





# Star BUSINESS



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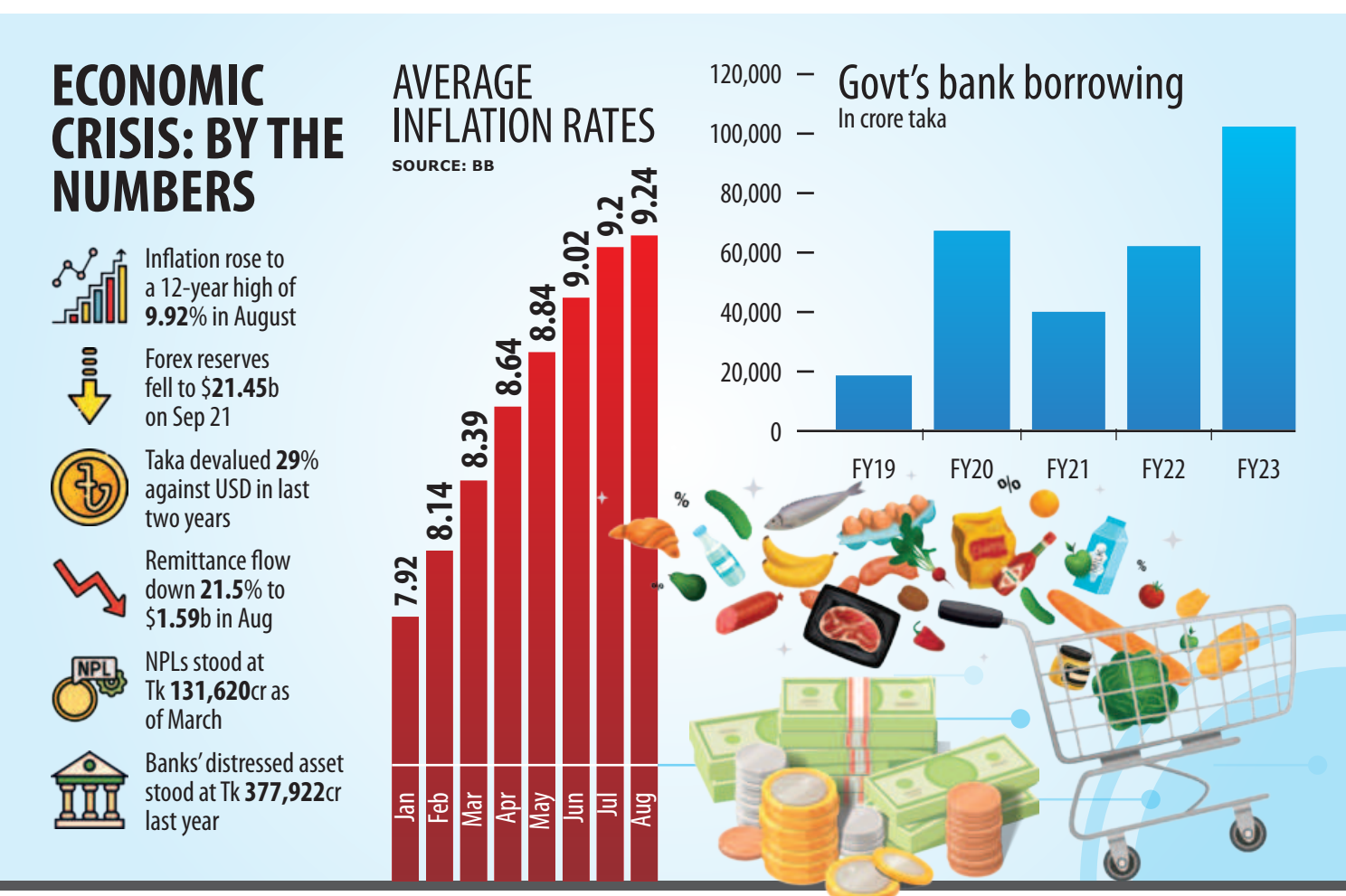
## Stitchwell Designs looking to restart production

**STAR BUSINESS REPORT**

The management of Stitchwell Designs Ltd, an export-oriented garment factory, yesterday claimed that it had to stop production in 2020 after international buyers took exception to the odour of naphthalene in shirts exported by the company.

