

US to hit new debt limit as soon as Jan 14: Yellen

AFP, Washington

The United States could come up against its debt ceiling as soon as in mid-January, Treasury Secretary Janet Yellen said Friday, urging Congress to “act to protect the full faith and credit” of the country.

Lawmakers have suspended the debt ceiling — a limit on government borrowing to pay for bills already incurred — until January 1 next year.

This means that on January 2, a new limit will be set matching the amount of debt issued by the Treasury Department.

But the path forward could prove to be contentious if the United States hits this new limit, given that the lifting of the ceiling has been a thorny partisan issue in recent years.

“Treasury currently expects to reach the new limit between January 14 and January 23, at which time it

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will be necessary for Treasury to start taking extraordinary measures,” said Yellen in a letter addressed to Republican House Speaker Mike Johnson and other lawmakers.

Such extraordinary measures allow the Treasury Department to continue financing the government’s activities, preventing it from defaulting on its obligations.

The United States is not set to hit the debt limit once the suspension is over, as the country’s outstanding debt is projected to decrease by around \$54 billion on January 2, Yellen noted.

This is “mostly due to a scheduled redemption of nonmarketable securities held by a federal trust fund associated with Medicare payments,” she added.



Bellal Hossain makes a comforter at the Katianangla Bazar in Khulna's Batiaghata upazila. He can make eight to 10 comforters in a day, each of which can sell for Tk 1,100 to Tk 1,600 depending on the size and quality of materials used. With winter well underway, sales are said to have picked up. The photo was taken recently.

PHOTO: HABIBUR RAHMAN

Economy can't go forward without Islami Bank: BB governor

STAR BUSINESS REPORT

Bangladesh economy cannot go forward without Islami Bank and people of the country have confidence on the financial institution, Bangladesh Bank Governor Ahsan H Mansur said yesterday.

“Islami Bank is the number one bank of the country. The bank has turned around within the shortest time and is now going forward smoothly. This bank will not look back anymore,” he said.

The central bank governor made the comments while inaugurating a new branch of Islami Bank in Ghatail upazila of Tangail as the chief guest.

“One-fourth of the country’s population is closely connected with Islami Bank. The opening of the 400th branch is a significant achievement for the bank,” the governor said.

“We have been working to recover the banking sector from its previously devastating situation. Islami Bank has made remarkable progress compared to its condition five

months ago.”

Mansur said Islami Bank was established as an international bank with the involvement of foreign investors.

The governor hoped Islami Bank will come back as an international bank again, as the financial institution has the potential to be 10 times larger.

Islami Bank has a countrywide network of 400 branches, 265 sub-branches, 2,800 agent outlets and more than 3,000 automated teller machines/cash recycling machines, said Obayed Ullah Al Masud, chairman of Islami Bank.

“It is a symbol of its popularity. The employees of this bank work with honesty and sincerity. It is very rare to find so many honest and competent people under the same umbrella,” Masud said while presiding over the programme.

He also stated that Islami Bank has been contributing to the development of the rural economy through its rural development scheme, which operates across 34,000 villages in the country.

“We want to extend this service to 68,000 villages.”

Md Abdul Jalil, chairman of the executive committee of the bank; M Masud Rahman, chairman of the risk management committee; Md Abdus Salam, chairman of the audit committee, and Mohammad Khurshid Wahab, independent director, were present at the opening of the branch as special guests.

Mohammed Monirul Molla, managing director of the bank, delivered a welcome speech at the programme, where Mohammad Abdus Samad, member secretary of Shariah supervisory committee, presented a keynote speech on welfare-oriented banking.

Md Omar Faruk Khan, Md Altaf Hossain and Mohammad Jamal Uddin Mazumder, additional managing directors; Md Hosni Mobarak Babul, principal of AIM City Residential School and College; Md Russell Mia, owner of the bank’s Brahman Shasan Bazar agent outlet, and Md Rafiqul Islam, a local businessman, along with executives and officials of the bank, were also present.

ERF elects new leaders



Doulot Akter Mala



Abul Kashem

STAR BUSINESS REPORT

Doulot Akter Mala, a special correspondent for The Financial Express, has been elected president of Economic Reporters’ Forum (ERF), an organisation for finance and business journalists.

Abul Kashem, a special correspondent for The Business Standard, was re-elected as the general secretary.

Mala bagged a total of 114 votes to secure victory, while her nearest rival, Refayet Ullah Mirdha, senior staff reporter of The Daily Star and the outgoing ERF president, got 82 votes.

Abul Kashem got 93 votes, with his closest rival Mizanur Rahman securing 48 votes.

The new leadership will guide the ERF through the 2025-26 term.

The elections, held during the ERF’s biennial meeting at its Purana Paltan office on Friday, were overseen by Hasan Hafiz, chairman of the board of directors and president of Jatiya Press Club.

The election board included Ayub Bhuiyan, general secretary of Jatiya Press Club, and Syed Abdal Ahmed, the former general secretary.

