Business

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Banks cool on buying StanChart's retail arm

Weak loan growth and a requirement to keep 1,500 staff are deterring bidders, as City Bank weighs its options



Banks back off race to buy StanChart's retail business

- Six lenders showed interest in previous months
- They are: City Bank, BRAC Bank, Pubali Bank, Mutual Trust Bank, Dhaka Bank and Dutch-Bangla Bank
- Only City signed a confidentiality deal with StanChart



Why

- Private sector credit growth at lowest levels on record
- Potential buyers reluctant to take on 1,500 highly paid staff
- They say trade and commerce in poor shape

Standard Chartered Bangladesh

- 120 years in the country
- Says retail exit for more focus on corporate
- The transition to take up to 24 months

MD MEHEDI HASAN

Most of the top local banks that lined up to buy the retail business of Standard Chartered Bangladesh are now leaving the race, officials at the banks say, indicating that the business sale by the foreign lender announced last month might be challenging.

For taking over the local retail business of the British multinational bank, at least six commercial lenders showed strong interest over the months. They include BRAC Bank, City Bank, Pubali Bank, Mutual Trust Bank, Dhaka Bank and Dutch-Bangla Bank.

So far, only City Bank has signed a non-disclosure agreement (NDA) with Standard Chartered Bangladesh.

Officials of BRAC, Pubali and Mutual Trust told The Daily Star that their banks have decided in principle not to engage with the deal under its current conditions. Officials at other lenders said Dutch-Bangla Bank does not have the capacity under current conditions for the takeover.

The main attraction for most of the local commercial lenders was the low-cost deposits portfolio of Standard Chartered Bangladesh's retail banking. They now ask what they would do with that money if lending keeps sliding.

In September, credit to the private sector grew by just 4.17 percent, down from 4.75 percent in August, according to Bangladesh Bank. Senior central bank officials said they cannot recall such a slump, and that growth has not been this weak since at least 1993.

"We have decided not to proceed now," said a top official at one of the banks that lined up for the retail business buying.

"Private sector credit growth is at a historic low. What would we do with their low-cost deposits? Where would we lend? That is why we have backed away from their plan," he said.

"It is not a good time for Standard Chartered to sell its retail business because trade and commerce are in poor shape," he added, while speaking on condition of anonymity.

The size of the retail banking staff at Standard Chartered Bangladesh is also another issue.

The foreign lender has around 1,500 employees on high salaries and has made it a condition of the sale that the buyer takes them on. Many potential buyers said they would struggle to absorb such a large, highly paid workforce.

"What would we do with such a large payroll? What outcome would we get?" the official of the potential buyer asked.

Another senior official said his bank has also stepped back for the same reason. "We do not want to take over the bank's retail business. We have stepped back because of the 1,500 employees, whose salary packages are very high."

Selling the retail business is not easy, he said, and taking it over along with 1,500 employees would be difficult. "Many banks simply do not have the capacity to bear the cost of these staff."

In a statement in early October, Standard Chartered Bangladesh announced the sale of its wealth and retail banking business as it sharpens its focus on corporate and investment banking. Many local lenders had been in talks with the bank for a long time before the formal announcement.

Standard Chartered Bangladesh said the transition of the Wealth and Retail Banking (WRB) business is expected to take 18 to 24 months, subject to the deal process and regulatory approvals.

The first official said Standard Chartered makes decisions from a global perspective, but circumstances differ from country to country.

"Its plan should be customised. A plan that succeeded in Sri Lanka cannot simply be replicated in Bangladesh. Every country's situation is different," he said. "If it cannot find a buyer, it may put its plan on hold. But backing out after announcing a decision would damage its reputation."

Meanwhile, a City Bank official, who also asked not to be named, said the bank is the only one to have signed an NDA but is still watching the situation before making any further decision.

Abdul Hai Sarker, chairman of Dhaka Bank, told The Daily Star, "We are thinking it over. They have 1,500 employees who are highly paid."

"We haven't moved forward yet. Discussions are ongoing. We are trying to see whether this would be profitable. Taking on 1,500 employees would be a burden. That is one issue," he said.

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Inflation edges down, but living costs remain high

Slower wage growth adds to household pressure

MD ASADUZ ZAMAN

Inflation eased only marginally in October as a sharp rise in non-food prices offset a decline in food prices, keeping the overall rate above 8 percent for another month.

Slower wage growth has added to the pressure on household budgets, making it harder for low-income families, daily wage earners and people on fixed incomes to cope with the rising cost of living.

Point-to-point inflation fell to 8.27 percent in October from 8.34 percent in September, but remained higher than the 8.17 percent recorded in the same month last year, according to Bangladesh Bureau of Statistics (BBS) data released yesterday.

Food inflation dropped to 6.40 percent from 7.22 percent in September, its lowest level in 54 months. The last time it was lower was in April 2022, when it stood at 6.23 percent.

However, non-food inflation climbed to 9.89 percent from 9.30 percent, its highest in 41 months and close to the 9.96 percent recorded in May 2023.

BBS officials said the fall in food prices had been offset by rising non-food costs, keeping overall inflation high.

