Star BUSINESS

DHAKA SUNDAY JANUARY 6, 2013, e-mail:business@thedailystar.net

Economy stable, but risks lurking within

CPD says GDP growth will be more than 6pc, but below govt's target

STAR BUSINESS REPORT

The country's macro-economic situation in the first half of the current fiscal year is relatively stable compared to that in the previous year, said Centre for Policy Dialogue (CPD) yesterday.

But the private think tank said this stability is underpinned by a number of risks.

Analysing the overall trend of the economy, the CPD said the government has been trying to maintain the macro-economic stability alongside a moderate growth.

"It appears that the government has settled for a 'second best' option by holding on to macroeconomic stability with moderate economic growth, investment and employment prospects," CPD Executive Director Mustafizur Rahman said at a press conference at his office in the city.

"Even this modest ambition could come under serious challenges in view of the looming uncertainties in the political front."

He also warned that any prolonged uncertainty under the circumstances would have serious implications on the performances of the economy.

CPD Distinguished Fellow Debapriya Bhattacharya said there might be difference of opinion on different political issues among the politicians but they should have a consensus on economic issues for the best interest of the country.

Rahman said the country might fail to achieve the government's GDP growth target at 7.2 percent in the current fiscal year due to falling exports.

The multilateral donors have already forecast Bangladesh's economic growth at around 6 percent, while the central bank said it would be between 6.1 percent and 6.4 percent.

STAR

From left, Dabapriya Bhattacharya, distinguished fellow of the Centre for Policy Dialogue; Mustafizur Rahman, executive director; and Fahmida Khatun, head of research, attend a press conference yesterday at the CPD office on Bangladesh's macroeconomic performance.

READ MORE ON B3

Higher lending rates put businesses in tight spot

Their production costs rise, competitiveness erodes

SAJJADUR RAHMAN

High lending rates by banks have put businesses in a tight corner, leading to a rise in their production costs, businesspeople and bankers said.

Banks are charging as high as 18 percent interest rate on loans given to the manufacturing sector. The rates rise to more than 20 percent for small businesses.

Bankers blamed the hike in lending rates on the rise in their cost of funds. However, they also said the rates should be brought down for the sake of competitiveness of the businesses.

"Higher lending rates have pushed up our production costs. It also affected people's purchasing power," said Iqbal Hossain, managing director of PHP Group.

After a slowdown in construction activities, the manufacturing sector is showing sluggish growth due to the exorbitant lending rates, he said.

PHP is one of the largest groups engaged in manufacturing and trading business. Although PHP is a big corporate client, banks charge as high as 16 percent interest from the Group.

In addition to the lending rates, borrowers are being charged with penal interest at 2 percent for delays in payment, said Hossain.

Nasir Group of Industries, another leading manufacturer, said high interest rates are eating into their competitive edge over their competitors in other countries.

"Indian banks charge highest 9.5 percent interest, which is almost double compared to what we pay," said Nasiruddin Biswas, managing director of Nasir Group.

Like PHP, Nasir Group also faces 2 percent penal charges for delays in payments for bank loans. He said the overall business is not going well in recent months and often he fails to pay loan instalments on time.

"The high borrowing cost is not feasible for us," said Biswas who took loans at an 11.5 percent rate in 2011.

The lending rates shot up in early 2012 when the central bank withdrew a cap on the rates imposed in 2008 to help businesses cope with the global recession. The Bangladesh Bank, however, kept the cap at 7 percent and 13 percent on export financing and farm loans respectively.

The BB allows 5 percent net interest margin (the spread between lending and deposit rates), which is 3 percent for banks in India.

READ MORE ON B3

Bank stocks lose shine, still top turnover list

SARWAR A CHOWDHURY

Banking stocks again topped the turnover list in the just concluded year although their dominance faded away, as investors bet more on fuel and power scrips, seeing a bright future of the energy sector.

The total value of banking stocks in 2012 was Tk 15,687 crore or 15.67 percent, down from Tk 39,114 crore or 25.06 percent of the total turnover in 2011, according to the Dhaka Stock Exchange.

Fuel and power grabbed the second position with a value of Tk 14,964 crore or 14.95 percent of the total turnover, up from Tk 12,404 crore or 7.95 percent of the total transaction value in 2011.

The fall in prices of the banking stocks can also be blamed on the downtrend in the market that continued for the second year following the price debacle in January 2011.

The daily turnover on the premier bourse came down by almost 63 percent to the Tk 250-crore level at the year-end from around Tk 670 crore at the beginning of 2012.

The banking sector cannot continue the profit growth that it earned in the previous years, said Akter Hossain Sannamat, a market analyst and managing director of Union Capital.

"Banking business was under pressure last year as earnings of most of the banks fell due to a contractionary monetary policy, a cut in capital market exposure, new loan provisioning rules and a sluggish business in the real estate sector."

Performances of the banks will have an impact on their upcoming dividend declarations, said Sannamat.

On the other hand, both the performances and earnings of the fuel and power companies remained stable, he said. "Moreover, energy is a basic sector, which does not get affected by economic meltdowns that much."

"Investors switched from banking stocks to energy on speculation of better corporate declarations, including dividend."

Currently 30 banks and 14 fuel and power companies are listed on the stockmarket.

sarwar@thedailystar.net

SECTOR-WISE TURNOVER

PERCENTAGE OF TOTAL TURNOVER

SECTOR	2012	2011
Bank	15.67	25.06
Fuel and Power	14.95	7.95
Textile	9.56	9.65
Engineering	8.6	8.26
Financial Institution	8.13	11.28
Pharmaceuticals	7.55	6.4
Insurance	6.33	8.24
Travel	5.75	2.23
Telecommunications	5.36	2.22
Cement	4.43	3.71
Miscellaneous	3.86	4.48
Mutual Fund	3.3	3.49
Foods	2.09	2.31
Ceramic	1.61	2.43
IT	1.48	0.56
Services	0.82	1.01
Tannery	0.39	0.58
Bond	0.05	0.06
Jute	0.05	0.05
Paper	0.01	0.01

CCCI panel demands recast of voter list

STAFF CORRESPONDENT, *Chittagong*

A panel yesterday urged the authorities to delete the names of fake TIN holders from the voter list for the elections to Chittagong Chamber of Commerce and Industry.

Leaders of Chattagram Shilpo-Banik Samannoy Parishad, the newly formed panel contesting the CCCI polls, included the demand as part of their six-point agenda.

The voter list published for the December 6 election, which was later postponed for a month by the High Court, comprises 7,000 persons.

READ MORE ON B3

Cuts in bandwidth prices on cards

ABDULLAH MAMUN

The government will reduce internet bandwidth price by 62.5 percent to Tk 3,000 per Megabits per second (Mbps) within its tenure, the chairman of Bangladesh Telecommunication Regulatory Commission said yesterday.

People are not getting the benefit of reduced bandwidth price as there are other issues related to infrastructures expenses, Sunil Kanti Bose said.

Internet service providers (ISPs) spend only 8 percent of their total costs on bandwidth purchase, he said. So other costs of the ISPs should be reduced too, Bose added.

READ MORE ON B3