DHAKA WEDNESDAY OCTOBER 4, 2023, ASHWIN 19, 1430 BS ● starbusiness@thedailystar.net

Star BUSINESS

Bangladesh Bank yesterday allowed individuals aged between 14 and 18 to create MFS accounts with their parents' approval

Story on B4

Etihad to cease Dhaka operations

RASHIDUL HASAN

Etihad Airways, the national airline of the United Arab Emirates, is going to cease its operation to and from Dhaka from October 29.

The airline is likely to stop its flight operations from Dhaka as a good amount of its fund got blocked in Bangladesh at a time when it was facing some other commercial challenges also, aviation insiders said.

The persisting US dollar crisis is one of the major reasons for the failure of most airlines to bring earnings back to their homes, they said.

Etihad is considering using its aircraft on other routes that now have high demand in the post-Covid period, said a leader of the Association of Travel Agents of Bangladesh, who has close connection with Etihad and requested anonymity.

However, officials of the Abu Dhabi-based carrier did not make any comment on their departure.

The airline shared the information with its stakeholders in Dhaka, including different travel agents, last week without mentioning any specific reason for the suspension.

A high amount of fund of Etihad have got blocked in Bangladesh, said an official of Air Arabia, a low-cost airline of the UAE based in Sharjah.

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Pain deepens as food inflation stays above 12%

MD ASADUZ ZAMAN *and* MD FAZLUR RAHMAN

Food inflation in Bangladesh stayed above 12 percent for two consecutive months in September as prices showed no signs of cooling down, hitting the pockets of the consumers whose spend most to feed themselves and their families.

According to the data released yesterday by the Bangladesh Bureau of Statistics (BBS), food inflation stood at 12.37 percent last month, slightly down from August's 12.54 percent but nearly three percentage points higher from the rate seen in the identical month a year prior.

Non-food inflation also fell, to 7.82 percent, which was 7.95 percent in August.

As a result, the Consumer Price Index (CPI), which measures the monthly change in prices paid by consumers, rose 9.63 percent in September, down 29 basis points from more than a 12-year high recorded a month earlier.

A recent surge in inflation eroded consumer purchasing power, contributing to a deceleration in estimated private consumption from 7.5 percent to 3.5 percent, according to the World Bank.

"It has really become unbearable. The prices of everything are very high," said Meer Rasel, a university graduate, who is looking for public sector jobs.

"The frequency of popular fish and meat coming to our plates has reduced as we have to manage within our means."

The 26-year-old shares a two-bedroom flat in the capital with eight others and bears most of his expenses from his income through tutoring.

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Financial sector vulnerabilities may worsen: WB

STAR BUSINESS REPORT

Bangladesh's financial sector vulnerabilities may worsen due to an increase in bad loans and create further pressure in terms of liquidity in the banking system, warned the World Bank (WB) yesterday.

The caution comes due to a rise in total stressed assets, including rescheduled loans, non-performing loans (NPLs) and net written-off loans.

At the end of June this year, default loans hit an all-time high of Tk 156,039 crore due to a relaxed central bank policy, slowdown in business sales and deliberate non-payments, showed Bangladesh Bank data.

The WB, citing the central bank's latest Financial Stability Report, said stressed assets grew nearly three-fold, reaching Tk 377,920 crore at the end of 2022 from Tk 134,010 crore four years ago.

The amount of distressed loans was 9.5 percent of Bangladesh's gross domestic product last year, according to the multilateral agency, which says

