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Star BUSINESS

Livestock traders and farmers are eyeing big sales of sacrificial animals ahead of Eid-ul-Azha, but ongoing inflationary pressure remains a challenge

Story on B4

Only 10% of planned economic zones get off the ground in a decade

Beza now plans to set up 100 industrial enclaves by 2041 instead of initial deadline of 2030

JAGARAN CHAKMA

Only 10 economic zones (EZs) have become operational since the Bangladesh Economic Zones Authority (Beza) rolled out its massive industrialisation plan in 2015, raising questions about whether its goal of setting up 100 enclaves will be materialised on time.

The board of the Beza has approved a total of 97 EZs over the past decade. Of them, 68 zones will be set up by the government and 29 by the private sector, with the initial deadline set at 2030.

The deadline was later pushed back to 2041 since executing such a high number of projects will take a considerable amount of time in a country where time over-runs are commonplace and acquiring land is complex, which delays implementation.

Of the 10 economic zones, two are government-run -- Bangabandhu Sheikh Mujib Shilpa Nagar (BSMSN) in Chattogram, the Sreehatta Economic Zone in Sylhet -- and eight are private.

The private EZs are City Economic Zone, Meghna Industrial Economic Zone, Meghna Economic Zone, Hoshendi Economic Zone, Abdul Monem Economic Zone, Bay Economic Zone, Aman Economic Zone, and East West Economic Zone.

In the two state-run zones, 13 companies are already producing goods: 11 factories have been built in BSMSN and two units have been set up in Shreehatta, according to Beza documents.

Besides, infrastructure development work for 36 factories is underway at the government EZs. Among them, 25 will be set up at BSMSN, four in Shreehatta, five in Jamalpur, and two in the Japanese Economic Zone.

The Beza has so far given approval to 29 private EZs, with 12 enclaves granted final licences and 10 awarded pre-qualification certificates. Of the final licensees, eight have gone into operation.

A total of 17 factories are under construction in the private economic zones.

Shaikh Yusuf Harun, executive chairman of the Beza, does not think that there has been slow progress in implementing EZs.

"Ten zones are already operational, and the number will go up to 29 within the next two to three years."

He said the Beza has revised its target to set up 100 EZs by 2041 from 2030 initially since implementing an economic zone project takes time.

"We will be able to make at least 38 EZs operational by 2030."

Harun said they have been successful in generating a significant number of jobs, particularly in the manufacturing and service sectors.

Anwar Hossain, an economist at Development Design Consultants Limited, an engineering consulting firm, has been involved in providing feasibility consulting services to many government infrastructure and development projects.

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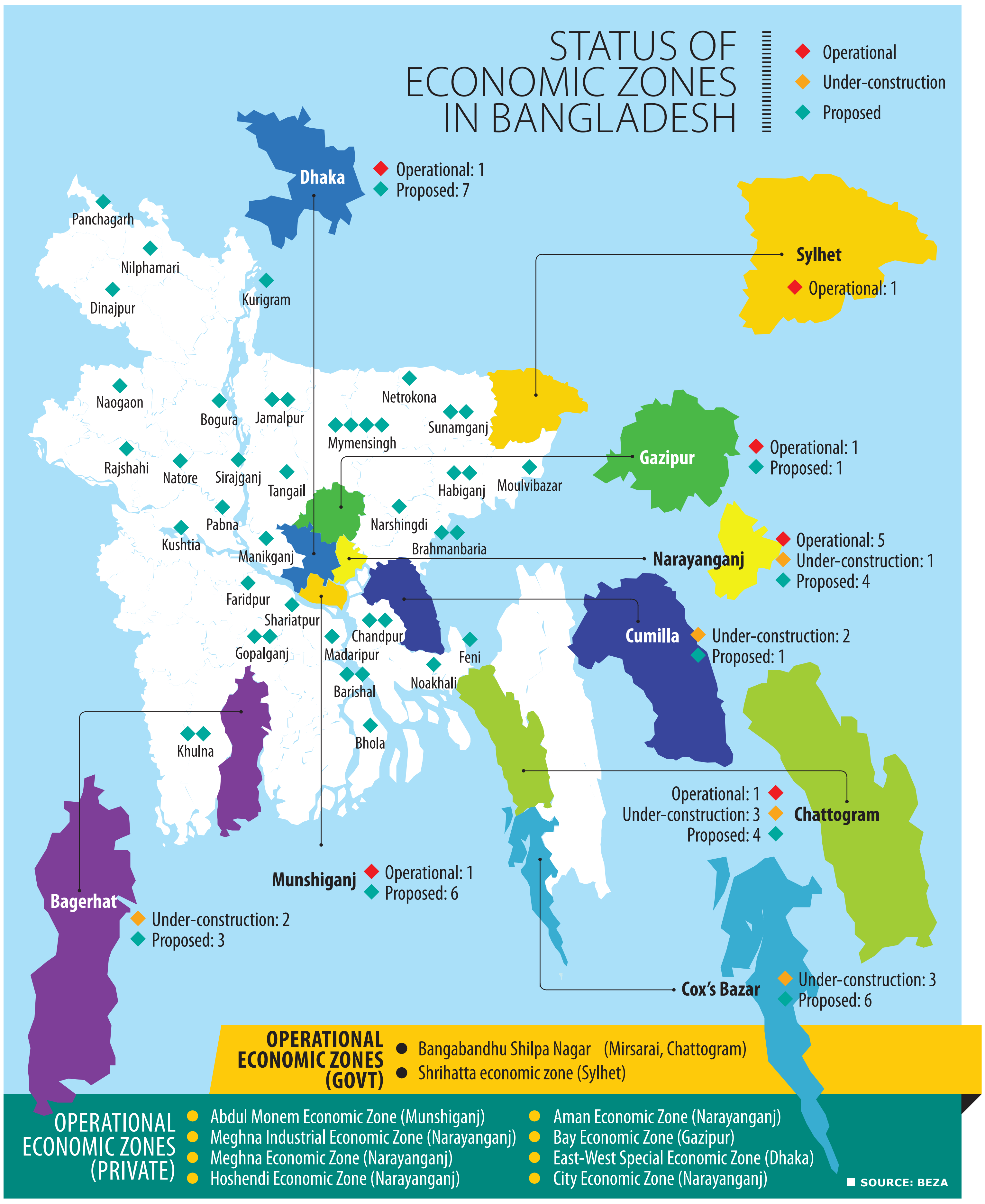

