

# star BUSINESS

## Economy going thru difficult times: MCCI

STAR BUSINESS REPORT

The country's economy is going through a difficult time, said Saiful Islam, president of the Metropolitan Chamber of Commerce and Industry, yesterday.

In the last few years, the country has been facing challenges amid the pandemic and the Russia-Ukraine war, he said.

The Russia-Ukraine war has turned the geopolitical situation volatile, raising challenges for the global economy, including a rise in commodity prices, he told a discussion on the income tax law on its Motijheel office premises in the capital.

Bangladesh is progressing through detailed changes in overall tax management marking the upcoming transition into a middle and advanced economy by 2026, said Islam.

The decision to enact and implement a new

**Bangladesh is progressing through detailed changes in overall tax management marking the upcoming transition into a middle and advanced economy by 2026, MCCI chief says**

income tax law this year was quite difficult considering the overall situation, he said.

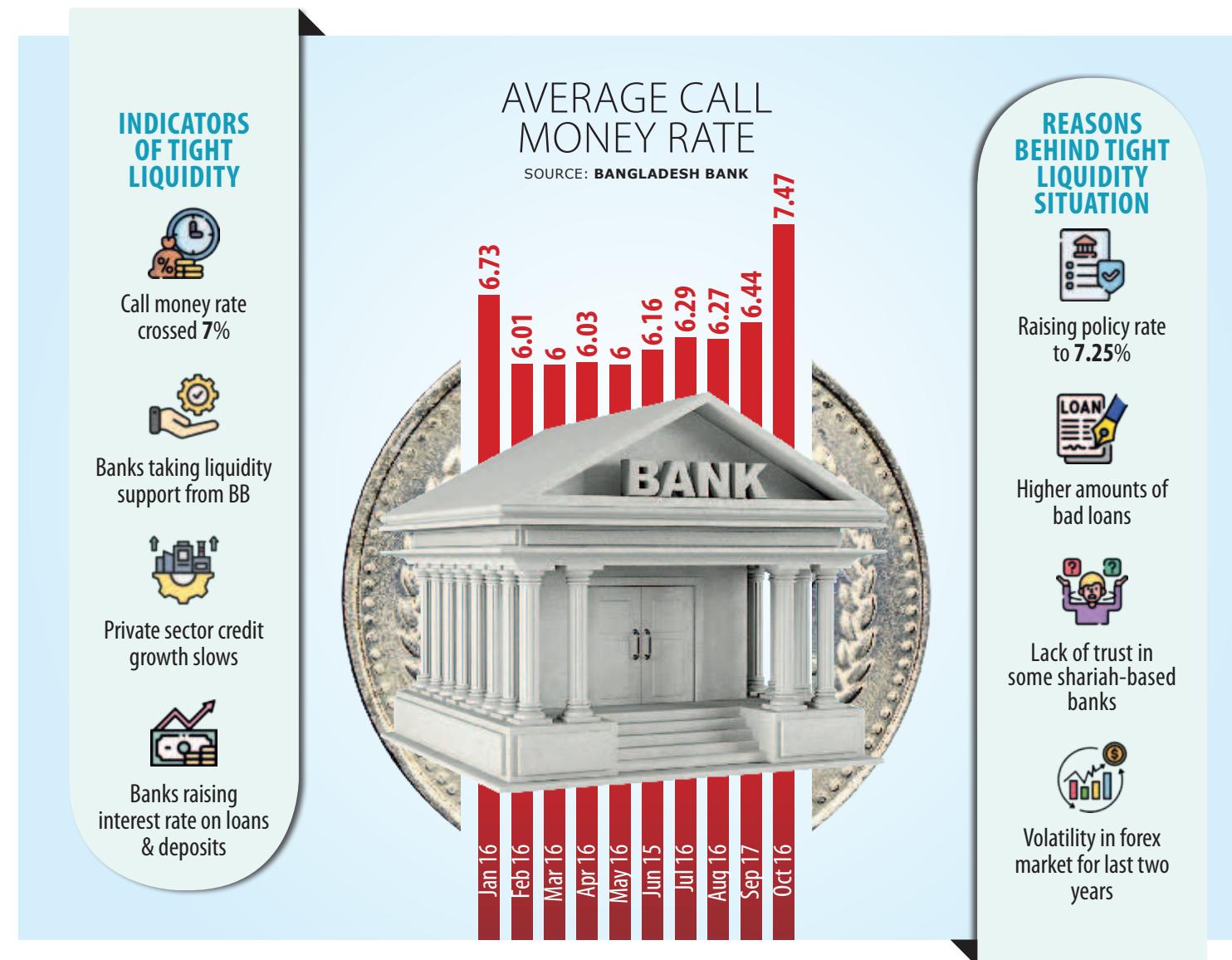
However, a provision for the filing of returns of corporate tax on a monthly basis is commendable as it will greatly increase transparency, he said.

