STOCKS	
DSEX	CSCX
▲ 0.31%	▲ 0.06%
4,706.66	8,675.85

COMMODITIES	
Gold ▼	Oil ▲
$1,470.37	$62.69
(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.19%	▼ 0.48%	▼ 1.16%	▼ 0.25%
40,575.17	23,038.58	3,192.21	2,903.64

CURRENCIES (STANDARD CHARTERED BANK)	$USD	€EUR	£GBP	¥JPY
BUY TK	83.85	92.04	107.75	0.75
SELL TK	84.85	95.84	111.55	0.79

Star BUSINESS

DHAKA FRIDAY NOVEMBER 22, 2019, *AGRAHAYAN 7, 1426 BS* starbusiness@thedailystar.net

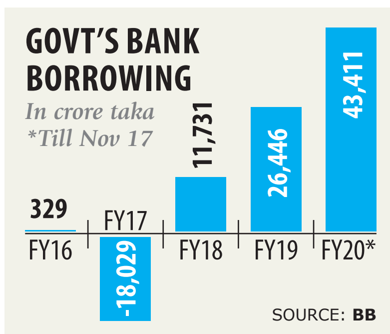
Govt's borrowing from banks spirals

Trend to choke private investment, say analysts

AKM ZAMIR UDDIN

The government's borrowing from banks has escalated alarmingly on the back of a revenue shortfall, a development that is poised to aggravate the already tight liquidity condition in the sector.

Until November 17, the government already borrowed 92 percent of its full-year target from the banking sector: Tk 43,411 crore, according to data from the central bank.



"The banking sector has been going through a liquidity crisis in recent months and the woe will further widen as a result of this," said Ahsan H Mansur, executive director of the Policy Research Institute.

And the trend will not reverse any time soon, he said, while tipping the government borrowing from banks to hit Tk 100,000 crore at the end of fiscal 2019-20 -- more than double the target of Tk 47,364 crore for the year.

It will prolong because of the government's imprudence in managing the macroeconomy and giving enough effort towards revenue collection, he said.

Between July and September, the National Board of Revenue managed about Tk 47,388 crore in collections against the target of Tk 62,295 crore for the period.

"The situation has raised doubts about the GDP growth rate achieved in recent years. Because, a strong GDP growth helps any government to speed up revenue collection and sidestep the aggressive borrowing from banks."

As per the government's calculation, Bangladesh pulled off an 8.13 percent GDP growth in fiscal 2018-19, one of the highest in the world.

The government should draw up a policy on how it will manage its spending in the months ahead to avoid bank borrowing, said Mansur, a former economist of the International Monetary Fund.

"Borrowing from foreign sources could be a good option. But the government does not have any plan to this end," he said.

Against the backdrop, the private sector may face dire consequences if the government continues to borrow large amounts from banks, he added.

Of the total amount, the government borrowed Tk 37,374 crore from banks and the rest from the central bank.

"The government is yet to address the issue on how it will avoid its reliance on the excessive bank borrowing."

Inclusive GDP growth will not be achieved without a proper expansion of the private sector, which would then go on to have a negative impact on employment creation, said Mansur, also the chairman of Brac Bank.

The majority of banks are caught up with repairing their balance sheets now, so they are focusing less on fresh disbursement, said Syed Mahbubur Rahman, chairman of the Association of Bankers, Bangladesh, a forum of private banks' managing director.

But banks will pick up their loan disbursement from the beginning of the new calendar year and they will have face trouble then if the government continues to borrow at this rate.

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Reconditioned car import halves

JAGARAN CHAKMA

Import of reconditioned cars fell 46 percent year-on-year to 12,502 units in 2018-19 because of higher duties, a fall in price depreciation, currency devaluation and increasing popularity of hybrid models.

Similarly, the sales of reconditioned cars went down by 16.43 percent year-on-year to 61 units per day in the last fiscal year.

The government brought down the maximum depreciation of imported reconditioned vehicles to 35 percent in 2018-19 from 45 percent in 2015-16, increasing the import duty and the price of car, said Abdul Haque, president of the Bangladesh Reconditioned Vehicles Importers and Dealers Association (Barvida).

