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Liquidity in banks returning to normal figures

Insiders said the rebound was offering respite to the country's financial sector that was passing through difficult times amid panic withdrawal of money

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Liquidity in the country's banking system has been improving as key indicators were positive amid monetary interventions by the Bangladesh Bank.

Insiders said the rebound was offering respite to the country's financial sector that was passing through difficult times amid panic withdrawal of money riding on rumours of severe liquidity shortfalls.

Rumours stemmed from alleged massive-scale loan forgeries in some banks, apart from the global crisis caused by pandemic and war.

After those unwarranted developments, the rate of treasury bills, inter-bank repo rate and call-money rate were moving up. But, in recent days, these overheated barometers are showing a downturn.

According to Bangladesh Bank data, the average rate of treasury bills in January was 7.34%.

Starting from this month, it is going down to 6.84% as of February 12.

The interbank repo rate overheated to 7.45% on January 24 last but now it declined to 6.42%, as of February 12, while the call money rate dropped to 6.09% last Sunday from 7% recorded on January 25, 2023.

Seeking anonymity, a top bank executive said the central bank in recent days is releasing a substantial volume of funds in the market using the Repo mechanism that helps improve the liquidity situation.

Earlier, BB did not allow all to get funds through repo but now the central bank allows all who apply for repo funds.

Simultaneously, the BB injects credits into the market by buying government securities, the executive said.

On the other hand, the volume of ALS (assured liquidity support) to PDs (primary dealers) continues to grow.

According to the data, the growth in private-sector credits dropped to 12.4% in December 2022 from 13.97% in the previous month.