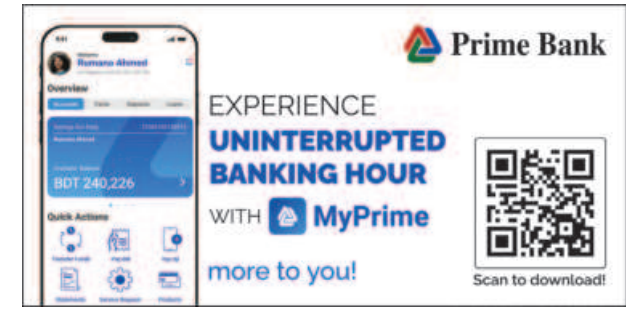


Star BUSINESS



Forex reserve falls below \$30b again

STAR BUSINESS REPORT

Bangladesh's foreign exchange reserves fell to \$29.97 billion yesterday after the Bangladesh Bank cleared \$1.09 billion of import bills through the Asian Clearing Union (ACU), an arrangement for settling payments for intra-regional transactions among eight countries, said a BB official.

Forex reserves, which have been under pressure for more than a year, stood at \$31.16 billion on Wednesday, riding on increased flow of remittances, according to the BB.

Under the ACU, Bangladesh clears import bills every two months and forex reserve usually falls after the payment. The BB cleared import bills amounting to \$1.18 billion in May leading to a drop in overall reserves to \$29.77 billion after the payment.

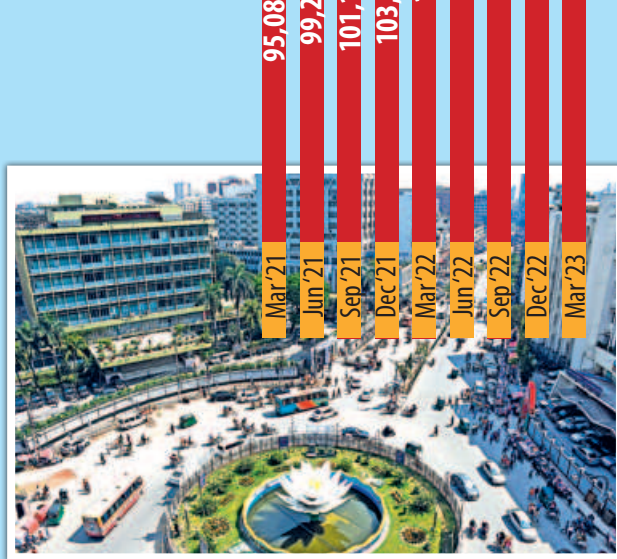
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CHALLENGES BB SEES IN BANKS AND ECONOMY

DEFAULT LOANS IN BANKING SECTOR

(In crore taka)

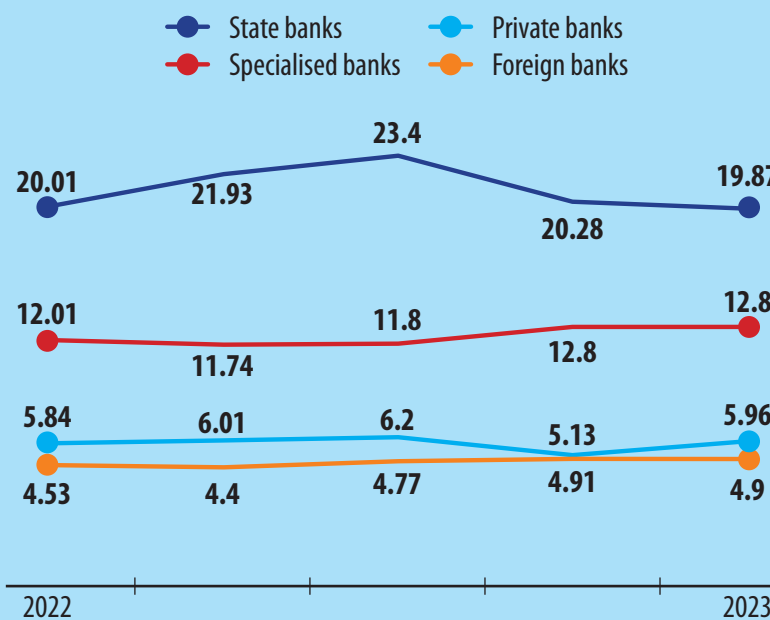
SOURCE: BB



- High default loans
- Shortage of liquidity
- Lower deposit growth
- Depreciation of taka
- Rising inflation

GROSS NON-PERFORMING LOAN RATIO

In %; SOURCE: BB



Higher NPL burden for banking sector

Says central bank, calling for continuous supervision, loan recovery

AKM ZAMIR UDDIN

The banking sector is burdened by a high non-performing loan (NPL) and will need to continue measures to beef up supervision and accelerate loan recovery, according to the Bangladesh Bank.

