

# Private credit growth finally hits the brakes

JEBUN NESA ALO

After being on an ascent for the best part of 2017, private sector credit growth slowed down in December thanks to an increase in interest rate for lending and high deposit collection.

At the end of last month, private sector credit growth stood at 18.13 percent, down from 19.06 percent the previous month, which was the highest in 2017.

The Bangladesh Bank had targeted to keep the private sector credit growth within 16.2 percent in the first half of fiscal 2017-18.

Subsequently, in the monetary policy for the second half of the fiscal year that will be unveiled on January 29, the private sector credit ceiling will be increased slightly, said a senior BB official.

"There is little room for improving private sector credit growth as public credit growth has remained negative," he said.

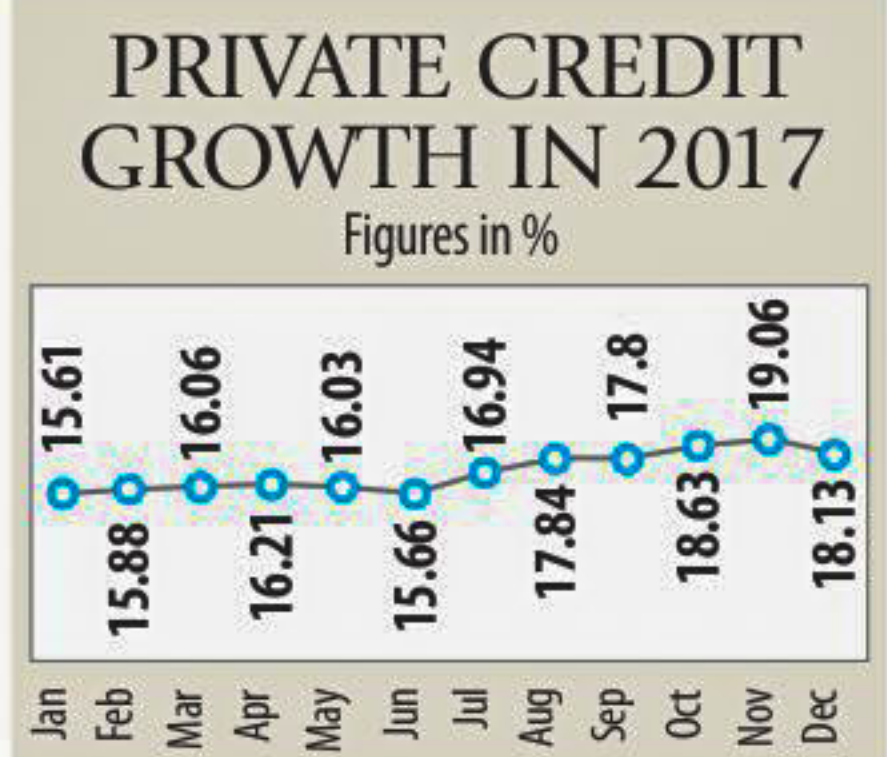
Public sector credit growth in December was 4.72 percent in the negative against the monetary target of 3.80 percent, according to data from the central bank.

Though the private sector credit growth seemed to have declined, it has not actually, said MA Halim Chowdhury, managing director of Pubali Bank.

"It was a mathematical trick."

It is common practice that banks bump up their deposit collection efforts towards the end of the year to flatter their balance sheet.

"As a result, the percentage of private



sector credit growth seemed less." Besides, the upward trend of lending rate also hindered the credit flow slightly, he added.

The credit growth of most of the banks was well past 20 percent in October last year due to aggressive lending, said the BB official.

The mismatch between deposit and credit growth prompted the regulatory authority to go for tough action by blocking funds, he said.

As a result, banks became cautious in lending, causing a slowdown in credit growth towards the end of the year, he added.

Deposit growth declined to 10.95 percent in October last year from 13.13 percent in December 2016, according to data from the central bank.

