

STOCKS		Week on week	COMMODITIES		Friday closing	ASIAN MARKETS				As on Friday	CURRENCIES				As on Thursday
DSEX	CSCX		Gold	Oil		MUMBAI	TOKYO	SINGAPORE	SHANGHAI		USD	EUR	GBP	JPY	STANDARD CHARTERED BANK
▲ 0.85%	▲ 0.52%		\$1,509.30	\$68.16		▲ 1.00%	▼ 0.36%	▲ 0.11%	▼ 0.08%		BUY TK	83.95	92.29	108.40	0.75
4,418.84	8,163.74		(per ounce)	(per barrel)		41,575.14	23,837.72	3,226.53	3,005.04		SELL TK	84.95	96.09	112.20	0.79

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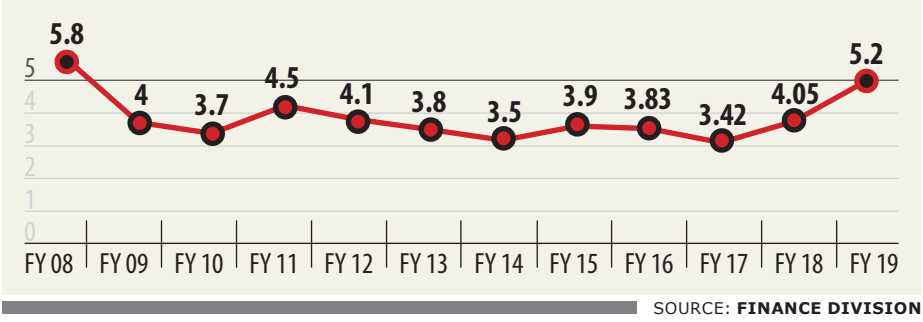
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DHAKA SUNDAY DECEMBER 29, 2019, *POUSH 14, 1426 BS*


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Budget deficit goes over 5pc boundary

Revenue shortfall, spending rise to blame



REJAUL KARIM BYRON

Budget deficit, which is when spending exceeds revenue, is set to cross the sensible perimeter of 5 percent of GDP in fiscal 2018-19 for the first time in 12 years on the back of ebbing collections of the tax administrator.

Revenue collection grew 10.67 percent last fiscal year against the target of about 46 percent, according to provisional data of the National Board of Revenue. But, data from the Comptroller and Auditor General office shows that the growth was less than 10 percent.

As per the finance division's provisional data, the budget deficit last fiscal year was 5.2 percent.

"In the end, it may be even bigger," said

a finance ministry official upon condition of anonymity.

It takes at least six months to work out the actual deficit after the conclusion of the fiscal year. The final accounts are expected to be worked up within the next couple of days, he added.

For developing countries a budget deficit is not unusual as the government needs to spend big on building infrastructure to shore up future economic activities.

The government meets the gap between income and expenditure through domestic and foreign borrowing obtained as loans or grants.

But keeping the deficit within 5 percent is recommended, and is in fact considered international best practice.

In Bangladesh, when the budget is drafted a 5 percent deficit is projected. The actual deficit turns out to be about 4 percent every year as the ministries and divisions fail to use up their allocated funds.

Finance Minister AHM Mustafa Kamal acknowledged that revenue growth was slow.

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Loan write-offs rocket

AKM ZAMIR UDDIN

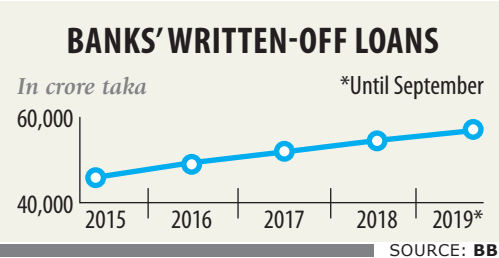
Loans written off by banks escalated 42.66 percent year-on-year to Tk 1,640 crore in the first nine months of the year as lenders, awash with default loans, endeavoured to clean up their balance sheets.

The upward trend of written-off loans will help lenders paint a rosy picture of their health only for the time being, said Zahid Hussain, a former lead economist of the World Bank's Dhaka office.

"But this will not bring anything positive as recovery of such delinquent loans is incredibly tough," he added.

As of September, the banking sector's total written-off loans stood at Tk 55,055 crore, up 10 percent from a year earlier, according to data from the Bangladesh Bank.

Banks have failed to recover 75 percent of the total written-off loans since January 2003, when the central bank introduced the policy. Unrealised delinquent loans stand at Tk 41,461



crore as of September.

Although banks have to file cases with the money loan courts to write off loans, the legal process hardly brings any positive result when it comes to recovery of delinquent loans, Hussain said.

"It is just a symbolic exercise," he added.

Earlier in February, with a view to cutting down the stockpile of defaulted loans, the BB relaxed the policy to allow banks to write off default loans that have been languishing in the

bad category for three years, down from five years previously.

Furthermore, lenders do not have to file any case with money loan courts to write off delinquent loans worth Tk 2 lakh, up from Tk 50,000 previously.

"There is no scope to hold back written-off loans unless and until default loans are checked," Hussain said, adding that the central bank continues to give regulatory forbearance to banks, fueling defaulted loans in recent months.

In the first nine months of 2019, an eye-watering Tk 22,377 crore of outstanding loans turned red.

Banks have to keep 100 percent provisioning against written-off loans that erodes their capital base and available loanable funds.

"They should strengthen their financial health first before they can write off loans," said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

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Real estate sector bounces back

2020 looks brighter, developers say

JAGARAN CHAKMA


Things are finally looking up for realtors in 2020 after a bumpy last few years thanks to government support to public servants for housing loans and an increase in home loan ceiling by the central bank.

The sector saw at least 9 percent growth this year, according to Alamgir Shamsul Alamin, president of the Real Estate and Housing Association of Bangladesh (REHAB).

He went on to credit the government decision to extend low-cost home loans to public servants from fiscal 2018-19 for the pickup in flat sales.

Based on the location and grade of a government employee, he or she can now take loans starting from Tk 20 lakh to up to Tk 75 lakh at 10 percent interest from public banks like Sonali, Rupali and Agrani and the state-owned Bangladesh House Building Finance Corporation.

Of the 10 percent interest rate, the government



2019
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VIEW

KEY FACTORS

- Govt support to public servants for housing loans
- Increase in home loan ceiling

will foot 5 percent and the employee will bear the rest.

Alamin, however, could not provide accurate flat sales figure for 2019 due to the absence of central data collection by the sector's trade body.

"Sales were slightly better this year," said

Liakat Ali Bhuiyan, first vice-president of REHAB and chairman of Brick Works Development, a real estate company. Brick Works managed to sell all apartments in its three ongoing projects in 2019.

As of December 27, about 11,000 flats remain unsold, in contrast to 14,000 at the end of 2018, according to Bhuiyan.

The sector would gain momentum if the interest rate for home loans was brought down to single digits, he said.

At present, the interest rate on home loans ranges from 11 percent to 13 percent.

Bhuiyan went on to commend the slash in registration fee to 11 percent from 14-16 percent of a property's price

In another positive move, the central bank last month raised the home loan ceiling to Tk 2 crore from Tk 1 crore and also allowed banks to provide loans up to 70 percent of the property price.



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