

Star BUSINESS

Although prices have fallen in the international market, its reflection could not be seen in Bangladesh, says Rashed Al Mahmud Titumir, a DU teacher



Story on B4

BB asks banks to prepare for harsh reforms Weak banks to be subject to merger and acquisition

STAR BUSINESS REPORT

The Bangladesh Bank (BB) is going to bring reforms to the banking sector after getting the go-ahead from the new government, and the banking regulator asked senior executives to prepare for those reforms at a meeting yesterday.

Weak banks will be subject to mergers and acquisitions, a move that chief executives were asked to discuss among themselves.

The central bank's instructions came during a bankers' meeting held at the BB headquarters in Dhaka. Bangladesh Bank Governor Abdur Rouf Talukder presided over the meeting, which was attended by chief executives of commercial banks.

The BB governor said that around 40 of 61 total banks were performing well, but the remaining 21 were weak and would be subject to mergers and acquisitions soon.

In 2022, the BB governor had identified 10 weak banks. The BB head asked managing directors and CEOs of banks to discuss how to merge the balance sheets of weak banks with sound banks, adding that the central bank would provide policy support if necessary.

A chief executive of a private commercial bank, seeking anonymity, told The Daily Star that the BB governor said the government had given him the signal to bring good

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Padma Bank Chairman Nafeez Sarafat resigns

STAR BUSINESS REPORT

Padma Bank Chairman Chowdhury Nafeez Sarafat resigned from the post yesterday on health grounds.

The central bank has accepted Sarafat's resignation letter, Bangladesh Bank Executive Director and Spokesperson Md Mezbaul Haque said after a meeting of bankers at the central bank headquarters in Dhaka on the same day.

Sonali Bank Managing Director and Padma Bank Director Md Afzal Karim will serve as the acting chairman of Padma Bank until the new chairman is appointed, Haque said.

Sarafat has been suffering from illness for several days and a doctor has prescribed him bed rest, Tarek Reaz Khan, managing director of Padma Bank, told The Daily Star.

Because of the illness, Sarafat is unable to serve the bank as its chairman, Khan said.

In January 2018, Sarafat took charge as chairman of Padma Bank, previously known as Farmers Bank.

Earlier, Muhiuddin Khan Alamgir, who served the bank as chairman before Sarafat, resigned from the board for his alleged involvement in financial scams.

The bank, which was established in 2013, became a hotbed for financial irregularities within less than three years of operation.

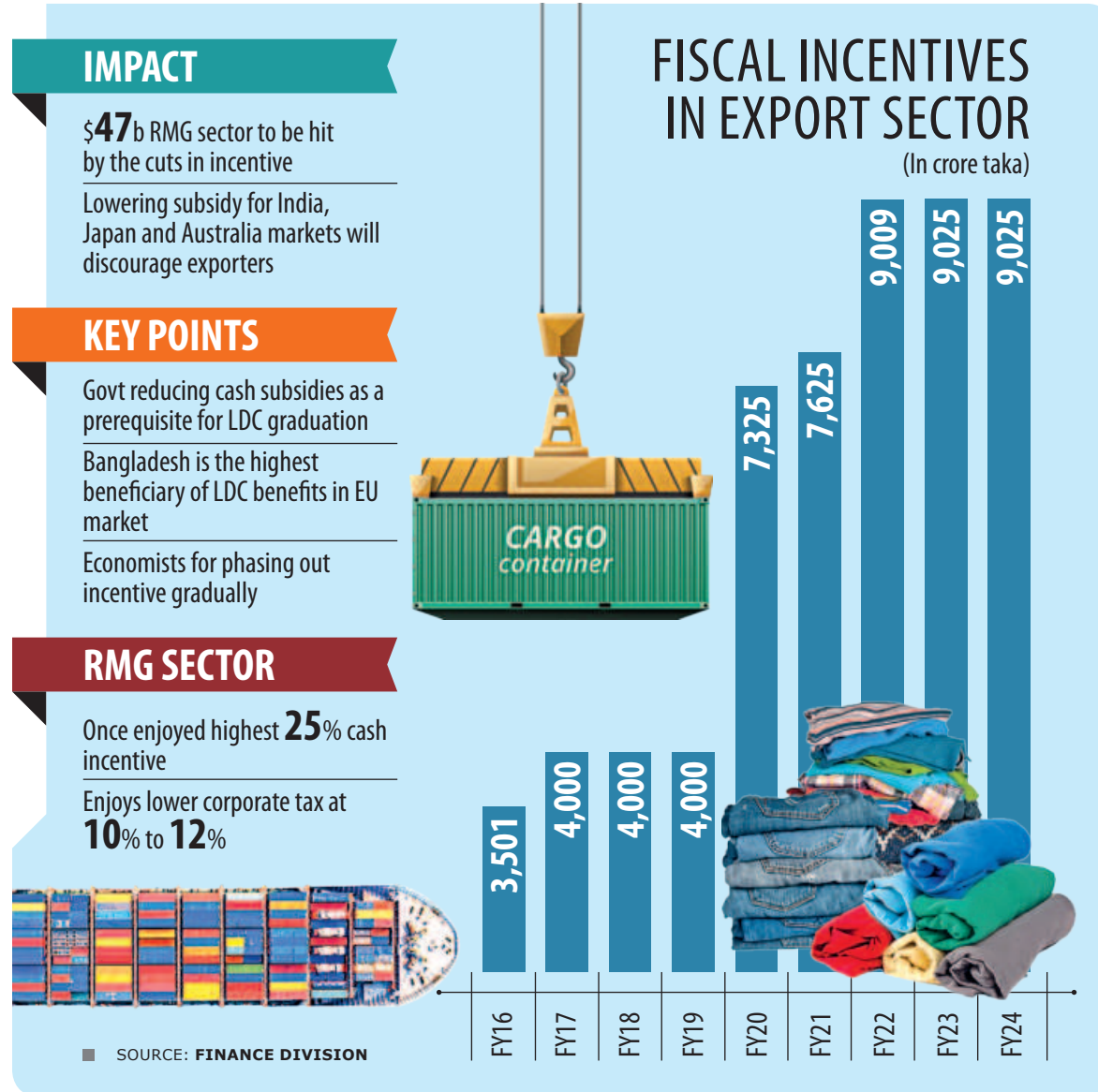
More than Tk 3,500 crore was siphoned off from the bank, according to the banking regulator.

