

Star BUSINESS

Bangladesh can increase its economic output by nearly 40 percent by closing the gender gap and increasing women's participation in economy, IMF says



Story on B4

WEEKLY INTERVIEW



Shaheen Ahamed

'High inflation to impact this year's rawhide collection'

SUKANTA HALDER

Inflation staying persistently high at over 9 percent for the past two years will lead to a lower number of animals being slaughtered this Eid-ul-Azha, the peak season for collecting rawhides, according to Bangladesh Tanners Association (BTA).

Given the scenario, traders have lowered their target for rawhide purchase. The BTA has set a target to procure 80 lakh pieces of rawhide this year, 10 lakh lower than that in the year prior, said Shaheen Ahamed, chairman of the association.

"Due to high inflation, the number of sacrificial animals will be 15 to 20 percent lower than during the last Eid-ul-Azha," Ahamed said in an interview with The Daily Star.

"Animal prices are also high. Because common people do not have as much money this year, a target to collect 80 lakh pieces of rawhides has been set," he said.

The modest target was set despite a record number of sacrificial animals being put up for sale this Eid-ul-Azha due to a surplus in supply as many were left unsold during last year's Eid, he said. There were over 1.25 crore sacrificial animals in 2023, but the number has crossed 1.29 crore this year, as per data from the Department of Livestock Services.

Ahamed added that sales of leather products had decreased considerably in the local market due to high inflation.

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Banks' surging investments in bills, bonds shrink loanable funds

MD MEHEDI HASAN

Banks in Bangladesh are increasing their investments in Treasury bills and bonds to net higher profits from the rising interest rate, a development that has squeezed the availability of loans for borrowers.

This has forced a section of banks to continuously secure liquidity support from the Bangladesh Bank to meet their day-to-day fund requirements.

The government has used the bills and bonds to borrow Tk 78,117 crore from banks between July 1 and May 29 this fiscal year, up 337 percent from Tk 17,883 crore during the same period a year ago, central bank data BB showed.

The escalated borrowing through bills and bonds came after the central bank stopped lending to the government since such injection of funds into the economy fuels inflation, which has stayed above 9 percent for nearly two years and shows no signs of cooling.

The government plans to borrow Tk 137,500 crore from banks to finance the deficit in the proposed budget for 2024-25.

Banks are also more interested in investing in bills and bonds than lending to the private sector because of the rising interest rate. Government instruments are also secure whereas loans can turn sour.

"Therefore, banks are keener about Treasury bills and bonds and a major portion of their surplus liquidity has been invested in the tools," a central banker said.

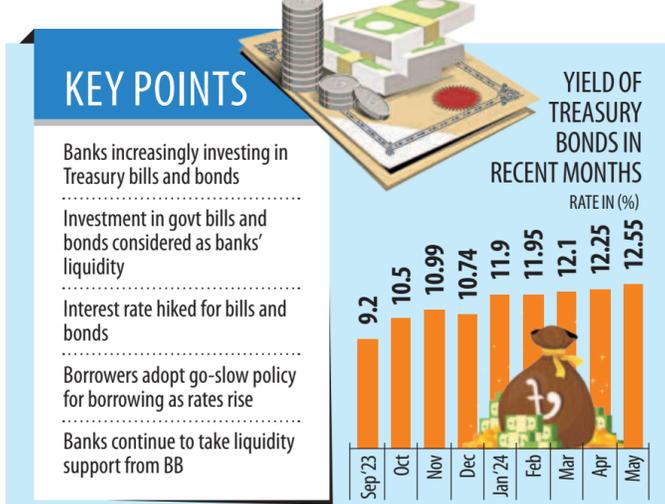
The interest rate of Treasury bills now ranges from 11.60 percent to 12 percent whereas it was 6.75 percent to 7.75 percent in June last year. The interest rate of bonds recently jumped to a 15-year high of 12.75 percent.

Bills have short-term maturities while bonds have long maturities.

Owing to the higher investments by banks in government securities, excess liquidity, which includes cash and cash-equivalent assets, including Treasury bills and bonds, has risen in the banking system.

Excess liquidity stood at Tk 1,76,205 crore at the end of April, up 5 percent from Tk 1,66,825 crore a month earlier, central bank data showed.

A senior banker said although bills and bonds are considered liquid assets, they can't be turned into cash instantly



INVESTMENT IN SECURITIES

Banks invested Tk 78,117cr in govt securities till May 29 this fiscal year

Banks invested Tk 17,883cr in govt securities till May 29 last fiscal year



because the secondary market is yet to become vibrant. Thus, the volume of surplus liquidity reported by the BB is not the actual liquid asset situation.

"This is evidenced by the liquidity stress confronting several banks."

Banks have collectively obtained around Tk 20,000 crore from the central bank through repo (repurchase agreement) and assured liquidity support tools in the past six months.

Mirza Elias Uddin Ahmed, managing director of Jamuna Bank, said although

the surplus liquidity has increased, many banks are still taking liquidity support from the central bank.

"There is a liquidity mismatch in the banking sector. Some Islamic banks have been experiencing a liquidity crisis for more than one year. This has impacted the overall banking sector."

Another factor that has made banks cautious when it comes to lending is unbridled bad loans: default loans hit an all-time high of Tk 182,295 crore in March.

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EID VACATION Private ICDs face an influx of export containers

DWAIPAYAN BARUA, Ctg

The private inland container depots (ICDs) in Chattogram are overwhelmed by a rising number of export containers due to the advance dispatch of cargoes by exporters ahead of the Eid vacation in garment factories.

