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star BUSINESS

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Foreign loans getting costlier: BIBM

SAJJADUR RAHMAN

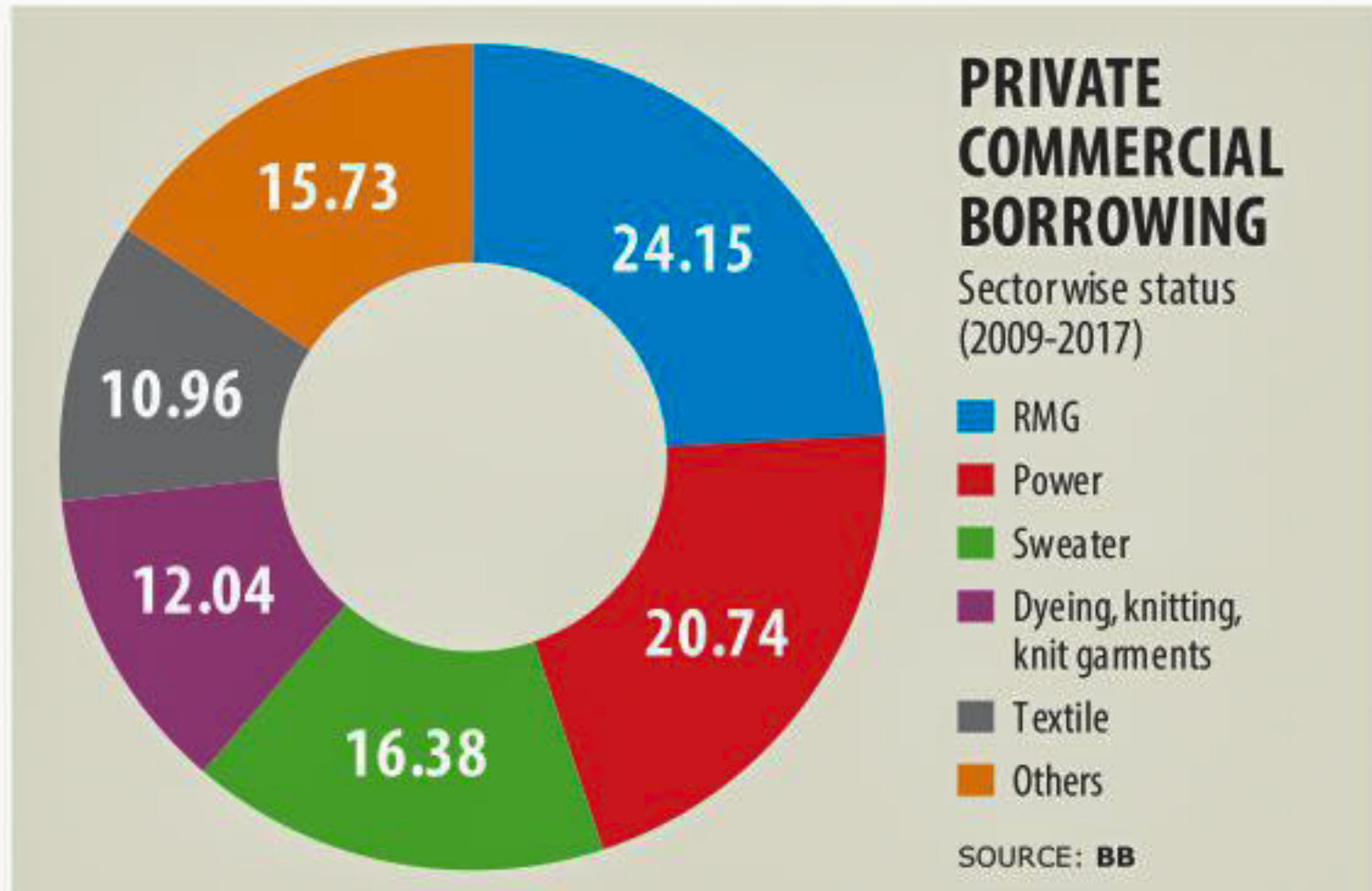
Increasing LIBOR rate and the appreciation of the greenback against the taka are putting pressure on Bangladeshi businesses that borrowed from foreign sources to meet their needs, according to a report of the Bangladesh Institute of Bank Management.

If these pressures cause the exchange rate to depreciate further the private sector debt will become costlier to service, said the report that will be unveiled today.

Most of the borrowers are importers, meaning they have no source of foreign currency earnings to absorb the pressure.

Between 2013 and 2017, the private sector's commercial borrowing from external sources almost trebled, according to data from the Bangladesh Bank.

Last year, the private sector borrowed \$11.34 billion from abroad, in contrast to \$4 billion in 2013.