Importers enjoy a maximum 35 percent depreciation on the brand new price for four-year old cars but it was 45 percent just three years ago. There is no depreciation for a one-year old car, Haque said.

He said the price difference between reconditioned and brand new cars is very insignificant because of the reduction in depreciation.

Under these circumstance, importers have become cautious in importing reconditioned cars, said Haque, also the owner of Haq's Bay Automobiles Ltd.

The imports of reconditioned cars fell because of an increase in customs duty, liquidity crisis in the banking sector and higher lending rates, said Mohammed Shahidul Islam, chairman of HNS Group and general secretary of the Barvida.

The interest on car loans stood at less than 10 percent three years ago but it rose to 11.50 percent for service-holders and 12.50 percent for businesspeople, according to bankers.

Islam said banks provide limited loan facility due to the liquidity crisis. At present, customers can avail around 50 percent of the cost of a car as loans from banks, but it should be 80 percent, he said.

AT A GLANCE

- Import of used cars fell 46% to 12,502 units in FY2019
- Daily sales now dropped to 57 units from 61 last year
- NBR move on depreciation of cars raised duty and price
- Importers also blame high lending rates, currency devaluation and banking sector crisis
- About 100 importers closed business in the last two years for continuous losses

The devaluation of the taka also played a part in bringing down the import of the used cars.

The exchange rate of the taka was Tk 84.5 per US dollar on June 30 this year, the last day of the last fiscal year, up from Tk 83.7 on June 29 in 2018, Bangladesh Bank data showed. It was Tk 80.59 in June 2017.

On the other hand, the overall economy is yet to return to normalcy to the full after the general elections, Islam said.

"On this backdrop, importers have brought down the import of cars. They are passing dull seasons," he said.

Traders have to pay 31 percent to 826 percent in import duty depending on the CC (cubic centimeters) of cars, apart from 15 percent VAT, 5 percent advance tax, 5 percent regulatory tax, and 4 percent advance trade VAT on tariff value.

Mannan Chowdhury Khoshru, a former president of the Barvida, said around 100 importers quit the car business due to continuous losses in the last two years. Currently, around 300 importers bring cars from japan.

People are also gradually shifting from non-hybrid cars to hybrid ones, dealing a blow to the reconditioned car business.

Around 30 percent of the total imported cars are hybrid, Khoshru said, adding that 100 percent cars would be hybrid by the next three to four years.

500MW to be bought from Nepal

STAR BUSINESS REPORT

The government will import 500 megawatts of electricity from Nepal, said the power and energy ministry in a press release yesterday.

"We have almost finalised importing power from Nepal's Karnali hydropower project through GMR Group," said State Minister Nasrul Hamid presenting a keynote at a "power summit" in Kathmandu.

Nepal is the second country from where electricity is being imported. Bangladesh first bought 1,160MW of electricity from India.

Officials of the Power Division said the purchase rate was finalised at 7.72 cents per kilowatt-hour.

The rates with India vary with a majority being 7.79 cents.

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Embrace new tech to stay relevant

Speakers urge accounting professionals

STAR

Comptroller and Auditor General Mohammad Muslim Chowdhury addresses a roundtable on "Business partner of the future" co-organised by ACCA Bangladesh, PwC and The Daily Star at The Daily Star Centre in Dhaka yesterday.

STAR BUSINESS REPORT

Accounting professionals should embrace new technologies and upgrade their skills in order to stay relevant in the fast-changing world, understand and analyse data, and support companies in making informed decisions, analysts said yesterday.

"The fourth industrial revolution is coming such a big way and this is so impacting that you can't hang on your own environment," Comptroller and Auditor General Mohammad Muslim Chowdhury said.

"If you don't align yourself to the changing world and develop your skills accordingly, you will be hanging in the balance with no ground under your feet," he said.

The CAG made the comments at a roundtable styled "Business Partner of the Future" organised by the Association of Chartered Certified Accountants (ACCA) Bangladesh, PwC Bangladesh, and The Daily Star at The Daily Centre in Dhaka.

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Fate of 303 export containers hangs in the balance

They failed to reach Ctg port on time due to strike; goods transport resumes after 18 hours

DWAIPAYAN BARUA, *Ctg*

Two container vessels left Chattogram port yesterday without taking 303 TEUs export-laden containers as they could not be loaded on time thanks to work abstention by transport workers and owners on Wednesday.

