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Star BUSINESS

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Private credit growth hits five-year high

JEBUN NESA ALO

Private sector credit growth in July stood at 16.94 percent -- the highest in five years and well above the target of 16.2 percent set in the monetary policy for the first half of the fiscal year.

The development is all the more salient as the private sector credit growth was 15.66 percent only a month earlier -- far below from the monetary target of 16.5 percent.

This had compelled the Bangladesh Bank to slash private sector credit target for the first half of fiscal 2017-18 to 16.20 percent from 16.50 percent.

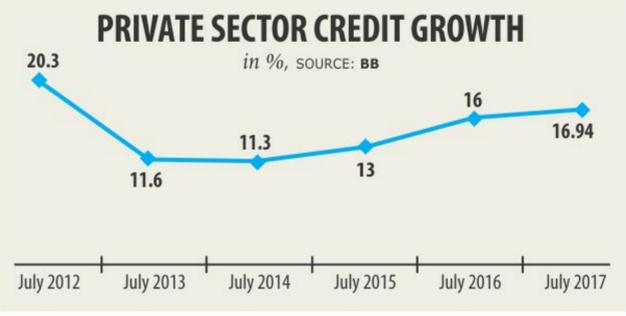
The last time the private sector credit growth was as high as in July was way back in November 2012, when it stood at 17.2 percent. After that, it has been on a decline, according to data from the Bangladesh Bank.

Bankers attributed the spike to the declining interest rates and rising demand for loans.

There was a significant rise in import payments in July, said MA Halim Chowdhury, managing director of Pubali Bank, the largest private bank in terms of branch network.

Import payment by way of LC settlement surged 23 percent year-on-year to \$4.5 billion in July, central bank data shows. A month earlier, the amount was \$3.41 billion.

"Also, the demand for loan has increased in recent months," Chowdhury said, adding that contractors of government-sponsored development works are also taking on loans from banks.



At the end of July, total outstanding loans stood at Tk 778,000 crore in contrast to Tk 665,300 crore a year earlier.

The central bank though is not buoyant after July's private sector credit growth figure.

"It is just one month. It does not give the full picture," said a senior economist of the BB.

The growth picked up in July because the lending activities were muted in June due to extended bank holidays during the month, he said.

He foresees the private sector credit growth to remain within 16.2 percent in the first half of the fiscal year 2017-18.

Anis A Khan, managing director of Mutual Trust Bank, agrees with the BB economist about the spike in July.

"It could be a seasonal effect," he said, adding that the average is still lacklustre.

If the average private sector credit growth remains at 16 percent, it will be fine for the banking industry, he added.

The private sector credit growth went above 20 percent in 2012, when banks were lending aggressively. The average lending rate was above 14 percent in 2012.

Credit growth started declining in 2013 amid rising political violence centring on the national election scheduled for January 5, 2014.

Since then, credit growth has been in constant descent and stood at 11 percent at the end of the year, according to central bank data.

Private sector credit growth hovered between 11 and 12 percent during 2014.

The banking sector experienced a slump in credit demand until 2015, registering 13 percent growth.

The loan demand started to rise from the beginning of 2016 riding on business expansion activities brought about by political calm and downturn in lending rates.

Govt to import 2.5 lakh tonnes of rice

REJAUL KARIM BYRON

The government is going to import 2.5 lakh tonnes of white rice from Cambodia at a price which is 5.34 percent higher than the rate it paid to Vietnam as it seeks to boost stocks.

The cabinet committee on purchase yesterday approved a proposal to bring in 2.5 lakh tonnes of rice from Cambodia under a state-to-state arrangement at \$453 per tonne.

Earlier in June, the government decided to import 2 lakh tonnes of white rice from Vietnam through state-to-state arrangement at \$430 a tonne.

Yesterday's price is also higher than the international market rate this week.

The price of rice was \$425 per tonne in Thailand, \$435 in India, \$445 in Vietnam and \$403 in Pakistan this week, according to food ministry data.

Compared to neighbouring coun-

tries, the price of Cambodian rice is usually higher as the country does not use chemical fertiliser and pesticide in rice production, said a food ministry official.