The total deposits in the banking industry stood at Tk 9.76 lakh crore as of October last year.

## Bangladesh an excellent investment destination: PM

UNB, Dhaka

Prime Minister Sheikh Hasina yesterday urged local and foreign entrepreneurs to invest in Bangladesh.

"You all can invest here. We want to provide necessary facilities to all the local and foreign investors."

There is ample scope to invest in every sector, including the economic zones and export processing zones, she said.

The premier made the call while addressing the inaugural ceremony of Bepza International Investors' Summit 2018 at Bangabandhu International Conference Centre in the capital.

She said no other country perhaps can ensure such an excellent investment-friendly atmosphere.

"We're providing maximum facilities, including cent percent repatriation of capital and profit and tax holidays."

Hasina said Bangladesh also has overcome the hurdles in the fields of electricity, energy, roads and other infrastructure facilities.

She said Bepza has already turned the country's EPZs into attractive destinations for investors from home and abroad.

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PMO

Prime Minister Sheikh Hasina checks a shoe at a stall after opening the Bepza International Investors' Summit 2018 at Bangabandhu International Conference Centre in Dhaka yesterday.

## Eight banks asked to cut spread

AKM ZAMIR UDDIN

The Bangladesh Bank has instructed eight private banks to bring down their interest rate spread to less than 5 percent -- a directive the banks deem to be unfair on them.

The interest rate spread is the gap between the interest rates on credit and deposit.

The banks are: Standard Chartered, State Bank of India, Woori Bank, Citibank, HSBC, Dutch-Bangla, Brac and Uttara Bank.

The BB does not take into cognisance the operating costs when calcu-

### INTEREST RATE SPREAD

(in Sep 2017) figures in %



lating the interest spread and in so doing leaves out a big chunk of the banks' expenses, said Abul Kashem Md Shirin, managing director of Dutch-Bangla Bank.

"We do ATM, mobile and agent banking extensively in order to provide services to our more than 60 lakh customers and this costs money. But the central bank does not take this into account."

Dutch-Bangla's spread is high because of higher operating costs.

The spread should be calculated by deducting the cost of funds and the operating costs from the lending rate.

"If the BB continues to pressurise us we will have to cut down our services in order to reduce the operating costs," he added.

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CALL FOR NOMINATIONS

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The Daily Star

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Contact Person : Mirza Reshad Ahmed.

## 90pc iPhones on sale are illegally imported

Govt losing Tk 200cr in duties

MUHAMMAD ZAHIDUL ISLAM

About 90 percent of the iPhones on sale in the local market were not imported legally and in the process the government was deprived of taxes close to Tk 200 crore, according to Compustar, the country's lone authorised dealer of Apple handsets.

"We were bleeding for the last few years but the scenario is much worse now," said Raquibul Kabir, chairman of Compustar.

Market sources said after the launch of iPhone 7 in 2016, nearly 100,000 handsets entered the local market through the gray channels. Through their system they have noticed that more than 90 percent of the iPhones on sale in the local markets are not imported through them, Kabir said.

For instance, Compustar launched iPhone X in Bangladesh in the first week of December but the model was already available in Bashundhara City and some other shopping centres at that point.

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## Bidders selected to build 181km LNG pipeline

STAR BUSINESS REPORT

The government yesterday picked the lowest bidders for building a 181-kilometre gas transmission pipeline in order to facilitate imports of liquefied natural gas (LNG) from April this year.

The cabinet committee on purchase approved the bidders for the Chittagong-Feni-Bakhrabad pipeline.

The bidders are -- a joint venture of Arc Construction Company & Cathwell Construction; GasMin Ltd; a joint venture of Pipeliners Ltd and Business King Ltd; Bangladesh Foundry & Engineering Works; a joint venture of Technic Construction Company Ltd and Royal Utilisation Services; Dipon Gas Company Ltd; and Libra Enterprise.

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