Zahid Hussain, former lead economist at the World Bank's Dhaka office, said rising non-food prices were now the main driver of inflation.

He said the fuel price adjustment in September would continue to push up prices for another month or two, as its full impact would take time to reach consumers. Changes in electricity tariffs, supply shortages and higher import costs would add to the pressure.

"The petroleum price adjustment made in September definitely has an impact, and that will persist for the next month or two, because the full effect doesn't come all at once," he said.

Mohammad Lutfor Rahman, a professor of economics at Jahangirnagar University, said favourable weather and improved seasonal supplies of vegetables, potatoes and onions had helped bring down food inflation.

However, higher transport, education and medical expenses continued to push up non-food inflation. The recent fuel price hike had increased transport costs, with operators quickly passing the additional burden on to passengers through higher fares.

"Transport operators have raised fares almost immediately, passing a disproportionate burden on to consumers," he said.

Wage growth slows, squeezing households

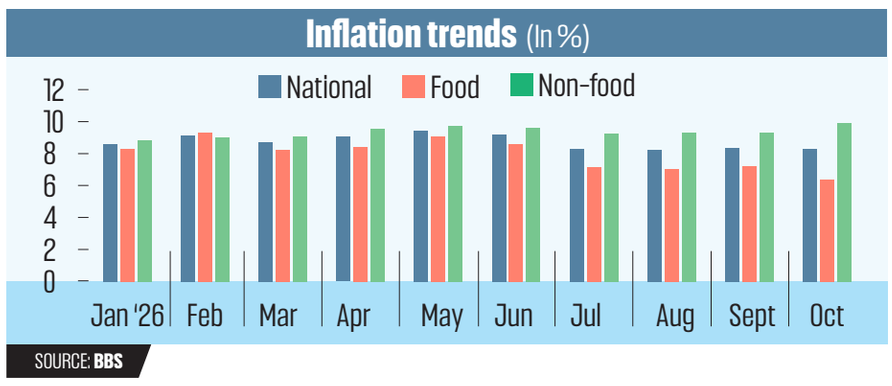
Wage growth also lost pace in October, falling to 7.63 percent from 7.9 percent in September. It had remained above 8 percent for several months, according to BBS data.

Zahid said the slowdown meant workers were losing purchasing power even as inflation eased.

"Even though inflation has fallen, real wages have not increased. Instead, the rate at which they are falling has accelerated," he said.

The wage index covers 63 low-skilled occupations, mainly involving daily labour.

Inflation trends (In %)



SOURCE: BBS

Zahid said the figures reflected the financial struggles of a large section of the population.

"At least eight to ten crore of our 18 crore people fall within this group, so at least half the population is affected," he said.

"For those who depend on wages, survival is becoming even more difficult. Our vulnerability is increasing," he added.

Lutfor said persistently high inflation was forcing low-income households and daily wage earners to cut spending, even on essential items.

"People are cutting spending not only on non-essential items but also on basic needs. Many are struggling to pay for food, children's education and medical bills. Some are even using their savings to meet these costs," he said.

The pressure on household budgets was also hurting businesses, as consumers were spending less on clothing, shopping and other non-essential goods, he added.

Zahid questioned whether the government's inflation target of 7.5 percent was achievable, saying even that level would be too high to ensure international competitiveness.

"Even if the target is achieved, I won't be very comfortable. With 7.5 percent, you cannot be internationally competitive," he said.

He acknowledged that bringing inflation down within a year might not be realistic but

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SPOTLIGHT

Shwapno plans to reach 5,000 farmers by 2030

STAR BUSINESS REPORT

Shwapno, the country's largest retail chain, plans to expand its sustainable agriculture network to more than 5,000 farmers, increase direct sourcing of fresh produce and reduce energy consumption by 2030.

The commitments were outlined at the launch of the company's first sustainability report at Lakeshore Grand in Dhaka yesterday, according to a press release.

Arif Dowla, group managing director of ACI PLC, the parent company of Shwapno, said the retailer had placed farmers and inclusive growth at the centre of its operations since its inception. It was increasingly using artificial intelligence (AI) to improve supply chain efficiency, cut carbon emissions, boost productivity and improve livelihoods, he added.

Sabbir Hasan Nasir, managing director of ACI Logistics Limited, which operates Shwapno, presented the 2030 sustainability targets.

"This report is a baseline, not a finish line. From today, we can be measured, and in 2030 we will show you what we did with our promise," he said.

Covering July 2021 to June 2025, the report details progress in sustainable agriculture, responsible sourcing, food safety, resource efficiency, waste management and inclusive employment.

More than 2,000 farmers have received training on Global GAP

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Panel formed to develop defence industry

STAR BUSINESS REPORT

The government has formed a high-powered committee to guide the development of the country's defence industry and promote exports of defence equipment.

Prime Minister Tarique Rahman will head the 11-member National Defence Industry Committee, according to a notification issued by the Cabinet Division earlier this month.

Other members include the finance, industries and commerce ministers, the adviser to the defence ministry, the chairman of the Bangladesh Investment Development Authority, the chiefs of the army, navy and air force, the principal staff officer of the Armed Forces Division and the defence secretary.