The official said Cambodian rice has a reputation in the international market.

The purchase committee also approved imports of 50,000 tonnes parboiled rice through bidding at \$407.89 per tonne. The lowest bidder, Regington Enterprises Ltd, will supply the staple.

In total, the import of 3 lakh tonnes of rice will cost Tk 1,109 crore.

In the second week of August, the purchase committee gave consent to three deals on food grain imports, including 1 lakh tonnes of wheat and 50,000 tonnes of boiled rice.

The development comes as rice production suffered major losses due to flash floods and fungal attacks.

The flash floods in six northeastern haor districts and the fungal attacks (rice blast) in 19 districts during the boro season led to the loss of 20 lakh tonnes of the staple, according to the food ministry.

At least 20 districts in the north and elsewhere have been flooded in the past few days, which might affect the aman crop.

The rice imports from Vietnam and Cambodia aims to raise the country's food grain stock, which went below 2 lakh tonnes in recent times.

Thanks to a number of recent government initiatives, rice stock increased to 3.16 lakh tonnes on August 21.

A cabinet committee meeting last week decided to import 20 lakh tonnes of food grains -- 15 lakh tonnes of rice and 5 lakh tonnes of wheat -- this fiscal year.

Robi Q2 revenue up 8.6pc Merger with Airtel reaping benefits

STAR BUSINESS REPORT

Robi's revenue crept up 8.6 percent to Tk 1,680 crore in the second quarter of 2017 on the back of solid growth in voice and data sales, brought about by the merger with Airtel in some measure.

Voice revenue grew 36.5 percent and data revenue 106.9 percent in the second quarter from a year earlier, said the country's second largest mobile operator in a statement yesterday.

Operating profit, however, remained flat at Tk 270 crore, largely

because of hefty investment in network expansion and market activities and a lower margin of Airtel business resulting from the merger.

The merger, however, paid off in bringing in more customers under its network: it witnessed its subscriber base expand 9.3 percent during the quarter.

The operator added 3.4 million new customers to take its tally to 39.6 million -- enough to secure a 29.2 percent of the market share.

Between the months of April and June, Robi invested Tk 540 crore as capital expenditure, up from Tk 450 crore in the preceding three months, to expand its nationwide 2.5G and 3.5G network coverage.

The operator has network coverage in all 64 districts of Bangladesh, with about 77 percent of its towers being 3.5G-enabled.

Robi CEO Mahtab Uddin Ahmed said 2017 started with the biggest challenge of integrating the Robi-Airtel network, the first ever merger in the country's telecom sector.

Rawhide preservation, smuggling a headache this Eid

REFAYET ULLAH MIRDHA

This Eid-ul-Azha, more than 30 percent of the rawhide is likely to go to waste as a large number of tanneries are not interested in purchasing the skin of the sacrificial animals due to them being non-operational still following relocation to Savar.

The industries ministry recently claimed that 67 of the 155 tanneries started full-fledged operation at the newly constructed leather estate in Savar, but the tanners said only 20 of them are up and running now.

The majority of the tanneries could not start operations yet because of a lack of gas connection and incomplete factory structures.

But Mohiuddin Ahmed Mahin, president of the Bangladesh Finished Leather, Leathergoods and Footwear Exporters Association, downplayed the matter. Rather, he is concerned about the spiralling price of salt, critical to preserve rawhide.

For instance, a 50 kilogram of salt sack that sold for Tk 800-900 during Eid-ul-Azha last year is now selling for Tk 1,300-1,500. The prices are expected to rise further in the coming days.

"If the salt is applied within six or eight hours of skinning, the rawhides can be preserved for up to two months without tanning. So, the non-operation of a good number of tanneries might not be a concern."



In a medium-sized rawhide, eight kgs of salt is needed and on the big ones 12 kgs, according to Mahin.

Some traders can scrimp on the usage of salt due to the higher price this year.

Saiful Islam, president of the Leathergoods and Footwear Manufacturers and Exporters Association of Bangladesh, raised concerns about the quality of the rawhide that would become available this time.