The containers will now have to be shipped via the next feeder vessels, which are scheduled to depart the port today or tomorrow, to catch the connecting mother vessels in Singapore and Colombo respectively.

Marine Bia and Cape Monterey, the two vessels, were scheduled to depart the port yesterday morning.

But Marine Bia left for Singapore at about 4.45am leaving behind 65 TEUs (twenty equivalent units) of export containers, said Muntasir Rubaiyat, head of operations of the vessel's local agent GBX logistics.

Cape Monetrey, which was also scheduled to sail out during the morning tide, though pushed back its departure for more than 11 hours to carry all the containers it was supposed to.

It departed at 4:20pm without taking 238 TEUs export containers out of the 1,535 TEUs it was booked for, said Saiful Islam, senior manager of Seacom Bangladesh, local agent of the vessel.

Port users and exporters sensed uncertainty over timely dispatch of the export cargoes.

Subsequently, the containers left behind may miss the connecting mother vessels at the next ports, said Khairul Alam Sujan, director of Bangladesh Freight Forwarders Association.

It is uncertain whether the 303 TEUs containers could be shipped to the next feeder vessels scheduled to depart Chattogram today or tomorrow, said Nasir Uddin Ahmed, chairman of the Bangladesh Garment Manufactures and Exporters Association Standing Committee on Port and Shipping.

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NEWS IN *brief*

Al-Haj Textile director fined

The stock market regulator slapped a director of Al-Haj Textile Mills—Md Shamsul Huda—with a fine of Tk 50 lakh for insider trading and selling shares without any declaration.

The director sold 1.45 lakh shares in the market without any declaration.

The Bangladesh Securities and Exchange Commission also fined a stock broker of the Dhaka Stock Exchange—ANF Management—Tk 5 lakh as it gave Huda an opportunity to sell the shares.

Moreover, the commission withdrew the textile maker from the spot market.

Merchant bank MDs can now invest in stocks

The capital market watchdog has given the go-ahead to the managing directors and chief executive officers of all merchant banks to invest in any stock except on the companies where they have so far worked as issue managers.

The nod was given as per the amended Securities and Exchange Commission Rules (Merchant Banker and Portfolio Manager), 1996, which was approved yesterday.

Processed food market size hits $2.5b

Industry people say at food processors' fair in Dhaka

STAR BUSINESS REPORT

Indian food processing machinery manufacturers are eying good business in Bangladesh as the latter's agro food processing industry is thriving with each passing year.

Annual sales of processed agricultural food amounts to around $2.5 billion with growth averaging 8 percent for the past 10 years as local consumption is growing, according to industry insiders.

Around 70 Indian companies are taking part in a three-day "7th BAPA FoodPro International Expo 2019" at International Convention City Bashundhara.

Saif Ali Sayed, sales engineer at the Lithotech Food and Spice Machinery, said they have over 40 clients in Bangladesh, most of whom were expanding production.

"So the companies are purchasing machinery and equipment from our company," he claimed.

Rahul Kothari, director of Pakona Engineers of Mumbai, has been taking part in the fair for the past five years. He said they supplied packaging machines to big food processors in Bangladesh including Pran, BD Food and Olympic.

Besides, the number of clients are increasing every year, he said.

STAR

A stall attendee takes a visitor through a brochure at the "7th Bapa FoodPro International Expo 2019" at International Convention City Bashundhara yesterday.

Agro processors say export of their food products would cross the $1 billion mark by 2021 and the country has bright prospects in the sector.

"We are on way to increase our export from agro-processed foods thanks to government support and initiatives," said AFM Fakhrul Islam Munshi, president of Bangladesh Agro-Processors' Association (Bapa), while addressing the fair's launching.

He said the size of the processed food market now stands at around $2.5 billion.

Bapa consists of 300 members who shipped around $400 million-worth products last fiscal year. According to Bapa, Bangladesh exports agro-processed foods to 144 countries.

Bapa and the Rainbow Exhibition & Event Management Services jointly organised the fair where agro and food-processing machinery are being displayed to familiarise local food processors with modern technologies.

A total of 300 companies from home and abroad are participating in the show that would remain open to visitors from 11:00am to 7:00pm.

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