India’s forex reserves fall to 7-month low

ANN/THE STATESMAN

The foreign exchange reserves fell for a third consecutive week as of December 20, data from the Reserve Bank of India said on Friday.

India’s foreign exchange reserves stood at a more-than-seven-month low of \$644.39 billion. As per the RBI data, the reserves declined by \$8.5 billion in the reporting week, logging their biggest weekly fall in over a month. They had declined by a total of \$5.2 billion in the prior two weeks.

Changes in foreign currency assets are caused by the central bank’s intervention in the forex market as well as the appreciation or depreciation of foreign assets held in the reserves. The RBI intervenes on both sides of the forex market to curb undue volatility in the rupee.

RBI further said that India’s current account deficit moderated slightly from a year earlier in the July-September quarter. The current account deficit stood at \$11.2 billion, or 1.2 percent of GDP in the reporting quarter, compared with a revised deficit of \$11.3 billion or 1.3 percent of GDP in the same quarter a year ago. The deficit stood at a \$9.7 billion or 1.1 percent of GDP in the preceding quarter.

A rush to heal exposed banking wounds

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administration that came after Hasina’s exit moved swiftly to address systemic irregularities and implement a broad reform agenda.

Towards the end of the year, a slew of steps had been taken, though the path to stability remained fraught with difficulty.

A GLOOMY START

The year began under a cloud of economic uncertainty.

Inflation surged to 11.66 percent in July — the highest in 13 years. The price pressure has been hovering above the 9 percent mark since March 2023.

Despite the government and the central bank’s efforts, including multiple policy rate hikes, inflationary pressures showed little sign of easing.

To make things worse, the foreign exchange market faced unrelenting volatility for months.

Over two years, the country’s dollar stocks had halved and local currency Taka had depreciated by about 28 percent.

These burdens further strained the banking sector, specially for Shariah-based lenders already wrestling with governance failures and liquidity shortfalls.

BB’S LIQUIDITY SUPPORT ALL

THROUGH 2024

To protect the banking sector from a collapse, the Bangladesh Bank (BB) injected fresh funds into struggling banks throughout the year.

The lack of securities tied to these liquidity supports fueled inflation and drew criticism for making things difficult in the long run.

Critics argued that such measures merely postponed the reckoning, without addressing the structural flaws undermining the sector.

At the end of 2023, the central bank provided Tk 22,000 crore in emergency funds to seven beleaguered banks, including five Islamic ones, to dress up their balance sheets before the year closed.

Then, in January, the banking regulator provided Tk 12,000 crore to six banks against the special purpose treasury bond issued by the government to settle outstanding payments for fertiliser and power.

Economists came down heavily on these fund injections, arguing that those fueled inflation by “printing money”.

Under the interim government, the central bank also extended Tk 22,500 crore as liquidity support to six crisis-hit banks in November.

FAULTY MERGER MOVE

As per the instruction of the previous government, Abdur Rouf Talukder, former governor of the central bank, took an initiative to merge five weak banks with sound ones.

The move prompted massive instability in the banking sector as depositors of the weak banks rushed to withdraw cash.

The decision to merge the weak and problematic Padma Bank with the EXIM Bank in March was the first merger initiative.

Later, names of a few more banks came to light for merger, which eventually caused the lenders to face a liquidity crisis due to massive deposit withdrawals.

However, after the political changeover, the merger decision was cancelled.

THE RETURN OF MARKET-BASED INTERESTS

In May this year, the BB was forced to reintroduce market-based interest rates after shelving it for four years.

The reintroduction was to meet the conditions of the IMF.

The central bank, in line with the government instruction in 2020, introduced a single digit lending rate which allowed banks to charge a maximum 9 percent interest rate on

lending.

Economists criticised the single-digit lending rate policy as it created an opportunity for bad borrowers to take funds at a cheap rate and launder it abroad. The single-digit lending rate also contributed to high inflation.

In July 2023, the central bank withdrew the 9 percent lending rate cap and introduced the Six-Months Moving Average Rate of Treasury bills (SMART) formula for setting the interest rate.

In May this year, the banking regulator scrapped the SMART formula to let the market decide interest rates on commercial lending.

At the same time, the BB introduced a crawling peg exchange rate system for buying and selling foreign currencies and allowed banks to buy and sell US dollars at around Tk 117.

BAD LOANS REACHED RECORD HIGH

At the end of September this year, non-performing loans (NPLs) in the banking sector reached Tk 284,977 crore.

The figure included a massive Tk 73,586 crore defaulted in just three months.

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Western Marine plans

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In 2008, the shipbuilder signed a €94 million contract with German company Grona Shipping to build 12 ice class cargo vessels.

Only four out of these 12 ships were delivered smoothly at its original price.

Western Marine had to deliver four other ships at a discount, while the German buyer cancelled the order for the remaining four ships, citing global inflation and the eurozone crisis in 2012-2013.

