ASIAN MARKETS

7 1.51%



DHAKA WEDNESDAY MAY 8, 2019, BAISHAKH 25, 1426 BS starbusiness@thedailystar.net

\$70.42

Loans getting costlier amid cash crunch

COMMODITIES

Gold 4

\$1,281.70

JEBUN NESA ALO

STOCKS

V 0.97%

DSEX

CSCX

1.00%

In the last one and a half years a home loan borrower of Delta Brac Housing (DBH) has experienced a hike in his interest rate three times.

notice on the third hike just this week. From June 1 the borrower will have to

pay 11.5 percent in interest, a rise from the current 8.75 percent.

The frequent change in the interest rate means the borrower runs the risk of becoming a defaulter as the larger instalment size will put pressure on his monthly budget.

The DBH revised down the lending rate for the borrower in October from 11.5 percent to 11 percent following an ease in the liquidity condition caused by the cut in cash reserve ratio in April.

CERAMICS

But within eight months, it revised the lending rate.

The DBH increased the lending rate by up to 1 percentage point from April as its deposit cost has surged, said QM Shariful Ala, managing director of the non-bank The private sector employee received a financial institution.

10 percent in interest to savers, but it was to 8 percent several months back. The deposit rate of banks also went past 10 percent.

Most of the banks and NBFIs have revised up the lending rate by up to percentage point in recent months, Shariful added Apart from home loans, other business

loans are also becoming expensive, as the liquidity crisis is deepening amidst the Bangladesh Bank mopping up cash through sales of the dollar. What is more, there are

instances where banks could not disburse loans to clients even after giving approval.

One such clients, a business firm, received the nod for a loan of Tk 50 crore from a private commercial bank. One month went by but the fund was not released.

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Bangladesh self-sufficient in billet production

IAGARAN CHAKMA

Bangladesh has become self-sufficient in billet manufacturing on the back of huge investment made by large steel mills, which bumped up their production capacity for the key raw material of steel products.

CURRENCIES

BUY TK 83.50

SHANGHAI

0.69%

0.67%

Five years ago, steel mills had to import half the total requirement for billet to make steel to feed the domestic market, said Md Shahidullah, secretary general of Bangladesh Steel Manufacturers Association (BSMA).

Local mills now produce around 60 lakh Currently, the NBFIs are paying up to tonnes of billet annually, enough to manufacture 55 lakh tonnes of high-quality rods. The expansion spree by the BSRM, Abul Khair

Steel, GPH Ispat, KSRM, Metrocem and Anwar Ispat in recent years has enabled the country to reduce its reliance on imports for billet. The firms went for boosting steel production

capacity to meet the burgeoning demand for the construction material. Today, 35 mills make billet by importing

scrap, said Shahidullah, also the managing director of Metrocem Steel. Sector people have said local mills, mainly the large

ones, signed up either for billet-making or capacity expansion buoyed by the increasing demand for steel thanks to the implementation of mega infrastructure projects. An improvement in power generation also encouraged them to invest more. Tapan Sengupta, executive director of the BSRM,

which can make 18 lakh tonnes of billet annually, said the expansion in billet-making capacity has helped save large amount of foreign currency that would have been needed for imports.

Bangladesh used to import billet mainly from China, the US and India when it produced



billet below its annual requirement. Now the import demand for billet is insignificant.

Billet import fell to 1.65 lakh tonnes in 2017-18 from 16.96 lakh tonnes in 2014-15, according to customs data. Meanwhile, scrap import has soared and Sengupta said the use of scrap has cut the production cost of steel by at least \$158 per tonne.

"The price of rod is now tolerable because of the local production of billet," he said, adding that the price of steel would have been Tk 12,000 higher per tonne than the existing market price had billet not been produced locally.

On May 2, the price of 60-grade rod was Tk 62,000- Tk 67,000 a tonne, according to the state-run Trading Corporation of Bangladesh.

The import of billet has decreased significantly in the last five years owing to the government's policy support, including a duty hike on imports.

At present, import of per tonne of billet is subject to Tk 800 of advance income tax along with 4 percent advance trade VAT, 15 percent VAT and 20 percent regulatory duty.