Moreover, the extension of the validity of all types of trade licences to up to five years is a milestone in terms of the ease of doing business, he said.

However, there are some problems which individuals and institutions are continuing to face when preparing and filing income tax returns, said Islam.

Some problems are also being observed centring deduction of tax at source, he added.

On another note, he claimed that about 45 percent of the total income tax comes from the MCCI members.



## Banks suffering from growing liquidity stress

MD MEHEDI HASAN

A majority of banks in Bangladesh, including some Shariah-based ones, are facing difficulties to run their activities due to a liquidity crisis, according to industry people.

The liquidity crunch deepened further as the central bank recently raised the policy rate to tackle ongoing inflationary pressure in the country.

As such, these lenders are now dependent on the call money market, a short-term money market, and Bangladesh Bank to secure funds for meeting their payment obligations.

The average overnight call money rate stood at 7.47 percent yesterday, the highest in the last several years, as per the latest data of Bangladesh Bank.

The call money rate stood at 6.44 percent on September 16.

The average call money rate crossed the 7 percent mark on October 5, when the banking regulator raised the policy rate by 75 basis points to 7.25 percent to step up its fight against inflation.

This is the sharpest pace at which the policy rate has been increased in the last decade while it was the seventh hike in the past 18 months as consumer prices have remained at an elevated

level.

Average inflation rose 9.63 percent in September, way above the government's target of 6 percent for the current fiscal year.

However, the banking sector has been facing a tight liquidity situation for the past year due to

under the repo facility, standing lending facility, liquidity support facility and Islamic banks liquidity facility to meet their liquidity shortage.

Mirza Elias Uddin Ahmed, managing director of Jamuna Bank, told The Daily Star it is

have increased at an alarming rate.

NPLs in the banking sector hit a record high in June as the withdrawal of a relaxed central bank policy, slowdown in business sales and deliberate non-payments pushed up the volume to Tk 156,039 crore, central bank data shows.

This was the highest amount of NPLs in the country's history, with the previous high of Tk 134,396 crore recorded in the third quarter of last year.

Ahmed said the bad loans may rise further in the coming days because interest rates on lending have been continuously rising since the withdrawal of the interest rate cap.

The central bank withdrew the lending rate cap in June and introduced a new interest rate regime to meet conditions attached to the International Monetary Fund's \$4.7 billion loan.

As per Bangladesh Bank's new formula, banks can impose a 3.5 percent margin on the six-month moving average rate of treasury bills, abbreviated as SMART.

Slow growth in private sector credit also reflects the banks' go-slow strategy in disbursing loans.

In August, private sector credit growth was 9.75 percent year-on-



multiple factors.

This includes the high number of non-performing loans (NPLs), volatility in the foreign currency market, and customers' lack of trust in some Sharia-based banks.

Now, a growing number of banks, including some Shariah-based lenders, are continuously taking liquidity support from the central bank despite the increased policy rate, also known as repo rate.

Ahmed also said there is demand for loans, but banks are adopting a go-slow strategy when it comes to disbursals as NPLs

true that the liquidity situation is tight at present due to the central bank intervention aiming to curb inflation.

However, he said there is no other option at the moment as inflation has adversely impacted people's livelihood.

"Now, some banks are facing liquidity shortage, but this stress is needed for tackling inflation," he added.

Ahmed also said there is demand for loans, but banks are adopting a go-slow strategy when it comes to disbursals as NPLs

have increased at an alarming rate.