An official of Western Marine said, “During that period shipping freight dropped drastically worldwide and global shipping and shipbuilding business faced a huge crisis which had led our European buyer towards insolvency and order cancellations.”

A Danish buyer also cancelled an order for two vessels when those were already half built, he said, adding that they later managed to sell one of those two ships to a company of Equador at a discount.

These order cancellations as well as global market fall in shipping and shipbuilding business led the company to face a financial crunch since 2014.

There was a lack of foreign orders

of high value commodity ships during the period from 2013 to 2020, he claimed.

And by this time, the company had gradually been burdened with a huge amount of debt with banks and financial institutions.

Western Marine’s loans with different banks and financial institutions reached Tk 1684 crore. Failure to pay those off on time led to the accumulation of interest of Tk 1,402 crore.

The company has so far paid off Tk 952 crore. Its current outstanding loan stands at Tk 2,134 crore.

Western Marine General Manager (Finance) Abul Mansur said they have regularised these loans with most of the financial institutions, while negotiations were ongoing with the rest.

They availed a grace period of two years from most of the financial institutions making required down payments.

Managing Director Hasan said though devastated with debts, they did not give up, rather tried to survive through the export of small support ships to a few African countries, India and other countries from 2013 to 2023.

Inflation outpaces wage growth

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“If once any infant falls into malnutrition, it can never be recovered. It may cause permanent damage to their body,” he added.

In November, food inflation in urban areas stood at 14.63 percent, which especially hit the urban poor.

Food inflation has been hovering above 9 percent since May 2023 and exceeded 9.5 percent in each month of FY24 except February and June.

The overall wage growth in the agriculture sector was 8.36 percent that month, up by 0.04 percentage points from August, while that of the industrial sector increased by 0.04 percentage points to 7.73 percent.

Likewise, wage growth in the service sector advanced by 0.03 percentage points to 8.40 percent.

The WRI considers the wages of informal workers, who get paid on a daily basis, across 63 occupations in the agriculture, industry and service sectors.

Regarding persisting inflation, Mujeri said the former government could not reduce inflation with its monetary policy as it failed to implement the right measures at the right time. “Implementing a contractionary monetary policy is not enough to fight inflation. There is a need to integrate multiple policies here,” he added.

Mujeri, a former chief economist of the Bangladesh Bank, said there was no alternative to ensuring sufficient production in order to stabilise the market.

“Still, the government has failed to

stabilise the kitchen market,” he said.

“In this situation, the month of Ramadan is coming, I don’t see any hope to cool the inflation,” he said.

“The recent nationwide indefinite strike (by water transport workers) may push prices further up in the kitchen market,” he added.

The water transport workers have called the strike demanding a proper investigation into Monday’s killing of seven crewmen onboard MV Al-Bakhera in Chandpur.

Real income reductions caused by ongoing inflationary pressure over the past two years have pushed at least 78 lakh people into poverty, according to a study by private think-tank Research and Policy Integration for Development (RAPID).

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Transport workers’ strike

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Director General Commodore Md Maksud Alam of the Department of Shipping and leaders of the Bangladesh Water Transport Workers Federation and the Bangladesh Lighterage Workers Union at the office of DG Shipping in Agargaon, Dhaka.

The BWTWF announced the indefinite work abstention centring the brutal killing of seven crewmen of lighter vessel MV Al-Bakhera in Chandpur on December 23.

Seven workers of the lighter vessel, which was carrying 720 tonnes of urea from Chattogram to Baghabari, were found dead in the early hours of the day while it was anchored in the Chandpur area.

Abul Khair Group, a leading

commodity importer of Bangladesh, imported 45,103 tonnes of yellow peas from Canada on a mother vessel named MV One Shine, which reached Kutubdia anchorage on December 23.

After lightering 3,000 tonnes of imported cargo at Kutubdia, the ship reached the outer anchorage of the port last night and has remained idle since then due to the workers’ strike, Belayet Hossain, director of the ship’s local agent Litmond Shipping Ltd, told The Daily Star.

The ship had plans to complete the unloading at best in 6 days, but it looks like the work stoppage would delay the process, he said.

The operators of these kinds of vessels have to pay \$20,000 to \$25,000 every day as demurrage, he said.

Meanwhile, around 10.5 lakh

tonnes of imported cargo got stuck at 773 lighter vessels that were passing idle times at 56 river points, said officials of Bangladesh Water Transport Coordination Cell.

Some 120 lighter vessels out of the 773 got stranded at Noapara Ghat area of Jashore and 77 at Narayanganj’s Kanchpur.

These vessels are mostly carrying commodities such as wheat, sugar, lentils, yellow peas, salt, and edible oil, along with coal, stone, and industrial raw materials like cement clinker, slag, and fertiliser.

Workers were adamant on abstaining from work until their demands are met, said Alfar Hossain Chowdhury, general secretary of Bangladesh Lighterage Workers Union.