Depositors, including government agencies, started

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Incentive cuts will hurt exports. That's for the time being



REFAYET ULLAH MIRDHA

Exporters have expressed disappointment about the government's sudden cut in cash incentives on the shipment of garments and other export-oriented products as the move might bring about a negative impact for them as well as the economy.

Garment makers, who account for 85 percent of the national receipts from the external sector, are particularly unhappy as it comes at a time when their businesses are in trouble for both external and internal challenges and they plan to cement their position in the global market by expanding their footprint.

On the back of the direct cash support from the government's coffers, the duty-free raw material import benefits, and a reduced corporate tax over the years, the sector has emerged as the second-

largest apparel supplier worldwide after China, accounting for 7.9 percent of the \$750 billion global apparel trade annually.

The sector, which shipped goods worth \$47 billion in the last financial year, is the biggest source of foreign currencies in Bangladesh.

European Union's generous Generalised Scheme of Preferences and the Multi-Fibre Arrangement, which have offered duty waiver to Bangladesh, a least developed country (LDC) since 1975.

At 67 percent, Bangladesh has turned into the highest beneficiary of the LDC-linked benefit in the EU among the eligible nations. The country's 71 percent of overseas sales is LDC-induced and it enjoys duty benefit in 38 countries and territories.

Successive governments of Bangladesh also spoon-feed the industry as it has been the largest employer in the manufacturing sector. Because of its bright prospect of creating jobs and pulling people out of poverty in one of the poorest nations in the world, exporters were at one point given a 25 percent cash incentive to help them capture a major share of the global clothing market.

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Novoair to spread wings to six int'l destinations by June

RASHIDUL HASAN

As part of major plans to expand its routes, Novoair, one of the leading private airlines of the country, is going to spread its wings to six international destinations by June.

In its bid to operate flights to Bangkok, Kuala Lumpur, Singapore, Dubai, Muscat and Sharjah, the airline is also going to expand its fleet from five aircraft at present to eight.

"We are talking with lessors to get three Airbus A321 aircraft on lease. Different leasing organisations have assured us that it will be possible to get three aircraft within three to four months," Mofizur Rahman, managing director of Novoair, told The Daily Star yesterday.

He also said the three aircraft were supposed to be inducted into the fleet in September last year. "But we took some time because of the national elections. After the election, the process started again," he added.

Queried further, Mofizur said it was a worldwide problem since it was currently challenging to get an airplane on lease.

"Besides, A321 model aircraft are not available in the configuration we want. Although the three-category seating configuration is okay in Europe, it will not work in Bangladesh. Reconfiguration costs will be around two to three million dollars, which we will have to bear. For this reason, we will not go for reconfiguration," he said.

Mofizur added that the dollar crisis in the nation was posing another challenge.

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More steps needed to contain inflation durably: IMF official

REJAUL KARIM BYRON

The International Monetary Fund (IMF) said that the latest monetary policy adopted by the Bangladesh Bank would help to curb inflation, but added that further measures would be needed to make it durable.

