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BUSINESS

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# Govt borrowing shoots up amid sluggish revenue

AKM ZAMIR UDDIN

The government has continued to borrow heavily both from the central bank and lenders to make up the gap in spending and income thanks to its sluggishness of revenue collection.

In the first 13 days of the year, the government borrowed Tk 3,901 crore from the central bank, according to data from the Bangladesh Bank. Between the months of November and December last year the government borrowed a total of Tk 8,092 crore from commercial banks.

The government has also set a net borrowing target of Tk 2,358 crore from commercial banks this month. In the first four months of fiscal 2018-19, the government borrowed only Tk 1,373 crore from banks.

The implementation of ongoing mega infrastructural projects and adjustment of the post polls expenditures have also forced the government to take loans from banks, said economists.

They went on to urge the government to

AT A GLANCE

Govt borrowed Tk **3,901**cr from BB in less than a month

In Nov-Dec, govt also took Tk **8,092**cr from commercial lenders

Borrowing target from commercial banks in Jan: Tk **2,358**cr

Govt borrowed Tk **5,666**cr last fiscal year; no borrowing in the previous year

Borrowing from BB may fuel inflation, experts say

follow a cautious policy when it comes to lending from the central bank as it can fuel inflation.

The government borrowing both from the central bank and banks was too little in the last few years as savers were parking large amounts in national savings certificates thanks to the higher yield.

But the government has commenced borrowing from banking sources since the beginning of November last year, said a BB official.

In fiscal 2017-18 the government borrowed Tk 5,666 crore from the banking sector; it did not borrow any money the previous fiscal year but repaid Tk 18,029 crore.

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# Lending rates edging up

JEBUN NESA ALO

The interest rate on lending is on the rise amid high import pressure and hunt for deposits at the end of last year.

In November, the weighted average interest rate stood at 9.5 percent, up from 9.47 percent the previous month, according to data from the Bangladesh Bank.

Though the average remained within single digits, 28 out of the 40 private banks are lending at double digits. The interest rate on lending will continue its upward trend due to expansion of business activities after the December 30 election, bankers said.

Despite the slow credit growth before the election the interest rate kept rising as banks mobilised deposits at higher rates to adjust their loan-deposit ratio ahead of the March deadline, said Md Arfan Ali, managing director of Bank Asia.



"If the cost for deposits increases so will the interest rate on lending," he added.

Most of the banks could not bring down the interest rate on lending to 9 percent as instructed by the Bangladesh Association of Banks, a platform of private banks' directors, according to Faruq Mainuddin Ahmed, managing director of

Trust bank.

"It is because there is still liquidity crunch in banks."

One of the reasons for the liquidity crunch is the soaring imports for mega projects.

"Banks are taking dollars from the Bangladesh Bank and the local currency is entering its vault," Ahmed added.

In the first five months of the fiscal year, import payments rose 6.64 percent year-on-year to \$23.43 billion.

"It is not possible for banks to bring down the lending rate to 9 percent; rather, it will continue to rise in the new year," said Anis A Khan, managing director of Mutual Trust Bank.

The interest rate will go up due to higher credit demand from the private sector amid business expansion activities after the election.

Moreover, government borrowing will increase significantly due to implementation of mega projects, Khan added.

# Wholesale rice prices fall, retail unchanged

STAR BUSINESS REPORT

Prices of rice fell at the wholesale level in the capital after millers slashed their prices, wholesalers and retailers said yesterday.

However, prices remained unchanged at retail.

"We see a downward trend in the mill gate prices and its impact is seen here now," said Abdul Matin, a rice trader at Mohammadpur Krishi Market, one of the biggest wholesale markets of rice in Dhaka city.

Overall, prices of per 50-kilogramme sack dropped by Tk 50, he said.

The Department of Agricultural Marketing (DAM) data showed that



COLLECTED

Workers carry rice sacks at an auto rice mill in Bogura.

the prices of fine rice dropped by 6 percent to Tk 4,600-Tk 5,300 per quintal yesterday from Tk 4,700-Tk 5,800 on January 13 in the city markets.

Prices of medium-grain declined by 4 percent to Tk 3,500-Tk 3,800 per quintal from Tk 3,600-Tk 4,000 on January 13.