In a press conference held on the now-shuttered factory floor in Dhaka's Tejgaon locality, Md Iqbal Hossain, managing director of Stitchwell Designs Ltd, said the objectionable odour originated from the adjacent factory, which produces naphthalene and tar and is separated by a single wall.

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## Govt's bank borrowing in check

### Lower expenses, higher revenue play a role

REJAUL KARIM BYRON

The government's borrowing from the banking system has remained in check so far in the ongoing fiscal year thanks to lower expenditures and higher revenue collection.

This is a reverse from a trend seen in the last fiscal year when the government took a record Tk 98,000 crore in loans from the Bangladesh Bank to run its operations, which contributed to stoking inflation.

The total borrowing from the banking sector stood at Tk 101,826 crore in 2022-23.

The inflationary situation, which has remained at an elevated level for the past one and a half years, forced the government to change its borrowing policy for the current fiscal year.

In July and August, the first two months of 2023-24, the government did not borrow any money from the central bank; rather, it returned Tk 22,088 crore.

However, it borrowed Tk 18,805 crore from commercial banks and another Tk 2,862 crore from non-banking sources such as non-bank financial institutions, insurance companies and individual investors.

## Russia lets Bangladesh trade on its currency market

**STAR BUSINESS REPORT**

Russia has approved a list of more than 30 friendly and neutral countries whose banks and brokers will be allowed to trade on the Russian currency as well as derivatives markets.

The Russian embassy in Bangladesh shared the information on its verified Facebook page yesterday.

The countries include Armenia, Azerbaijan, Belarus, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan, Algeria, Bangladesh, Bahrain, Brazil, Venezuela, Vietnam, Egypt, India, Indonesia, Iran, Qatar, China, Cuba, Malaysia, Morocco, Mongolia, Oman, Pakistan, Saudi Arabia, Serbia, Thailand, Turkey, South Africa, and the United Arab Emirates.

Derivatives are financial contracts, set between two or more parties, that derive their value from an underlying asset, group of assets, or benchmark. Common derivatives include futures contracts, forwards, options, and swaps.

# BB plans raft of measures to fight economic crisis

**MD MEHEDI HASAN**

The Bangladesh Bank is going to take a raft of policy measures to tackle inflationary pressure, volatility in the foreign exchange market and growing non-performing loans (NPLs) and give a much-needed boost to the forex reserve.

As part of the move, the banking regulator is preparing a policy stance on how to address the four areas.

Three senior officials of the central bank, seeking anonymity, told The Daily Star that the BB has already framed a draft policy and started to take opinions from economists and other stakeholders on it.

Governor Abdur Rouf Talukder and four deputy governors met with noted economist Wahiduddin Mahmud on Thursday.

The central bankers are expected to sit with Sadiq Ahmed, vice-chairman, and Ahsan H Mansur, executive director, of the Policy Research Institute of Bangladesh, this week and chambers, trade bodies and the Economic Reporters Forum, later.

"The policy stance will be finalised after taking opinions from stakeholders. Its implementation will be visible through the next monetary policy but some measures will be implemented soon," said a central banker.

Another official said it would be a sustainable policy aimed at betterment of the financial sector and the central bank will implement it.

On Thursday, Prof Mahmud told The Daily Star that the policy stance to be prepared by the central bank will have to be transparent and credible.

The move from the banking value by nearly 29 percent against the American greenback in the last two years. The dollar traded at Tk 110 yesterday, which was Tk 85.8 in January last year.

Experts have blamed the central bank's control over the interest rate and the exchange rate for the current economic woes.

economists."

"But if the recommendations or opinions are not implemented, there is no point of taking the recommendations."

Hussain says the interest rate and the exchange rate are still administered and the rates have not brought any positive results.

"Both rates have to be fully market-based."

The mounting NPL is another concern for the economy.

In March, the NPLs stood at Tk 1,31,620 crore, marking a significant 16.02 percent year-on-year increase. This represented 8.80 percent of the total loans disbursed.