"They have taken measures to tighten the monetary policy to bring inflation down. And inflation is coming down, but further actions are needed to ensure that inflation durably comes down and comes back to target sooner rather than later," Krishna Srinivasan, director of the IMF's Asia and Pacific department, said during a press briefing in Tokyo.

Selected journalists from Bangladesh virtually participated in the programme, titled 'Regional Economic Outlook Update for Asia and the Pacific'.

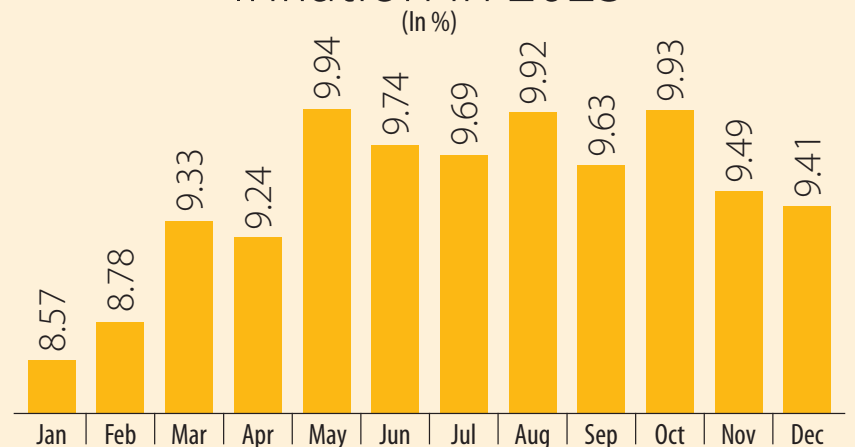
The Bangladesh Bank on January 17 announced the latest monetary policy in line with the \$4.7 billion IMF loan programme.

The new policy included an array of measures to bolster the fight against inflation, including hiking the policy rate by 25 basis points to 8 percent,

Observations

- Further actions needed to ensure that inflation reduces durably
- Fiscal consolidation can be a big offset
- Financial account was in negative territory in run-up to elections
- Uncertainty has dissipated after elections
- Policymakers should prioritise fiscal consolidation and strong financial supervision

Inflation in 2023 (In %)



and cutting the private sector credit growth target from 11 percent to 10 percent.

The central bank also adopted a crawling peg to curb the exchange rate volatility.

These measures are aimed at bringing inflation down to 7.5 percent by the end of the current fiscal year.

When queried about the latest monetary policy, Srinivasan said: "In the context of back-to-back shocks, like many countries, Bangladesh too had to endure shocks, starting from Covid-19, to Russia's war in Ukraine and subsequent shocks.

"In that context, Bangladesh

sought access to an IMF-supported programme. And as part of the programme, there are many pillars. One pillar, of course, is to bring down inflation. The other is to ensure you have fiscal sustainability while protecting the poor and the vulnerable. You also had governance reforms," he added.

Interest rate predicted to go up, taka to weaken further

STAR BUSINESS REPORT

Businesses are likely to see their borrowing cost rise as the interest rates on loans are expected to increase further, according to an outlook unveiled yesterday.

The taka may depreciate further to Tk 125-Tk 130 per US dollar at the end of June this year.

Amid the situation, companies may face credit constraints and may see lower consumer demand, said the report titled "Storm Clouds and Rainbows" by CAL Bangladesh, a joint venture investment bank.

CAL Bangladesh said it expected a continuation of monetary tightening, which will likely push the interest rate of the 364-day treasury bills to 13-14 percent by the end of June this year.

"The potential increase in interest rate may



constrain the private sector credit growth, amplifying the risk of non-performing loans accumulating in the banking system," according to the report shared at an event at the Renaissance Hotel in Dhaka.

CAL said its previous forecast for the exchange rate for 2022 and 2023 was closely aligned with the actual numbers, marking two consecutive years of projection accuracy.

Citing Bangladesh Bank's plan to introduce a crawling peg as part of its strategy to move gradually to market-led exchange rates, the investment bank said the adoption of a crawling peg regime will limit the steep depreciation of the local currency.

"The depreciation pressure is tied to prior money printing and forex intervention which delayed the taka from reaching equilibrium," said the report, presented jointly by Deshan Pushparajah, country head of CAL Bangladesh, and Ahmed Omar Siddique, vice president and head of investment strategy at CAL Investments Ltd.

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STOCKS	
DSEX ▲	CASPI ▼
0.50%	0.08%
6,153.33	17,427.99

COMMODITIES	
Gold ▼	Oil ▼
\$2,039.27	\$77.55
(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.69%	▲ 0.61%	▲ 0.15%	▼ 1.48%
71,630.38	36,286.71	3,154.89	2,788.55