STOCKS

DSEX	CSCX
▼ 0.97%	▼ 1.00%
5,289.99	9,825.86

COMMODITIES

Gold ▲	Oil ▼
$1,281.70	$70.42
(per ounce)	(per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.84%	▼ 1.51%	▲ 0.67%	▲ 0.69%
38,276.63	21,923.72	3,312.52	2,926.39

CURRENCIES STANDARD CHARTERED BANK

	$USD	€EUR	£GBP	¥JPY
BUY TK	83.50	92.04	108.12	0.74
SELL TK	84.50	95.84	111.92	0.77

Star BUSINESS

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

Loans getting costlier amid cash crunch

JEBUN NESA ALO

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.

The private sector employee received a 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.

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 financial institution.

Currently, the NBFIs are paying up to 10 percent in interest to savers, but it was 7 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 1 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

JAGARAN 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.

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 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.

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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.

Apparel was not in the list of the items 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 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 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.

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Foreign funds fall in DSE

STAR BUSINESS REPORT

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 alongside a fear of further depreciation of the local currency.

Investment from foreign investors hit Tk 154 crore in the negative zone in April after they bought shares amounting to Tk 257 crore and sold issues worth Tk 411 crore.

The net foreign investment was Tk 123 crore in the negative in March.

The move from Bangladesh Telecommunication Regulatory Commission (BTRC) against 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 deals with foreign investment.

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 operator.

The BTRC's decision came in February and the foreign investors' investment has been declining since March.

The top official of the brokerage house says foreign investors sold not only the stocks of Grameenphone but also those of other companies as they lack confidence.

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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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 company—requesting anonymity—said 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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