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STOCKS

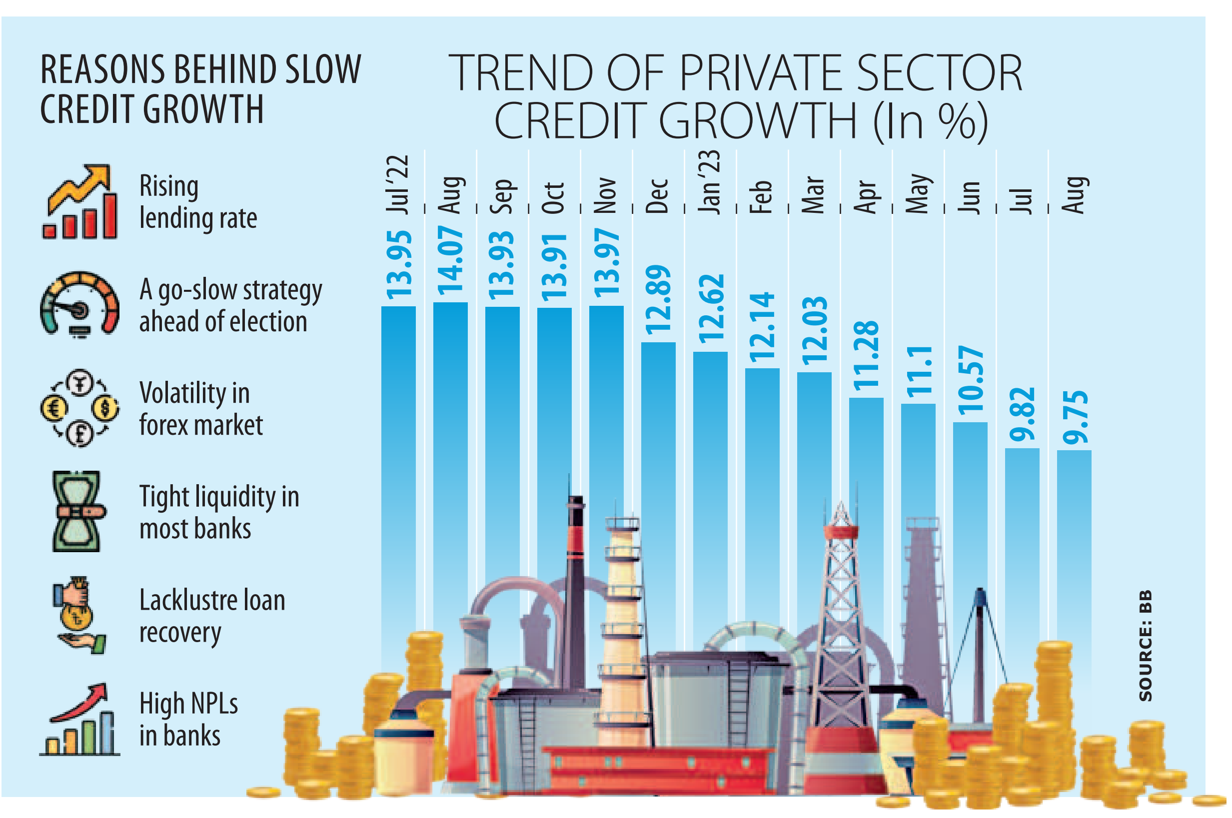
DSEX ▼	CASPI ▼
0.16%	0.05%
6,262.43	18,556.03

COMMODITIES

Gold ▲	Oil ▲
$1,826.46	$88.90
(per ounce)	(per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.49%	▼ 1.64%	▼ 0.51%	▲ 0.10%
65,505.32	31,237.94	3,192.35	3,110.48



Private credit growth continues to drop

Hits 22-month low in August

MD MEHEDI HASAN

Private sector credit growth in Bangladesh has continued to dip in recent months, with banks and borrowers adopting a go-slow strategy amidst the stress on the economy and growing apprehensions of a political crisis centring the upcoming parliamentary elections.

In August, the growth was 9.75 percent year-on-year whereas it was 9.82 percent in the preceding month, showed Bangladesh Bank data.

The August figure was the lowest since October 2021 when it stood at 9.44 percent.

It was also 1.15 percentage points lower than the BB's target of 10.90 percent set for the first half of fiscal year 2023-24.

However, the BB projects that private sector credit growth will stand at 11 percent year-on-year at the end of fiscal year 2023-24, meaning next June.

Bankers also attributed it to a rising lending rate following a recent interest rate cap withdrawal, tight liquidity in a majority of banks and a lacklustre performance in loan recovery.

Banks and borrowers have taken a go-slow strategy while the lending rate started to rise after the withdrawal of the cap at 9 percent, Mirza Elias Uddin Ahmed, managing director of Jamuna Bank, told The Daily Star yesterday.

BB projects that private sector credit growth will stand at 11 percent at the end of fiscal year 2023-24

During the unveiling of a new monetary policy in June this year, Bangladesh Bank withdrew the cap and introduced a new system for fixing the lending rate.

As per the central bank's new formula, banks can impose a 3 percent margin on the six-month moving average rate of treasury bills, abbreviated as SMART.

The SMART was 7.20 per cent in September and will be applicable for October, up from 7.14 percent in August.

Moreover, import financing has come down due to austerity measures amid falling foreign exchange reserves, said Ahmed.

He, however, hopes for the credit demand to increase next year.

Consumer demand has been adversely affected by skyrocketing inflation, which has led to a slower credit demand, Sohail RK Hussain, managing director of Meghna Bank, told The Daily Star recently.

Inflation stood at 9.63 percent in September, much higher than the government target.

Import of luxury products, including automobiles, have sharply dipped due to the austerity measures of the government and central bank meant to save foreign currencies, the reserves of which declined about 25 percent over the past one year, said Hussain.

The country's gross forex reserves were at $21.11 billion as of September 27, as per the BB data.

The senior banker also blamed slow credit recovery for the decline in the availability of loanable funds.

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