aggregate demand in the economy, thus lowering inflationary

pressures, according to the Asian Development Bank (ADB).

The policy rate, which is termed the repurchase agreement (repo) in Bangladesh, is a pivotal benchmark interest rate that commercial banks follow in fixing the interest rates on both loans and deposits.

Quoting the rate, cash-strapped banks take short-term loans from the BB and disburse them among borrowers.

Md Habibur Rahman, chief economist of the BB, says that inflation may go up further in the days to come, prompting the central bank to raise the policy rate once again.

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 figure for

August.

In addition, the private sector credit growth is now on the increase, an indication of the upward trend of the money supply.

Private sector credit growth surged to 14.07 per cent in August, almost touching the central bank's target for the entire fiscal year of 14.1 per cent.

The rising private sector credit growth means the central bank's monetary policy stance is not bringing about desired outcomes. "The policy rate hike means the central bank is now stricter in reducing the supply of money than before," said Rahman.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, said the demand for loans would not go down until the interest cap on loans is withdrawn.

"If interest rate cap is lifted, lending will decrease across the board and this will ultimately squeeze the money supply."

The economist said money supply from the central bank through the repo platform will not face any major barrier as banks will continue to lend to businesses at the current pace.

READ MORE ON B3



PHOTO: HABIBUR RAHMAN

Workers fill up 50-kilogramme sacks with imported urea fertiliser on a water vessel before weighing and loading those onto a truck, getting paid Tk 6 per sack. A group of 30 workers can load 4,000 sacks in a day. The photo was taken at Number 5 Machhghat in Khulna city recently.

Progress moderate in ending child labour

US report says on Bangladesh

REFAYET ULLAH MRDHA

Bangladesh made moderate advancements last year in efforts to eliminate the worst forms of child labour, according to a report of the US Department of Labor published on Wednesday.

In early 2022, the government ratified International Labour Organization's (ILO) C138 - Minimum Age Convention, 1973 (No. 138) that deals with minimum age for admission to employment and P029 - Protocol of 2014 to the Forced Labour Convention, 1930, it said.

The government also removed 5,088 children in vulnerable situations from 23 districts through inspections.

However, children in Bangladesh are subjected to the worst forms of child labour, including commercial sexual exploitation and forced labour in drying of fish and the production of bricks.

Children also perform dangerous tasks in the production of garments and leather goods. Bangladesh Labour Act, 2006 does not apply to the informal sector in which most child labour in Bangladesh occurs.

In addition, penalties for child labour violations can only be imposed after a lengthy legal process and, when courts do impose them, the fines are too low to deter child labour law violations.

Moreover, the government did not publicly release information on its criminal law

READ MORE ON B3

STOCKS	
DSEX ▲	CASPI ▲
0.25%	0.04%
6,512.89	19,189.28

COMMODITIES	
Gold ▲	Oil ▲
\$1,652.6	\$82.27
(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.33%	▲ 0.95%	▼ 0.04%	▼ 0.13%
56,409.96	26,422.05	3,115.08	3,041.20

BB nod must for NBFIs to lend to subsidiaries

STAR BUSINESS REPORT

Non-bank financial institutions (NBFIs) will have to take permission from the central bank to lend to their subsidiaries or associates and waive loans or interests.

The move is aimed at protecting the interests of the depositors and restoring discipline in the financial sector, said the Bangladesh Bank in a notice yesterday.

The central bank came up with the directive after it found that NBFIs are investing in their subsidiaries or associated companies breaching the regulatory limit.

Besides, rules are being violated in the case of the waiver of interests or loan write-off.

"As a result, the discipline in the financial sector is being hampered and there has been concern that NBFIs might not get back their loans or investments," the BB said.

Under the circumstances, NBFIs will have to secure prior permission from the central bank to lend to their subsidiaries or associates and waive loans or interests.

It came after the BB earlier found that at least seven NBFIs were finding it difficult to recover Tk 2,050 crore they had lent to their subsidiaries and associates in breach of rules.

As per the Financial Institutions Act 1993, NBFIs are permitted to disburse a maximum of 30 per cent of their capital to an individual or company, which also could be their subsidiaries and associates. But the seven lent the amounts violating the single borrower exposure limit.

Now, 35 NBFIs are operating in Bangladesh. Of them, two are fully government-owned, one is the subsidiary of a state-run commercial bank, 19 have been initiated by private domestic initiatives, and 13 were set up by joint venture initiatives.

Major sources of funds for them are term deposit (at least three months tenure), credit facility from banks and other NBFIs, call money as well as bond and securitisation.

Meghna EZ drawing Swiss investment

STAR BUSINESS REPORT

Sika Bangladesh, a subsidiary of Switzerland-based construction chemical manufacturer Sika Group, is investing \$6 million setting up a 10,000-square metre factory in Meghna Industrial Economic Zone (Miez) in Sonargaon of Narayanganj.

The factory will mainly produce admixture and grout, an official told The Daily Star, adding that about Tk 1,000 crore-worth construction chemical products were annually sold in Bangladesh.

Admixture is a mix of chemicals used to aid the properties of concrete or cement. Grout is a mortar or paste for filling crevices, especially the gaps between wall or floor tiles.

Sika's specialty chemicals enable developing products and systems for bonding, sealing, damping,

READ MORE ON B3