The BB has taken an active role in amending the existing Bank Company Act, 1991 to tackle the challenges associated with the high NPL, the central bank said in its "Bangladesh Bank Quarterly" for the January-March period.

NPLs stood at Tk 131,621 crore as of March 31, up 9 per cent from three months ago and 16 per cent from a year earlier, data from the BB showed.

The NPL figure is the second-highest in the banking sector's history and comes within a whisker of touching the all-time high of Tk 134,396 crore reported in the July-September quarter of 2022.

In March, the NPL ratio accounted for 8.8 per cent of the banking system's outstanding loans of Tk 14,96,346 crore. It was 8.16 per cent in December and 8.53 per cent in March last

year. Zahid Hussain, a former lead economist of the World Bank's Dhaka office, says that it is tough to find out a remarkable measure that has been taken by the central bank to bring down NPLs.

"Rather, the central bank has taken several measures in recent years that have pushed up default loans. Besides, the latest amendment to the Bank Company Act, 1991 may weaken the financial health of the banking sector."

He said the central bank has been offering defaulters and borrowers the scope to repay loans in a relaxed manner since 2015-16.

Parliament passed the new Bank Company Act on June 21, defining habitual defaulters for the first time.

As per the law, an individual will be considered a willful defaulter if he or she does not repay a loan obtained in their name or their company's name despite having the means to pay back.

In addition, a person will be treated as a habitual defaulter if they obtain loans under the name

of non-existent firms or transfer assets kept as a collateral in a bank without its prior approval with a view to getting funds from others.

But Hussain says that the government has not kept any strong provision in the law to bring habitual defaulters to

governance of the banking sector.

He said the law also did not address how to stop directors from one bank to secure credit facilities from others through mutual understanding.

Some directors usually take loans from the banks where they



book.

The new law will allow a subsidiary of a group of companies to take loans even if other concerns default on loan payments.

Such facility was absent in the past, the economist said.

The law allows directors to remain on the board for up to 12 years from nine years previously, a provision that Hussain thinks will deal a blow to the corporate

do not hold the post of directors. Such board members have already taken a large amount of loans thanks to mutual understanding among each other, creating concerns over corporate governance.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, says that there has been no visible measure on the part of the central bank to arrest default loans.

"Political reason is the main factor behind the rise in NPLs."

In its publication, the central bank said the lower growth in bank deposits coupled with the gradual tightening of liquidity conditions and substantial depreciation of the taka may put further challenges for the banking sector.

It also said the economy faces two critical challenges that demand immediate attention: rising inflation and the exchange rate pressure.

The Consumer Price Index rose 9.02 per cent in 2022-23 against the government's revised target of 7.5 per cent. This was the highest average inflation rate in 12 years.

The taka has lost its value by about 25 per cent against the US dollar in the past one year owing to the sharp fall in the foreign currency reserve.

The BB said it has introduced several key measures to stabilise prices and exchange rates.

"By adopting a market-oriented framework, the BB seeks to maintain a delicate balance between promoting economic growth and maintaining price stability."

RMG exporters bracing for difficult times as orders slow

REFAYET ULLAH MIRDHA

Apparel exporters are anticipating that the next six months will be challenging for the garment industry in Bangladesh as they receive fewer work orders from international buyers amid inflationary pains and depressed customer sentiments.

They are, however, hopeful about a rebound from December as the impact of a hike in bank interest rate in Bangladesh would ease and consumer prices would maintain their downward trend in the western countries.