The interest rate on foreign loans is tagged with the London interbank offered rate (LIBOR), the global standard interest rate. Typically, the interest rates are LIBOR plus 3-4 percent.

The three-month LIBOR rate, which mostly remained below 1 percent for the best part of last decade, hit a nine-year high of 2.32 percent, meaning the local borrowers will have to pay about 2 percentage points more.

Moreover, the appreciation of the dollar -- from Tk 78 to Tk 85 in the last one year -- has also created an

additional pressure on borrowers.

"Exporters with own source of the dollar will not be affected by the exchange rate, but they have to pay an additional 2 percentage points for the rise in LIBOR," said Shafiqul Alam, managing director of Jamuna Bank.

Abdus Salam Murshedy, managing director of Envoy Textiles, said they preserve adequate dollar for repayment of foreign currency loans, but the case is different for others.

"Only 5 percent borrowers have the capacity like us. The remaining 95 percent borrowers are likely to feel the pinch of the LIBOR rate hike and the exchange rate," he added.

The trend of private sector borrowing from external sources is relatively new in Bangladesh.

It was highly controlled by the regulator until 2013 when the central bank allowed off-shore banking units to undertake buyer's credit.

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Automotive battery market revving up

JAGARAN CHAKMA

The automotive battery market size hit Tk 8,000 crore last year on the back of runaway popularity of easy bikes and battery-run rickshaws.

Five years ago, the market size was about Tk 2,500-3,000 crore, according to industry players.

The demand just took off in the last five years with the popularity of easy bikes and battery-run rickshaws, said Faraaz Rahim, head of international marketing at Rahimafrooz Globatt, the market leader in automotive battery. In the last two years, the market expanded 100 percent, he said.

As much as 70 percent of the batteries propelling the easy bikes and battery-run rickshaws are manufactured in China.

"Their battery life is at best six to eight months," said Rawshan Murad, deputy general manager of Hamko Battery.

Other than the easy bikes and battery-run rickshaws, the growing popularity of hybrid cars, which is dependent on battery for power, is also driving the market, he said.

In the face of growing demand for hybrid cars, which offer better fuel economy than the conventional ones, the government has allowed the import of second-hand hybrid

BY THE NUMBERS

Local automotive battery market size: Tk 8,000cr
 The market size was Tk 2,500cr-Tk 3,000cr five years ago

cars from this fiscal year and slashed the supplementary duty.

"The import of hybrid cars has surged since the beginning of the fiscal year," said Habib Ullah Dawn, president of the Bangladesh Reconditioned Vehicles Importers and Dealers Association (Barvida).

To encourage use of hybrid and electric cars, Barvida sought further slashes in supplementary duty from the new fiscal year.

Rahim is optimistic that the market for hybrid and electric cars will expand exponentially in the next five years and with it the market for automotive battery.

"Bangladesh is one of the fastest growing automobile markets in Asia," said Syed Samiul Huq, director of Japan SolarTech (Bangladesh), which locally manufactures Japan's leading automotive battery brand Yuasa.

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RMG workers' database not ready even after 5yrs

REFAYET ULLAH MIRDHA

The Bangladesh Garment Manufacturers and Exporters Association is yet to complete the central biometric database of garment workers five years after taking up the initiative.

Primarily, the non-cooperation of the factory owners is to blame for the delay, said BGMEA insiders.

Moreover, the owners are taking a lot of time to make the database at the factory level because of huge number of workers. A biometric central database of workers is needed to establish transparency in business, policymaking, payments and monetary claims, and for the identification of internal migration by workers.

For instance, after the twin accidents of Rana Plaza collapse and Tazreen fire, relatives of many of the deceased workers could not be contacted immediately as their addresses and other details were not documented properly.

As a result, the relatives of the victims were traced out after many months, and in some cases, the compensation money did not go to the workers' next of kin.

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US-Bangla starts direct flights to China today

STAR BUSINESS REPORT

US-Bangla Airlines is set to become the first Bangladeshi carrier to traverse Chinese air-space, marking the start of direct flights.

A Boeing 737-800 carrying 164 passengers is scheduled to leave Hazrat Shahjalal International Airport at 10:10pm for Guangzhou, one of the most important cities in the country's eastern region.

The flight will take around 3 hours and 15 minutes, said CEO Imran Asif.

There will be six such flights: three will leave for the Chinese city on Saturdays, Tuesdays, and Thursdays and three will make the return trip on Sundays, Wednesdays, and Fridays, said the airline's top boss.

The minimum one-way fare has been fixed at Tk 30,408 while the return Tk 39,442.

Asked, Imran said the flights would support Bangladesh's businesses in a new way and the airline would offer unique facilities.

Only China Southern Airlines now operates direct flights on the Dhaka-Guangzhou route.

Guangzhou will be the eighth international destination of US-Bangla Airlines.

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