READ MORE ON B3

Garment exports to US up 10pc

Shipment to rise further if trade war escalates

REFAYET ULLAH MIRDHA

Garment exports to the US increased 10.10 percent year-on-year to \$1.08 billion in the first two months of the year, with the shipments expected to grow exponentially if 25 percent duty on Chinese imports comes into effect.

If that materialises, many international retailers will look to Bangladesh as an alternative sourcing destination.

subjected to US President Donald Trump's retaliatory 25 percent duty last year, but on Friday he announced 25 percent duty on \$200 billion worth Chinese imports that include garment items. "Such announcement will encourage

US retailers to consider Bangladesh," said Faisal Samad, senior vice-president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

But everything depends on price negotiations with the retailers, Samad told

Net foreign investment at Dhaka Stock

Exchange fell in the last two months

owing to a government move which puts a

number of restrictions on Grameenphone

crore and sold issues worth Tk 411 crore.

crore in the negative in March.

deals with foreign investment.

move

Telecommunication

The

Commission

The net foreign investment was Tk 123

from

(BTRC)

Grameenphone, the largest stock in the DSE

with a market capitalisation of Tk 48,529

crore, has spooked foreign investors, said

a top official of a brokerage house, which

STAR BUSINESS REPORT

The Daily Star by phone. "All things are still at the primary stage.

We need to do a lot of home work if we want to grab more market share of the shifted work orders from China." This is a potential opportunity for

Bangladesh, said Mustafizur Rahman, a distinguished fellow of the Centre for Policy Dialogue. Bangladesh would be benefited if the

decision to impose 25 percent duty is Apparel was not in the list of the items finally levied, as the US and China are negotiating a trade deal now. However, the Bangladeshi garment

sector has been benefiting from the uncertainty that stemmed from the tariff war between the two global economic giants, Rahman said. Despite a shift towards lower-cost

manufacturing bases like Vietnam and Bangladesh, China is still the single biggest source of apparel globally, according to Bloomberg.

The commission declared Grameenphone

as the operator with Significant Market Power

(SMP) in an attempt to enhance competition

in the industry. On this ground, the regulator

has already taken some decisions that will

squeeze the business of the mobile phone

READ MORE ON B3

Stocks continue bleeding

STAR BUSINESS REPORT

Stocks continued to suffer massively for the consecutive second session yesterday as institutional investors remained inactive amid a liquidity crunch in the banking sector.

DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), declined 52.08 points, or 0.97 percent, finishing the day at 5,289.99.

In the last two trading sessions, the index fell 104.9 points after soaring 219.44 points, or 4.20 percent, in the previous three consecutive days.

The head of portfolio management of an asset management companyrequesting anonymitysaid he wanted to buy stocks although he had not much fund in hand.

But he backtracked from his decision after having discussions with the treasury heads of some banks yesterday.

The official said the idle money of the banking sector comes to the stock market normally. "But banks' liquidity is not in a good position."

Turnover, another important indicator of the market, also dropped 7.2 percent to Tk 433.50 crore, with 12.14 crore shares and mutual fund units changing hands on the DSE floor.

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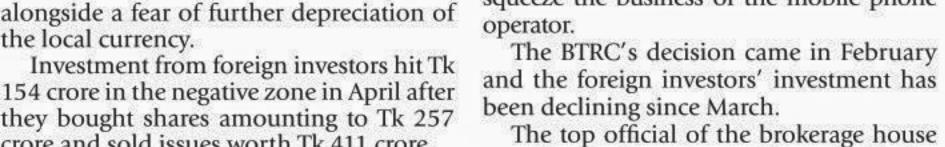












Regulatory

against

Foreign funds fall in DSE

says foreign investors sold not only the stocks of Grameenphone but also those of other companies as they lack confidence. Bangladesh Grameenphone's shares fell to Tk 354

yesterday from Tk 416 in the last two and a half months. This was not the first time regulators'

sudden moves against listed companies

have hurt stocks.

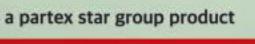
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