"I don't see any possibility of a brighter prospect for garment exports in the next six months because the economies in the European Union and the US are yet to start performing strongly," said Md Fazlul Hoque, managing director of

Exporters are hopeful about a rebound from December as the impact of a hike in bank interest rate in Bangladesh would ease and inflation in West would decline further

Plummy Fashions Ltd, a Narayanganj-based knitwear manufacturer.

The EU and the US, the main export destinations for Bangladesh, account for about 85 per cent of the country's apparel shipment.

One encouraging sign is consumer prices, which surged to a multi-decade high last year owing to the escalation of energy prices fuelled by the Russia-Ukraine war, are on the decline in the key markets.

In the US, for instance, inflation was 4.9 per cent in the 12 months to April, the first time it fell

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STOCKS	
DSEX ▼	CASPI ▼
0.02%	0.03%
6,334.79	18,720.80

COMMODITIES	
Gold ▼	Oil ▼
\$1,909.58	\$70.93
(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.52%	▲ 1.70%	▼ 1.1%	▼ 0.54%
65,785.64	32,773.02	3,150.43	3,205.57

Global rice prices may rally further

Weather, India's farm perks threaten supply

REUTERS, Mumbai

Global rice prices, now at their highest in 11 years, are set to rally further after India moved to boost payments to farmers, just as El Nino threatens yields in key producers and alternative staples get costlier for poor Asians and Africans.

India accounts for more than 40 per cent of world rice exports, which were 56 million tonnes in 2022, but low inventories mean any cut in shipments will fuel food prices driven up by Russia's invasion of Ukraine last year and erratic weather.

"India was the cheapest supplier of rice," BV Krishna Rao, president of the Rice Exporters Association (REA), told Reuters. "As Indian prices moved up because of the new minimum support price, other suppliers also started raising prices."

Rice is a staple for more than 3 billion people and nearly 90 per cent of the water-intensive crop is produced in Asia, where the El Nino weather pattern usually brings lower rainfall.

Yet even before the weather phenomenon can disrupt production, the global rice price index of the Food and Agriculture Organization hovers above an 11-year high.

That comes despite a forecast by the US Department of Agriculture (USDA) for near-record output in all top six global producers — Bangladesh, China, India, Indonesia, Thailand and Vietnam.

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BSCIC plans Tk 800cr project to make tannery CETP fully functional

STAR BUSINESS REPORT

The Bangladesh Small and Cottage Industries Corporation (BSCIC) has sent a proposal to the industries ministry for taking a project that will make the Central Effluent Treatment Plant (CETP) at the Savar Tannery Industrial Estate (STIE) fully functional.

It will take between Tk 500 crore and Tk 800 crore for the proposed project, which includes setting up a shed for solid waste management on 200 acres of land on the southside of the CETP, BSCIC Chairman Md Mahubor Rahman said yesterday.

The BSCIC decided to take up the project as Bangladesh is yet to reap the full benefit from the much talked about CETP despite spending Tk 565 crore and waiting nearly a decade.

The facility now requires renovation or reconstruction as the Chinese company that built the facility handed over an incomplete CETP to the newly formed Dhaka Tannery Industrial Estate Waste Treatment Plant Company (DTIEWTPC) in July 2021.

Asked whether the BSCIC would

investigate anomalies that took place in construction as the CETP is still not fully functional, Rahman said it is simply embarrassing to investigate further into the matter.

Rahman was speaking during a seminar of the Institute of Leather Engineering and Technology (ILET), which discussed findings in research and development for the leather tanning

process and solid waste management.

The event was jointly organised by the ILET, University of Dhaka and The Asia Foundation at the Nawab Ali Chowdhury Senate Bhaban in Dhaka.

The construction of the CETP began in 2013 and the Chinese company in charge of implementation handed it over to the DTIEWTPC without completing construction.

The BSCIC chief is hopeful about making the CETP functional while also constructing the solid waste management field within two years if the project is approved.

Without a fully functional CETP, local companies will not be able to obtain Leather Working Group (LWG) certification, which is a must to attract international retailers and brands in the leather sector.

This means the country will continue to be deprived of valuable foreign currencies as local tanners cannot get higher prices for tanned leathers owing to a lack of compliance. Meanwhile, the makers of finished goods cannot export products made using leather produced in the country.

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Local tanners cannot get higher prices for tanned leathers owing to a lack of compliance.

PHOTO: STAR