Some of the apparel manufacturers have already closed their production units for Eid-ul-Azha while some will shut their doors today. Around 10 days ago, readymade garment factories from across the country started sending export cargoes to the 21 private ICDs, one or two weeks ahead of the scheduled shipment dates.

This trend is seen every year before Eid vacations, but this year a few more factors have led to extra pressure and acute container congestion in the ICDs, stakeholders opined.

The factors include the increased flow of export cargoes in recent months, the impact of the cargo backlog created after the two-day operational closure in Chattogram port due to cyclone Remal last month, and delays in vessel arrival due to congestion in transshipment ports in Singapore and Malaysia, they said.

A transport crisis hit the business zone when fares of trucks and covered vans doubled and vehicles started waiting for two or three additional days for unloading of cargoes at the ICDs.

Until Saturday afternoon, some 15,553 TEUs (twenty-foot equivalent units) of export containers were lying at the 21 ICDs, much higher than the 8,000 TEUs on any regular day, according to the Bangladesh Inland Container Depots Association.

The number of total containers, including export, import and empty, crossed 78,000. The 21 ICDs together have the capacity to store 90,000 such containers.

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| STOCKS | | WEEK-ON WEEK |
|--------|-------|--------------|
| DSEX | 2.28% | 5,117.81 |
| CASPI | 2.67% | 14,547.24 |

| COMMODITIES | | AS OF FRIDAY |
|-------------|------------|--------------|
| Gold | \$2,333.01 | (per ounce) |
| Oil | \$78.48 | (per barrel) |

| ASIAN MARKETS | | | | FRIDAY CLOSINGS |
|---------------|-----------|-----------|----------|-----------------|
| MUMBAI | TOKYO | SINGAPORE | SHANGHAI | |
| 0.24% | 0.24% | 0.81% | 0.12% | |
| 76,992.77 | 38,814.56 | 3,297.55 | 3,032.63 | |

Eight state firms had Tk 183cr default loans until Feb

STAR BUSINESS REPORT

Eight state-owned enterprises (SOEs) of Bangladesh had a combined default loan of Tk 183.62 crore in February, official figures showed.

At this time last year, the volume of default loans held by the SOEs was Tk 184.76 crore.

The latest figures were disclosed in the Bangladesh Economic Review 2024, which was released by the Ministry of Finance on June 6.

Among the eight SOEs, Bangladesh Jute Mills Corporation defaulted on the highest amount of loans of Tk 131.3 crore. This is around nine times higher than the Tk 14.76 crore in 2020.

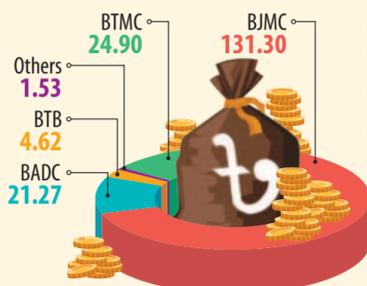
The second-highest bad loan of Tk 24.9 crore was with Bangladesh Textile Mills Corporation (BTMC). In 2019-2020, BTMC had a default loan of Tk 20.49 crore.

Bangladesh Agricultural Development Corporation (BADC) had a bad loan of Tk 21.27 crore, the third highest.

Bangladesh Tea Board had a bad loan of Tk 4.62 crore, Bangladesh

Default loans of state enterprises

(In crore taka)



SOURCE: FINANCE MINISTRY

Chemical Industries Corporation Tk 74 lakh, Bangladesh Road Transport Corporation Tk 57 lakh, Trading Corporation of Bangladesh Tk 20 lakh, and Bangladesh Sugar and Food Industries Corporation Tk 2 lakh.

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State enterprises' loan rising, so is govt guarantee

JAGARAN CHAKMA

The government needs to provide guarantees against an increasing amount of loans of state-owned enterprises every fiscal year, especially for power generation, fertiliser and fuel imports, and aircraft purchases.

The government provides these "sovereign guarantees" against loans negotiated by various state-owned financial and non-financial enterprises, states the finance ministry's Medium-term Macroeconomic Policy Statement for 2024-25 to 2026-27.

Meant to aid the implementation of public policies and programmes, the sovereign guarantees are mostly issued to entities operating in commercial aviation, power and public commodity sectors, and fertiliser plants, according to the statement.

If the entities fail to repay their loans on time, the guarantees could be invoked and the liabilities would be passed on to the government, which inevitably would have future fiscal implications, it added.

As of the current fiscal year of 2023-24, sovereign guarantees were backing Tk 117,094 crore in loans, according to budget documents of the finance ministry.

In the last fiscal year of 2022-23, it was Tk 98,591 crore whereas it was Tk 92,601 crore in fiscal year 2021-22.

Govt guarantee against loans of state enterprises

In crore taka; As of June

SOURCE: FINANCE MINISTRY



The amount has been increasing by around 19 percent on average every year.

State-owned power agencies now have the highest amount of loans -- Tk 53,596.26 crore.

Bangladesh Agricultural Development Corporation accounted for Tk 18,985.48 crore, all availed for importing fertilisers.

Besides, the loan against Ghorashal-Palash Urea Fertiliser Factory, which was

inaugurated in Narsingdi in November last year, stands at Tk 10,113 crore.

Biman Bangladesh Airlines had loans to the tune of Tk 8,543.45 crore, the energy sector Tk 7,660.18 crore and the Trading Corporation of Bangladesh Tk 2,432.11 crore.

One of the ways in which state-owned enterprises were correlated with the government's fiscal position, as per a partial

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EID MUBARAK

Prime Bank