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## Stock market in a bad patch for floor price

AHSAN HABIB

The stock market of Bangladesh has been going through a bad patch for a year due to the presence of floor price, with political and macroeconomic uncertainties worsening the situation.

The floor price led to the creation of a barren equity market alongside tension for both stock market intermediaries and investors. The reason is that the investors are unable to sell their shares while the intermediaries are struggling to earn any commission income for the floor price, according to stock market analysts.



The Bangladesh Securities and Exchange Commission (BSEC) set the floor price of every stock in July of 2022 to halt the freefall of the market indices amid global economic uncertainties. The floor price was the average of the closing prices on July 28 of the year and the preceding four days.

The stock market has remained depressed for the past one year mainly for the floor price while political and economic uncertainties aggravated the tension, said Prof Abu Ahmed, a stock market analyst.

“Floor price is an uncommon thing for any stock market in the world and its imposition was a wrong decision,” he said.

Some investors had initially welcomed the decision but now they are also realising that it is creating a problem for all, he said.

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## WEEKLY INTERVIEW



Selim RF Hussain

## ‘Ignoring cybersecurity will lead to downfall’

MD MEHEDI HASAN

Investment in cybersecurity is very much essential and banks which are not investing in their digital operations and cyber security will totally go out of business within the next three or four years, said Selim RF Hussain, chairman of the Association of Bankers, Bangladesh (ABB).

Banks will have to invent digital services for their customers and at the same time they must invest in cyber security to safeguard against hacking attempts, he said in an interview with The Daily Star on Saturday.

Hussain, also managing director of Brac Bank, said the banking sector needs new manpower in the form of IT experts and new software to tackle the cyberthreats.

The existing manpower of banks will have to be trained and banks will have to take initiatives to raise awareness among them, he said.

Mentioning that Brac Bank was active in safeguarding against cyberattacks, he said his bank has a 25-member ethical hacker team who were always working to protect the bank from cyberthreats.

“We also have a security operation centre and every year we are checking our IT systems through different international vendors,” said Hussain.

Brac Bank regularly audits and inspects its information and technology system, he added.

Banks will have to think about their cybersecurity and it would not be wise

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# Most banks in tight spot amid liquidity crunch

MD MEHEDI HASAN

A majority of banks in Bangladesh are facing difficulties in running their day-to-day banking activities owing to a tightening liquidity caused by the dragging foreign currency crisis, slower deposit growth and lacklustre loan recovery.

This has forced lenders to turn to the call money market, a short-term money market that allows large financial institutions to borrow and lend, to secure funds in order to meet their payment obligations.

On Thursday, the transaction on the overnight interbank call money market stood at Tk 9,449 crore, the highest since August 11 last year when it amounted to Tk 9,706 crore.

Multiple factors such as slower deposit growth, a weak pace of loan recovery and the purchase of dollars by banks from the Bangladesh Bank to clear import bills have brought about the current situation.

Deposit growth decelerated to 8.40 percent in the last fiscal year of 2022-23 from 8.90 percent the previous year.

Classified loans, which erode a bank’s lending capacity, have also soared.

Non-performing loans (NPLs) totalled Tk 131,620 crore in March, marking a 16.02 percent increase year-on-year, BB data showed. The volume was 8.80 percent of the total credits disbursed in the banking sector.

Bankers say a portion of letters of credit has already turned into forced loans owing to borrowers’ failure to pay back on time.

Against the backdrop, the call money rate, the interest rate on overnight loans – surged to as high as 7.75 percent on Thursday.

According to bankers, the call money market has been witnessing huge pressure since the middle of 2022. So, a growing number of banks, including shariah-based lenders, are taking liquidity support from the central bank despite the hike in the policy rate.

Seven banks took Tk 4,925 crore under the seven-day repurchase agreement (repo) and the one-day liquidity support facility of the BB on August 6 this year. A day later, eight banks borrowed Tk 3,339 crore.

## REASONS BEHIND LIQUIDITY SHORTAGE

BB gave banks record \$13.50b in FY23

Deposit growth down to 8.40pc in FY23

Loan recovery from clients slows

Banks purchasing dollar by using taka

Some shariah banks face lack of depositors’ trust

Banks see rising non-performing loans

Slower deposit growth and rising public sector borrowing are also behind the current liquidity crunch.

Mohammad Ali  
MD of Pubali Bank

## EXCESS LIQUIDITY IN BANKS



Four banks took Tk 3,402 crore on August 8 and six banks borrowed Tk 3,485 crore on August 9.

In July, the BB increased the repo rate by 50 basis points to 6.50 percent.

A senior official of the central bank said the volatility in the foreign exchange market may be the main reason for the tight liquidity situation in the banking sector.

Higher import bills against moderate export and remittance earnings have caused the slide in the foreign currency reserves in Bangladesh, sending the US dollar rate to a record high amid the shortage of American greenback.

The BB sold \$13.50 billion from its reserves among

## INDICATORS FOR LIQUIDITY CRUNCH



Call money transaction hit one-year-high of Tk 9,449cr on Thursday



Banks taking liquidity support from BB



Overall surplus liquidity down by 18.3% year-on-year



Banks adopting go-slow strategy in lending



Six banks took Tk 3,485cr from BB on Thursday



banks in exchange for the taka, deepening the liquidity crunch.