"Typically, we get good-quality leather from the northern region of the country every year, but this time the whole area is under water."

Besides, the quality of the rawhides will invariably deteriorate given the poor conditions of the roads and highways across the country, meaning longer transit time.

Another reason why the quality of the rawhides would not be as good as in previous years is that the health of the sacrificial animals in the flood-affected areas has deteriorated too, according to Islam.

Incidents of smuggling of rawhides out of Bangladesh to neighbouring India will shoot up this year, he said.

And this year, the demand for rawhide is high in India as many of its provinces have stopped slaughtering of cows, Islam said.

"Many Indian tanners are waiting for leathers of cows and goats that will be harvested during Eid-ul-Azha."

Besides, the government has fixed the price of the rawhide in line with the international rates this time.

This Eid-ul-Azha, the price of per square foot of cow rawhide has been fixed at Tk 50-55 in Dhaka and Tk 40-45 outside of the capital. For he-goat rawhide, the rates would be Tk 40-45 and Tk 15-17 for she-goat across the country.

Shahin Ahmed, chairman of the Bangladesh Tanners Association, echoed Islam's smuggling concerns, while urging the government to tighten the security along the Indian border for at least one month instead of four to five days as seen every year.

"At least 15 percent of the rawhides are smuggled out to India every year during Eid-ul-Azha. This year the percentage will rise."

Ahmed said a section of unscrupulous traders increase the prices of salt every year ahead of Eid-ul-Azha as they know this item is very much needed for preserving the rawhides.

Leather and leather goods is the second highest export earning sector after apparel. It raked in \$1.23 billion last fiscal year, up 6.29 percent year-on-year, according to data from the Export Promotion Bureau.

This year, 44.57 lakh cows and buffaloes and 71 lakh goats and sheep are expected to be sacrificed around the country, which is lower than in previous years, according to

Cut duty, lift para-tariff barriers

Tofail urges Sri Lanka

STAR BUSINESS REPORT

Commerce Minister Tofail Ahmed yesterday urged the Sri Lankan government to reduce duty on Bangladeshi exports and withdraw para-tariff barriers to increase bilateral trade.

Despite having potential, Bangladeshi goods such as medicine, paper, cement, MS rod and agricultural products cannot be exported in large volumes to Sri Lanka.

Tariff and para-tariff barriers are acting as the main obstacles, the minister said while discussing bilateral trade issues with his Sri Lankan counterpart Rishad Bathiudeen in Colombo.

Ahmed suggested holding meetings of joint working groups to remove trade barriers and increase the volume of trade, according to a statement.

Both countries recently agreed to sign a free trade agreement by the end of next year on removing different barriers.

In the fiscal 2016-17, Bangladesh exported goods worth \$42.25 million to Sri Lanka, up from \$30.45 million a year ago, according to Bangladesh Export Promotion Bureau.

Bangladesh mainly exports woven garments, knitwear, home textile, agro products, frozen food, leather and leather products, footwear, raw jute, jute goods and bicycle.

In the fiscal 2015-16, Bangladesh imported goods worth \$45 million while imports in the previous fiscal year amounted to \$44.10 million.

Sri Lanka, as a developing country, has put 925 products in the negative list (those for which duty has to be paid) under the South Asia Free Trade Area deal.

Japan's Sumitomo wants to bankroll mega projects

STAR BUSINESS REPORT

Sumitomo Mitsui Banking Corporation, the second largest bank of Japan, has expressed interest in investing billions of dollars in mega projects in Bangladesh.

The interest was conveyed in a meeting yesterday with Finance Minister AMA Muhith at his secretar-

iat office by a team led by Sumitomo's head of investment banking department for the Asia Pacific region, Rajeev Kannan.

After the meeting Muhith told reporters that the team came to Bangladesh to explore investment possibilities. He said they are interested to finance if they find good projects here.

"I am happy to receive them. We are going to run big mega projects, which needs financiers," he said, citing the Payra seaport as one of the mega projects.

Sumitomo will provide soft finance to those who will implement the mega projects.

"The rate of interest will not be much," he added.

CONGRATULATIONS Tigers!

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