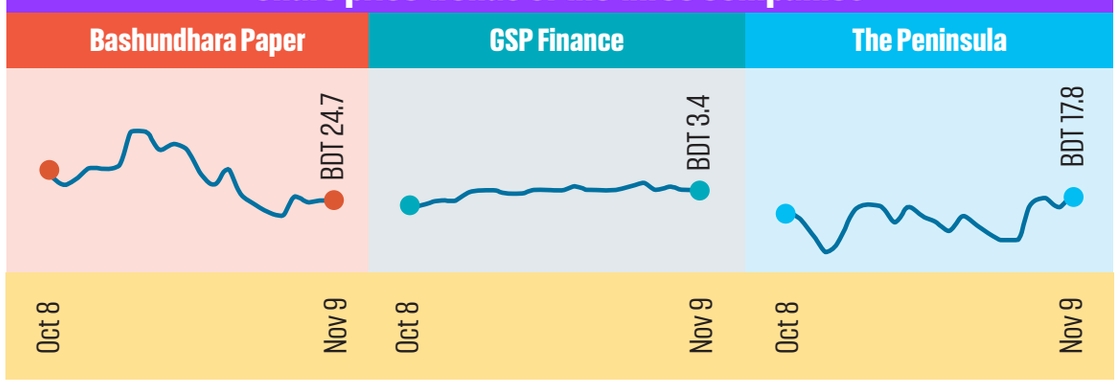
The move comes as the government considers setting up a defence industrial zone to develop domestic military production, reduce reliance on foreign suppliers and achieve long-term self-sufficiency.

In July, responding to a question from Akhter Hossen, a lawmaker from the National Citizen Party, in parliament, the prime minister said the government had taken various initiatives to develop the domestic defence industry, encourage technological innovation and promote research.

Earlier, in January, the interim government decided to earmark 850

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Share price trends of the three companies



Auditors question viability of three listed companies

STAR BUSINESS REPORT

Auditors of Bashundhara Paper Mills PLC (BPMPLC), GSP Finance and The Peninsula Chittagong have expressed uncertainty about the ability of the three companies to continue as going concerns, according to disclosures posted by the Dhaka Stock Exchange (DSE) yesterday.

The auditors raised concerns as the companies have been incurring losses, which, in their assessment, cast doubt on their ability to continue regular operations. The auditors also pointed to difficulties in opening letters of credit (LCs) to import raw materials.

Under stock market rules, listed companies must have their accounts audited by independent firms every year and make the audit reports public. The disclosures by the three companies were made in line with this requirement.

In its audit opinion, Zoha Zaman Kabir Rashid & Co, a chartered accountancy firm, said Bashundhara Paper Mills incurred a net loss of around Tk 743 crore in the year ended June 30, 2026, compared with a loss of around Tk 330 crore in the previous year. The company had accumulated losses of more than Tk 1,070 crore as of the reporting date.

The company was listed on the stock exchange in 2018, with a premium of Tk 70 per share, as investors bet on its business potential, according to DSE data. A stock premium refers to the amount by which a share's issue price exceeds its face value.

BPMPLC faces operational difficulties due to restrictions on opening LCs to import essential raw materials, coupled with higher borrowing costs and uncertainty over its ability to meet financial obligations as they fall due, according to the auditor.

"These conditions indicate the existence of a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter," the auditor added.

Contacted, BPMPLC Company Secretary M Mazedul Islam said, "I have nothing to say beyond what the auditor has reported. The auditor has stated the findings based on their investigation and audit."

Explaining the reasons behind the company's substantial losses, he said it was not being allowed to open LCs.

"If we cannot open LCs, how can we manufacture products? And if there are no products, how can we make sales? On top of that, demand for our products in the market has also declined."

Besides, the company has a substantial loan burden.

"Given the significant increase in financial expenses, it is not unreasonable for the auditor to raise doubts about our going-concern status," he said.

Asked why the opening of LCs had been restricted and what steps the company was taking to resolve the issue, he said, "There is nothing we can do about it. It is part of the government's rules and policies."

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Overseas medical payment limit raised to $30,000

STAR BUSINESS REPORT

Bangladesh Bank (BB) has doubled the amount banks can send abroad for medical treatment without prior regulatory approval, raising the limit from $15,000 to $30,000.

The central bank has also eased rules on overseas education and tightened conditions for depositing foreign currency, according to a circular issued yesterday.

Previously, banks needed prior approval to send money for school-level education abroad. They can now release funds without approval for secondary- and higher secondary-level or equivalent studies, after checking whether free education is available.

Banks could already release foreign currency for certification and professional courses abroad. The facility has now been extended to regular academic programmes offered through correspondence courses.

Resident Bangladeshis can deposit foreign currency brought from abroad into Resident Foreign Currency Deposit (RFCD) accounts only if they declare it to customs using the Foreign Money and Jewellery declaration form.

The central bank said the changes were made alongside an expansion of facilities for sending money abroad for private travel, medical treatment, education and other permitted purposes.