

STOCKS		Week on week
DSEX	CSCX	▲ 2.42% 5,377.17

COMMODITIES		As on Friday
Gold	\$1,305.50 (per ounce)	Oil \$61.99 (per barrel)

ASIAN MARKETS				Friday closing
MUMBAI	TOKYO	SINGAPORE	SHANGHAI	As on Thursday

CURRENCIES				STANDARD CHARTERED BANK
\$ USD	€ EUR	£ GBP	¥ JPY	
BUY TK	83.50	92.02	104.61	0.75
SELL TK	84.50	95.82	108.41	0.79



# BUSINESS

DAKA SUNDAY JUNE 2, 2019, JAISHTHA 19, 1426 BS • starbusiness@thedailystar.net

## Tk 60,000cr for interest payment

REJAIL KARIM BYRON

The government's interest burden is likely to get heavier in the upcoming fiscal year thanks to its excessive reliance on high-cost national savings certificates to fund its expenditures.

Some Tk 60,000 crore might be set aside for interest in fiscal 2019-20's budget, up 15 percent year-on-year, said a finance ministry official requesting anonymity.

The rate of interest on savings certificates stands between 11 percent and 12 percent depending on the type of savings scheme.

On the other hand, the government's borrowing from banks, the interest rates for which range from 2 to 8 percent, has declined in the face of rush of people for savings certificates.

The low interest rates on banks' deposit products are the major factor behind the spiralling sales of state-sponsored savings instruments. This fiscal year, the government planned to borrow Tk 71,226 crore from domestic sources.

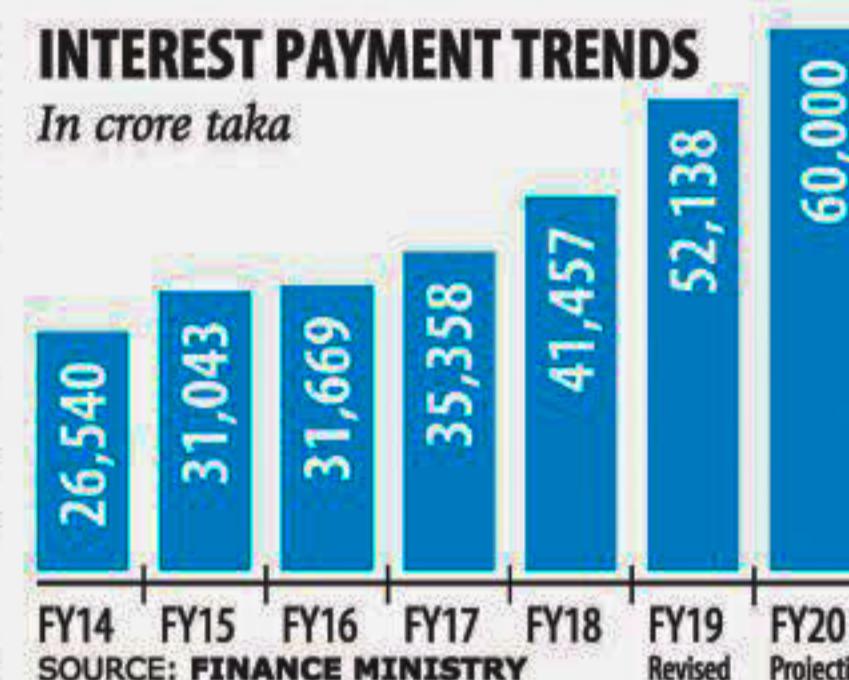
Of the sum, it wanted to take Tk 42,029 crore from banks and the rest from non-banks, which include savings certificates.

However, the government did not borrow from banks in the first nine months of the fiscal year; instead, it repaid Tk 2,407 crore, according to Bangladesh Bank.

The government's non-bank borrowing



### RUN-UP TO BUDGET 2019-20



rose 11 percent year-on-year to Tk 41,956 crore during the period thanks to a surge in the sales of savings certificates.

Borrowing from net sales of savings, which was only Tk 479 crore in 2011-12, shot up to Tk 11,707 crore two years later.

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## Credit growth sinks to 56-month low

AKM ZAMIR UDDIN

Private sector credit growth sank to a 56-month low of 12.07 percent in April on the back of the ongoing liquidity crunch in the banking sector, in an ominous development that stands to slow down the economy's tremendous growth momentum.

The growth is 4.43 percentage points less than the central bank's target of 16.5 percent for the second half of the fiscal year. In the last two fiscal years, private sector credit growth hovered between 16 percent and 18 percent, only to dip at the turn of the fiscal year.

The declining trend will continue in the months ahead as the government is not bothered about addressing the problem, said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

One of the main reasons for the low credit growth is banks' subdued deposit growth. "Neither the government nor the central bank has taken the matter into account," he said.

Against the backdrop, many local businesses are now borrowing from foreign lenders because of the existing liquidity crisis and high lending rate, Mansur said.

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## Govt moves to terminate Beximco solar power deal

UNB, Dhaka

The government has initiated a process to terminate a contract with Beximco Group for its failure to implement a solar power project.

Power Division sources said the Bangladesh Power Development Board (BPDB) issued an 'event of default notice' to Beximco-TBEA Xinjiang SunOasis Co Ltd on May 5 for failing to implement 200MW Gaibandha grid-tied power project as per schedule.