Turnover at Dhaka bourse declines to 5-month low

STAR BUSINESS DESK

Shares listed on Dhaka Stock Exchange (DSE) faced another major setback yesterday with the daily market turnover falling to a five-month low.

Turnover is the total value of shares changing hands on a day, giving an indication of the amount of trading activity.

It amounted to Tk 306 crore, dropping 30.42 percent from that on the previous day.

The textiles sector dominated the turnover chart, accounting for 13.61 percent.

Shares of Alif Industries were traded the most, contributing 1.3 percent to the turnover, or Tk 14 crore.

Block trades constituted 10.9 percent of the turnover.

DSEX, the benchmark index of the prime bourse, dropped 50.35 points, or 0.95 percent from that on the day before

A block trade is a large, privately negotiated securities transaction which is arranged away from public markets to lessen the effect on the security's price.

At the end of the day, the DSEX, the benchmark index of the country's prime bourse, dropped 50.35 points, or 0.95 percent from that on the day before.

It finally stood at 5,228.53, the lowest in over three years.

Likewise, the DSES, the index that represents Shariah-based firms, fell 13.59 points, or 1.18 percent, to 1,138.96.

The DS30, the index that comprises the best blue-chip shares, dipped 16.79 points, or 0.89 percent, to 1,869.93.

Mutual fund, telecom and travel and leisure sectors closed in the positive while information technology, ceramics and non-bank financial institution (NBFI) in the negative.

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IMF's $1.15b 3rd tranche likely in late June

STAR BUSINESS REPORT

Bangladesh may receive $1.15 billion in the third instalment of the International Monetary Fund's (IMF) loan in the last week of June, which will give a much-needed relief to the country's dwindling foreign exchange reserves.

The proposal for the third tranche will be placed at the executive board meeting of the Washington-based lender for approval on June 24 or June 25, said an official of the Bangladesh Bank.

On Sunday, Finance Minister Abul Hassan Mahmood Ali told reporters that Bangladesh would get the instalment by June.

He made the comments after a meeting with IMF Executive Director Krishnamurthy Venkata Subramanian at his secretariat office.

In January last year, the IMF approved the $4.7 billion loan. Bangladesh has received more than $1 billion in two instalments.

In order to facilitate the release of the third tranche, an IMF team led by Chris Papageorgiou completed the programme's second review last month. It reached a staff-level agreement with the government on the policies needed to complete the second review.

The IMF will disburse the third instalment as per the fulfilment of the conditions set for December 2023. Except the forex reserve target, Bangladesh has met all conditions.

In December, the central bank was supposed to maintain net international reserves of $17.78 billion. It fell short by more than a billion dollars.

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Treasury bond yields climb to 15-year high

Bank deposits, lending rates are also rising

MD MEHEDI HASAN

The interest rate of treasury bonds recently jumped to a 15-year high of 12.75 percent, indicating that government borrowing will become costlier in the months ahead.