Coarse grain prices fell by 8 percent to Tk 3,000-Tk 3,200 each quintal yesterday from Tk 3,300-Tk 3,400 in the city markets three days ago, according to the DAM data.

Matin said retailers were still selling the staple at higher prices. "We saw an increased number of buyers when prices were rising.

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## NEWSIN brief

### Runner Automobiles' IPO opens on Jan 31

The initial public offering of Runner Automobiles will open for subscription on January 31. The company aims to raise Tk 100 crore from the capital market by offloading 1.39 crore shares. The last date for subscription is February 10.

The cut-off price of each of the shares has been fixed at Tk 75, which came about through bidding by institutional investors. General investors will pay 10 percent less.

### Popular Pharma gets nod to discover cut-off price

The stockmarket regulator gave go-ahead to Popular Pharmaceuticals on Tuesday to discover the cut-off price of its shares through bidding among institutional investors to raise capital.

The price will be applicable for institutional investors while general investors will pay 10 percent less. The drug maker will raise funds worth Tk 70 crore to purchase machinery, repay bank loans and meet IPO expenses.

## Discounts a big draw for electronics at DITF

STAR BUSINESS REPORT

Local and global brands are using different offers as part of efforts to sensitise consumers and visitors into purchasing their latest and sophisticated electronic products at the ongoing

Dhaka International Trade Fair (DITF).

Visiting different pavilions of electronic items, The Daily Star found that visitors were being drawn into new products at the fair venue at Sher-e-Bangla Nagar in the capital.



PRABIR DAS

Availability of discounted electronics draws crowds at Dhaka International Trade Fair. The photo was taken yesterday.

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## Govt to go for third submarine cable

### Robi tests VoLTE service

STAT BUSINESS REPORT

The government has decided to connect Bangladesh with a third submarine cable to meet the demand for rapidly growing data consumption, Telecom and ICT Minister Mustafa Jabbar said yesterday.

"More and more new technologies are hitting the market, fuelling the growth of data consumption," he said.

"We have decided in principle that we will go for a third submarine cable."

The minister disclosed the plan while speaking at the trial run of Robi Axiata's voice over long-term evolution (VoLTE) service at the second largest telecom operator's office in Dhaka.

Industry insiders attributed the growth of internet bandwidth consumption—which now stands at 950 gigabits per second (Gbps), up from 550 Gbps a year ago—to the roll out of 4G services in the country.

"The growth rate is flying, so our total capacity will be exhausted within next year. So, it will not be possible for us to supply required bandwidth unless an alternative source of internet is developed," the minister said.

Bangladesh wants to be a part of the initiative taken by a new consortium to lay an undersea cable within a short time from Singapore, he said.

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# Second LNG terminal to start operations in March

REUTERS, Singapore/Dhaka

Bangladesh's second liquefied natural gas (LNG) terminal is expected to start operations in mid-March though domestic pipeline constraints mean it will be unable to fully supply gas demand to the country's capital Dhaka.

Summit Corp, a subsidiary of Bangladesh's Summit Holdings, and partner Mitsubishi Corp are expected to start operations at their

floating storage and regasification unit (FSRU) off the country's coast by the middle of March and ahead of schedule, a source familiar with the matter told Reuters on Tuesday.

A Summit Corp spokeswoman confirmed in an emailed response that the Summit LNG terminal is on schedule, but did not elaborate.

However, construction delays on a pipeline that will carry regasified gas from the coastal city of Chattogram,

near where the FSRU will be anchored, to Dhaka means that the vessel will not be fully utilised, the source said.

Until the pipeline is fully connected, the FSRU will handle about 300 million cubic feet per day (mmcf) of gas which will be supplied to the Chattogram area, the source said. The ship can regasify up to 500 mmcf of LNG, according to Summit's website.

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## Insurance stocks surge as investors shift focus

STAR BUSINESS REPORT

Most insurance stocks surged yesterday amid a fall at Dhaka Stock Exchange as investors are increasingly shifting their focus to the insurance sector away from banks.

Banking stocks mostly dominated the trading in the last 15 days and regularly became top gainers whereas insurance stocks had moved slowly.

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