A Power Division document shows that the cabinet committee on public purchase approved an unsolicited offer of Beximco-TBEA joint venture in August 2016 to set up the plant.

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## Onion price shoots up at Ctg markets

DWAIPAYAN BARUA, Ctg

Onion prices have gone up in the kitchen markets in the port city after wholesalers jacked up prices in Khatunganj allegedly for a supply shortage.

Consumers had enjoyed lower prices of the item for the last couple of months as the market had remained apparently stable but the wholesale market has become a bit unstable recently.

Prices of different categories of onion marked a sharp rise by Tk 6 to Tk 8 a kilogramme (kg) in the wholesale markets earlier last week, reaching Tk 24 to Tk 26 a kg against Tk 16 to Tk 18 the previous week.

Subsequently, the retail markets saw an immediate price hike.

Nasrin Akhter, a homemaker, was found bargaining with a retailer at the Karnaphuli CDA Market on Thursday afternoon.

"I bought 2 kilos of onion at Tk 22 per kilo five days ago and now the shop owner is charging Tk 30 a kilo. How come the price rises so much so quickly?" she said.

Nazmul Haque, the retailer, said they had to buy the item at a higher price from wholesalers.

He demanded monitoring of the price at the wholesale hub.

Onion prices had witnessed a gradual downward trend over the last few months on the back of huge imports from India.

Around 7.82 lakh tonnes of onion were imported till March 9 of the current fiscal year, Bangladesh Tariff Commission data showed.

Mohammad Idris, general secretary of Khatunganj Arat Owners Association, said traders incurred

losses while selling onion at cheaper prices as there was plenty of supply compared to demand.

Importers and wholesalers gradually lost interest in importing the commodity and at one stage many stopped importing the item, creating a sudden shortage in supply that has caused the recent price hike, said Mohammad Faruq, director of wholesale firm Ira Traders at Hamidullah Mia Market in Khatunganj.



Wholesalers hiked prices in Khatunganj citing a supply shortage.

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## China RMG factories may shift to Bangladesh

They eye joint ventures as trade war bites

REFAYET ULLAH MIRPUA and JAGARAN CHAKMA

Some Chinese garment makers want to set up factories under joint venture in Bangladesh as they see the country as a competitive destination to relocate plants amid raging US-China trade war and the rising cost in the world's second largest economy.

Chinese textile and garment industry owners have invested heavily in neighbouring Vietnam and Cambodia in the last two decades, but now they are focusing to shift their factories to Myanmar and Bangladesh.

The reasons for the change in focus include a lack of skilled workforce in Chinese textile and garment industry, rising cost of production, shifting industrial base to industries such as IT and over-investment in Vietnam and Cambodia where labour costs are lower.

"Now they are trying to shift the sunset industries to Myanmar and Bangladesh," said Faisal Samad, vice-president of the Bangladesh Garment Manufacturers and Exporters Association.

The sunset industry refers to an industry that has existed for a long time and that is less successful and making less profit than previously.

Samad met with some entrepreneurs of Hong Kong-based Chinese Manufacturers' Association during their visit to Dhaka from May 22 to May 26.

The entrepreneurs came to Bangladesh to explore investment opportunities.

"Bangladesh is still a competitive place compared to China, Vietnam and Cambodia for setting up industries because of lower cost of production, trade privileges granted in major markets such as the EU and China," he said.

"They are interested to set up factories in fabrics, garment, printing and dyeing," Samad said.

So far, Bangladesh hasn't allowed foreign investment in basic apparels, limiting their



Bangladesh is still a competitive place for setting up factories because of lower cost of production.

presence in high-end and value-added textile and garment items.

US and other countries.

"If I manufacture here, the price will be cheaper than in China," he said, adding that the Chinese garment industry might be affected by the ongoing trade war.

Lok plans to make fresh order with potential garment manufacturers in Bangladesh before deciding to relocate his factory.

"Of course, I will tie up in joint venture with Bangladeshi partners in the future," the manufacturer said, adding that some local garment giants have shown interest to team up with him to set up factories.

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With Eid-ul-Fitr just around the corner, business is brisk on this New Market footpath catering to people with limited means. The photo was taken yesterday.

## Trump scraps India GSP

India terms the move 'unfortunate'

PALLAB BHATTACHARYA, from New Delhi

India yesterday termed "unfortunate" the US decision to withdraw generalised system of preference (GSP), a day after the Trump administration announced to end the preferential trade treatment to Indian exporters from June 5.

Reacting to the US decision, the Indian commerce ministry said in a statement that the GSP is unilateral, non-reciprocal and non-discriminatory benefits extended by some developed countries to developing countries.

The GSP withdrawal by the US is expected to impact the export of 1,900 items from India at a time when India's overall merchandise exports are flagging and the trade deficit widening.

India, as part of bilateral trade discussions with the US, had offered resolution on significant American requests in an effort to find a mutually acceptable way forward, the statement said.

"It is unfortunate that this did not find acceptance by the US."

US President Donald Trump said in a statement issued late Friday that he wanted greater access for US goods to the giant South Asian nation, AFP reports.

"I have determined that India has not assured the United States that India will provide equitable and reasonable access to its markets," Trump said.

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