The previous highest yield of government bonds was an average of 13 percent in 2009.

The development comes following a hike in the interest rate of treasury bills, which have risen to a record 12 percent as the government increased its borrowing from internal sources to meet the budget deficit.

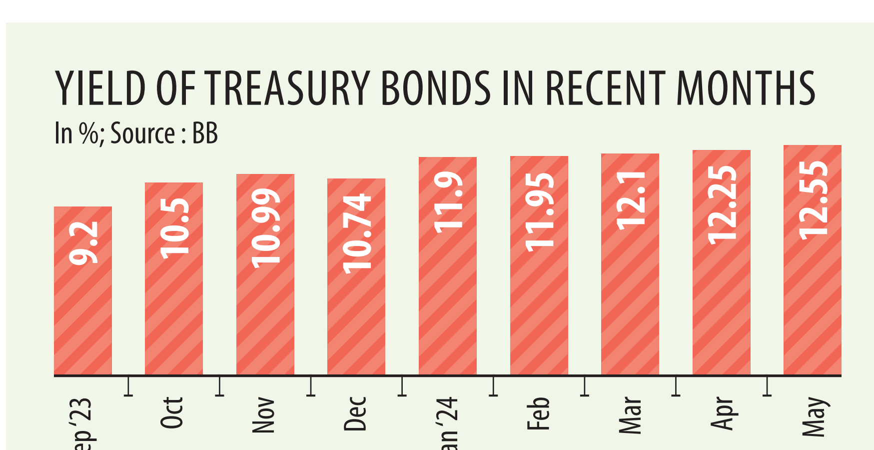
Besides, deposit and lending rates at banks also started increasing after the Bangladesh Bank scrapped the Six-months Moving Average Rate of Treasury bills (SMART) formula to make interest rates fully market-based.

The central bank left the fixed interest and foreign exchange rate regime in favour of a market-based system as per the conditions for a $4.7 billion loan from the International Monetary Fund (IMF).

As such, the SMART formula, which was in place since July 2023, was officially removed on May 8.

The banking regulator also increased the policy rate by 50 basis points to 8.5 percent to make money costlier and tame the high inflationary pressure.

These initiatives have raised the yields of treasury bills and bonds while also driving up bank deposits and lending rates, according to several bankers.



The interest rate, or yield, of treasury bonds now ranges from 12.05 percent to 12.75 percent while it was 8.03 percent to 8.80 percent in May last year, central bank data showed.

The interest rate of treasury bonds that mature within two years of purchase stands at 12.05 percent while those with a five-year tenure yield 12.40 percent as quoted at separate auctions this month.

The yield of treasury bonds with a 10-year maturity period is 12.55 percent, while it is 12.65 percent for those which will mature in 15 years and 12.75 percent for those maturing in 20 years.

The government is using these securities to borrow heavily from commercial banks as the regulator stopped printing money to avoid fuelling inflation at the start of the ongoing fiscal year.

Inflation has stayed above 9 percent for the past 20 months.

During the July-May period of fiscal 2023-24, net government borrowing from the banking sector stood at Tk 50,899 crore, central bank data showed.

The government borrowed Tk 70,558 crore from commercial banks and repaid Tk 19,659 crore to the central bank.

"The money market is facing pressure owing to the government's tight fiscal situation," said Mohammed Nurul Amin, a former chairman of the Association of Bankers Bangladesh.

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Loans, deposits rise in Islamic banks despite liquidity crisis

STAR BUSINESS REPORT

Outstanding loans and deposits both increased in 10 full-fledged local Islamic banks in February this year although six of them have been facing severe liquidity crisis for more than a year.

Outstanding loans at the 10 banks stood at Tk 455,525 crore, up by Tk 6,452 crore from a month earlier, according to the latest data of the Bangladesh Bank.

At the same time, deposits in those banks hit Tk 380,066 crore, up by Tk 4,762 crore from January.

Massive loan irregularities have been taking a huge toll on six Islamic banks: Islami Bank Bangladesh, Social Islami Bank, First Security Islami Bank, Union Bank, Global Islami Bank and ICB Islamic Bank.

The rest four—Al Arafah Islami Bank, Standard Bank, Exim Bank and Shahjalal Islami Bank—have been doing comparatively well, industry insiders said.

The money being added in the form of interest has also played an important role for the increase in Islamic banks' outstanding loans and deposits in February, experts said.

Despite being in a bad shape, the problematic six are still disbursing loans, which is fuelling the outstanding loans at Islamic banks, they added.

The six have been facing shortfalls in cash reserve ratio and statutory liquidity ratio for a long time along with being hit by a deficit at their current accounts with the central bank.