In June, the surplus liquidity in the banking sector stood at Tk 1,66,200 crore, down from Tk 2,03,435 crore a year ago, BB data showed.

Of the surplus liquidity, Tk 63,600 crore were with state-run banks, Tk 68,300 crore were held by private commercial banks, and the rest Tk 34,300 crore belonged to foreign banks.

A lion’s share of the surplus liquidity has been invested in treasury bonds and bills.

The liquidity situation varies from bank to bank, with some sitting on excess funds while others are facing liquidity shortages.

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Eggs are increasingly going out of the reach of most consumers as its prices show no sign of cooling down. Yesterday, one dozen eggs retailed at Tk 165 to Tk 180 in markets in Dhaka, up nearly 20 per cent from a month ago and 28 per cent from a year prior.

PHOTO: AMRAN HOSSAIN

## Bangladesh close to being world’s top cotton apparel exporter

STAR BUSINESS REPORT

Bangladesh is close to surpassing China as the world’s largest cotton apparel exporter and stronger demand prospects are expected to drive cotton consumption higher, said the US Department of Agriculture (USDA).

The US agency, citing the annual fashion industry benchmarking study by the United States Fashion Industry Association (USFIA), said American fashion companies are attempting to reduce their sourcing from China, now the largest apparel exporter.

As such, American brands are reallocating their sourcing orders to other markets, including Bangladesh, to minimise logistical and political risks.

Bangladesh, India, and Vietnam were the three suppliers that retailers plan to

increase sourcing from over the next two years to divert orders away from China, said the USDA in its latest report on global cotton trade.

“The USFIA study also indicates that Bangladesh is the most competitive apparel supplier from a cost structure point of view, scoring higher than any other country,” the USDA said in its report, styled “Cotton: World Markets and Trade”, released on August 11.

The forecast by the US agency comes after Bangladesh’s apparel makers fetched nearly \$47 billion in woven and knitwear shipments in the fiscal 2022-23, which was higher than the target for that year.

Bangladesh’s factories mostly make cotton-based garments and more than 70 percent of export shipments are comprised of cotton items, according to

industry operators.

Bangladesh was the second largest garment exporter in the world after China in 2022, according to the World Trade Organisation.

The USDA said Bangladesh is targeting more than \$50 billion of apparel exports in FY2024, slightly higher than the previous fiscal year and “proof that the government foresees greater demand”.

“Spinning mills’ operating rates in 2023-24 are expected to rise as the textile supply chain replenishes depleted stocks of yarn, fabric, and apparel; this past marketing year witnessed textile manufactures destocking and maintaining low inventories across the supply chain,” it added.

The US agency forecasts that Bangladesh’s cotton consumption would rise by 800,000 bales, or 10 percent year-on-year, due to burgeoning apparel exports in fiscal year 2023-24.

As such, cotton imports by mills of Bangladesh, which largely depends on

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## What to buy: chicken or egg?

### A dozen eggs now cost the same as 1kg broiler chicken

SUKANTA HALDER

In an unprecedented event in Bangladesh, the price of a dozen farmed brown eggs yesterday matched that of one kilogramme of broiler chicken, hitting the pockets of the fixed and low-income groups further.

Retailers sold one kg of broiler chicken at a maximum price of Tk 180 at various kitchen markets in Dhaka. In a coincidence, the highest price for 12 pieces of brown eggs was exactly the same, according to state-run Trading Corporation of Bangladesh (TCB).

Broiler chicken was sold at Tk 175 to Tk 180 per kg while one dozen eggs retailed at Tk 165 to Tk 180, it showed.

The price of eggs rose up to 20 percent to Tk 150 in a span of a week.

Rafiul Alam, a retailer in the capital’s Tejturi Bazar area, says the retail price of eggs has gone up in line with the increase in the rate in the wholesale market.

He sold a dozen eggs at Tk 175.

In Bangladesh, egg prices have surged due to the supply disruption, lower production and a higher cost of production, according to traders and growers.

There is a daily demand for 20 lakh to 22 lakh eggs at the Tejgaon wholesale market, but a maximum supply of 17 lakh to 18 lakh eggs is currently available, said Mohammad Amanat Ullah, president of the Tejgaon Egg Merchants Association.

Cashing in on the supply shortage, some traders held back their stocks to create an artificial crisis and raise prices, said a dealer in Dhaka on Thursday.

Mir Russel, a job-seeker, who lives on Dilu Road in the capital, said one of the low-cost protein sources was eggs. But its price has increased a lot recently.

“This has piled up additional pressure on most income groups since the prices of many daily necessities have remained at elevated levels.”

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STOCKS		WEEK-ON WEEK
DSEX	CASPI	
0.52% 6,297.25	0.4% 18,599.75	

COMMODITIES		AS OF FRIDAY
Gold	Oil	
\$1,913.83 (per ounce)	\$83.04 (per barrel)	

ASIAN MARKETS				FRIDAY CLOSINGS
MUMBAI	TOKYO	SINGAPORE	SHANGHAI	
▼ 0.56% 65,322.65	▲ 0.84% 32,473.65	▼ 0.86% 3,294.28	▼ 2.01% 3,189.25	