However, the distressed assets in the banking industry amounted to Tk 3,77,922 crore in 2022, according to BB's Financial Stability Report 2022.

Prof Mahmud emphasised accelerating the defaulted loan recovery when he met with the central bankers.

"Credit expansion is not possible without realising the bad loans."

Selim Raihan, executive director of the South Asian Network on Economic Modeling, raises questions about whether the central bank works independently.

"The monetary policy will have to be implemented independently and it will also have to be dynamic. Just formulating a policy is not enough."

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## In July and August, the first two months of 2023-24, the government did not borrow any money from the central bank, rather it returned Tk 22,088 crore

This brought down the government's net borrowing by Tk 421 crore, data from the central bank showed.

Lower development spending and a relatively higher revenue collection by the National Board of Revenue (NBR) have mainly helped keep the government borrowing from the banking system under control.

In July-August, the government spent Tk 10,542 crore under its annual development programme. This includes Tk 6,854 crore from the government source and the rest came from the foreign assistance portion.

Data on the spending under the revenue budget was not available immediately. But expenditures in the form of subsidies and other purposes have not picked up yet, said an official of the financial ministry.

Revenue collection increased nearly 15 percent year-on-year to Tk 46,233 crore thanks to a rise in VAT from multinational companies, according to the NBR.

The higher tax receipts have handed a surplus amount to the government, allowing it to pay back loans. But how long the government can continue repaying remains to be seen since expenditures are expected to go up in the later part of FY24.

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STOCKS		WEEK-ON WEEK
DSEX ▲	CASPI ▲	
0.12%	0.20%	
6,309.75	18,664.19	

COMMODITIES		AS OF FRIDAY
Gold ▲	Oil ▲	
\$1,925.42 (per ounce)	\$90.36 (per barrel)	

ASIAN MARKETS				FRIDAY CLOSINGS
MUMBAI	TOKYO	SINGAPORE	SHANGHAI	
▼ 0.33%	▼ 0.52%	▲ 0.06%	▲ 1.55%	
66,009.15	32,402.41	3,204.82	3,132.43	

## BANGABANDHU SHILPA NAGAR

# Man-made fibre plant to begin operation next month

**JAGARAN CHAKMA**

Modern Syntex Limited, a concern of TK Group, is likely to begin commercial operations of one of the largest man-made fibre plants in Bangladesh next month at the Bangabandhu Sheikh Mujib Shilpa Nagar in Chattogram.

"We will produce several textile-related products, such as polyester yarn, polyester staple fibre and polyethylene terephthalate (PET) chips," said Md Mustafizur Rahman, a director of TK Group.

At an investment of \$141 million, Modern Syntex has set up the factory as import substitute, Rahman said. Of the total investment, around 30 percent is equity and the rest is being financed by banks.

He said they were targeting the start of operations on October 28, depending on gas connection.

"Our factory has been ready since March of this year but we could not begin operating due to not having a gas connection," Rahman said.

"I personally negotiated a lot with Karnaphuli Gas Distribution Company Ltd (KGDCL)," he said, adding that they had to deposit six months' payment in advance instead of the regular three-month deposit.

Modern Syntex had to deposit Tk 56 crore to KGDCL, which counts as additional investment, he said.

### At an investment of \$141 million, Modern Syntex has set up the factory as import substitute. Of the investment, 30 percent is equity and the rest is being financed by banks

According to Rahman, once Modern Syntex begins production, it will be able to meet 38 percent of the present annual demand for PET chips and other textiles products.

Modern Syntex has a production capacity of 460 tonnes per day. The present annual demand for such items in Bangladesh is 12,250 lakh tonnes.

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Loose soybean and palm oil being sold in used water bottles, for which there is scope for the key cooking ingredient to be adulterated, past its expiry date and priced higher than the rate set by the government. Loose soybean oil was selling for Tk 155 per litre while bottled ones of brands at Tk 169 in the retail markets of Dhaka yesterday, according to the Trading Corporation of Bangladesh. The photo was taken at Kazir Haat in Chandgaon of Chattogram recently.

PHOTO: RAJIB RAIHAN