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Farmers in hilly areas, who practise a traditional cultivation technique known as jhum, are pleased for getting bumper yields.



Story on B4

## Export to Russia rebounds on alternative measures

REFAYET ULLAH MIRDHA

It was thought that the shipment of garment items to Russia would come to a standstill because of the outbreak of the war with neighbouring Ukraine since February 24 in 2022.

Following the outbreak of the war, the shipment of goods, especially garment items, almost stopped and many Russia-bound ships had to wait for the green signal at Chattogram port.

However, the shipments were finally made through alternative routes -- Poland and Germany's Hamburg.

The shipments did not stop through the alternative routes as the local garment makers continued to meet the demand of the Russian clothing retailers and brands.

Apart from the vessel routes, the local garment exporters faced challenges over receiving payments as the European countries put a ban on the use of SWIFT by the major banks in Russia.

**The shipments did not stop through the alternative routes as the local garment makers continued to meet the demand of the Russian clothing retailers and brands**

Moreover, almost all Western clothing retailers and brands withdrew their businesses from Russia protesting the war.

However, almost all the challenges have been solved and the shipment of the garment items to Russia from Bangladesh continues.

The local exporters have been accepting payment in the Chinese currency, yuan, and in some cases the Russian importers are paying the local exporters in US dollars from third countries such as Turkey, Germany and some other neighbouring nations.

Moreover, the local exporters are being encouraged to ship goods to Russia, one of the most emerging markets, as Bangladesh Bank also instructed to accept payments in yuan which will also facilitate paying for imports from China.

After the departure of the western clothing retailers and brands, domestic Russian retailers and brands revived their businesses in larger volumes as the Russian economy is not been too much damaged for the war.

As a result, business in Russia is almost as usual like in the pre-war period.

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STOCKS	
DSEX	CASPI
0.03% 6,265.15	0.01% 18,540.72

COMMODITIES	
Gold \$1,916.76 (per ounce)	Oil \$87.78 (per barrel)

ASIAN MARKETS			
Mumbai -0.17% 66,166.93	Tokyo -2.03% 31,659.03	Singapore -0.69% 3,163.89	Shanghai -0.46% 3,073.81

## Walton's sales, profits drop

**It blames sluggish macroeconomic situation**

AHSAN HABIB

Sales and profits of local electronics giant Walton Hi-tech Industries plunged in fiscal year 2022-23, mainly due to the sluggish macroeconomic scenario brought on by the war between Russia and Ukraine.

Walton's sales dropped by Tk 1,531 crore, or 19 percent, to Tk 6,637 crore in the last fiscal year while its profits dropped by Tk 434 crore, around 36 percent, to Tk 782 crore in the 12-month period.

Consequently, earnings per share nosedived from Tk 40.16 to Tk 25.84.

"FY23 was challenging not only for Walton but for all business sectors due to the adverse effects of the Russia-Ukraine war and a hike in the price of US dollars alongside an acute crisis of US dollars in Bangladesh," the company said in its annual report.

As a result, cost of finance increased at an abnormal rate compared to the previous year, which ultimately reduced net profit at an incredible rate, it added.

"We continue to remain cautiously optimistic about the future as the Russia-Ukraine war and the severe crisis of the dollar in Bangladesh are yet to be conclusively overcome," it said.

**Walton's sales dropped by 19 percent to Tk 6,637 crore last fiscal year, while profits plunged 36 percent to Tk 782 crore.**

The invasion of Ukraine added heavily to inflationary pressure and pushed up prices for consumers, it said.

"Ultimately, both the euro and dollar became stronger against the local currency and the company suffered huge foreign losses on suppliers' repayment."

Walton saw a 54 percent rise in its foreign exchange losses this year. It incurred foreign exchange losses of Tk 469 crore in 2022-23, up from Tk 304 crore the previous year, the reports showed.

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Shopkeepers let customers get a better look at the details of saris in New Market of the capital. With less than a week to go for Durga Puja, people of the Hindu community are busy preparing for the celebrations, including shopping for clothing for their loved ones. The photo was taken on Sunday.

PHOTO: PRABIR DAS