

SINGLE-DIGIT INTEREST RATES

Banks bracing for big hit on profits

OPERATING PROFITS <i>In crore taka</i>		
Banks	2018	2019
City	668	825
Bank Asia	820	940
Mercantile	609	753
Prime	575	700
SIBL	667	682
NRBC	196	252
South Bangla	203	228
Jamuna	468	730
Shahjalal Islami	475	653
National	1,205	952
Exim	750	780
Al-Arafah	640	801
Southeast	1,012	1,060
Eastern	780	900
Modhumoti	197	218
Meghna	93	124
Union	232	275
Pubali	968	1,050
NRB	90	93
IFIC	410	675

STAR BUSINESS REPORT

Banks will have a hard time logging in profits in the coming days because of the latest government decision to fix interest rate for lending at 9 percent and for deposit at 6 percent.

Although the government has announced splitting its funds equally between the state-run banks and private ones, the latest decision may create a haphazard situation for them nevertheless, said experts and a good number of managing directors of banks.

"Banks will have to implement the new rates as per Prime Minister Sheikh Hasina's instruction," Finance Minister AHM Mustafa Kamal told reporters after a meeting with private banks' sponsors and managing directors at the headquarters of Bangladesh Association of Banks on Monday.

While the bank sponsors went along with the decision, the managing directors said it will be much too difficult to implement.

For instance, banks will have to incur a large amount of loss from their retail lending programme if they set 9 percent interest rate on home, auto and personal loans as well, said managing directors of three banks wishing not to be named due to the sensitivity of the matter.

A good number of employees is required to operate the retail programme, and the cost of monitoring and supervision on retail lending is much higher than corporate lending, they said.

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A TURBULENT YEAR FOR STOCKS



DSE 2018 VS 2019

Points shed by DSEX
-858.88
-932.71

Points lost by DS30
-402.44
-367.44

Market cap lost (in crore)
Tk 35,599
Tk 47,744

Daily average turnover (in crore)
Tk 480.26
Tk 552.03

Foreign investment lost (in crore)
Tk 593.13
Tk 488.17

Market PE ratio
15.09
11.48

Funds raised by IPO (in crore)
Tk 601
Tk 614.67

Funds raised by right share (in crore)
Tk 367.07
Tk 231.30

Market cap to GDP
17.21%
11.16%

PRIVATE ECONOMIC ZONE

City Group to snag its second licence

To generate \$2b in investment, employ 10,000

JAGARAN CHARMA

City Group is set to get the licence today to establish an economic zone, which would be the 11th under the private sector, as part of the government's push towards industrialisation.

The government plans to set up 100 economic zones by 2030 with the view to generating one crore new jobs, earn \$40 billion in additional exports and attract \$20 billion in foreign direct investment.

To be called the Hossendi Economic Zone, the industrial park would span 108 acres of land in Narayanganj's Gajaria upazila, according to the Bangladesh Economic Zones Authority (Beza).

The economic zone, which would be the second for City Group, is expected to be completed by 2021 and will generate \$2 billion



in investment from home and abroad and create employment for 10,000.

The plants being planned are for: manufacturing salt, chemicals, prefabricated building materials, cement, dock and shipyard items, ceramics, paper, automobile and light engineering.

Of the land, 63.39 percent has been demarcated for industrial use, 4.51 percent for specialised infrastructure, 17.10 percent for

utility and 15 percent for amenities.

The green economic zone will also have open spaces and facilities to care for children and for waste management and treatment of effluent and sewerage.

City Group officials declined to comment on the matter.

The consumer goods-focused business group already has a City Economic Zone in Narayanganj's Rugganj upazila. It got the licence in January 2018.

Beza is sitting on nine more proposals for private economic zones.

Given the high demand, Beza is being scrupulous with the applications before giving out licences, Paban Chowdhury, executive chairman of Beza, told The Daily Star.

Tk 767cr project for Mongla port facelift



STAR BUSINESS REPORT

A government project is set to boost the capacity of the country's second busiest seaport of Mongla.

This is to support an increase in trade arising from development initiatives scheduled to be completed around the country by 2020-21.

The initiatives include the construction of the Padma bridge, Khan Jahan Ali airport in Bagerhat, a rail line from Khulna to Mongla and a special economic zone under a Bangladesh-India joint initiative.

The capacity enhancement will

also raise possibilities for transit-based trade for exports of India, Nepal and Bhutan.

The port's container handling capacity is predicted to increase from 8.72 lakh twenty-foot equivalent units (TEUs) in 2025 to 45.32 lakh TEUs in 2049, says a research report.

Some 30,000 vehicles will go through it in 2049 whereas over 1,200 ships a year in 2019-20, up from 912 in 2018-19 and 416 in 2014-15.

Moreover, it could facilitate import of around 45 lakh tonnes of coal every year once the 1,320MW

Rampal power plant starts running.

The Mongla project encompasses purchase of some state-of-the-art vessels and equipment worth Tk 767 crore.

This includes a mother vessel, two tugboats, a search and rescue vessel, a survey and research vessel, a buoy laying vessel and official equipment.

The vessels and equipment are expected to ensure safer channels, organised handling of ships and emergency rescues during natural calamities.

The plans and predictions were described by Planning Minister

MA Mannan after a meeting of the Executive Committee of the National Economic Council (Ecne) at the NEC in Dhaka yesterday.

The meeting approved seven projects worth Tk 4,460 crore, four of which were revised ones.

One of the revised projects was for strengthening the power grid network, with the cost raised by Tk 622 crore to Tk 14,326 crore.

Approved in 2016, the project was scheduled to be completed in June 2021. The deadline was revised to June 2024 for delays of the financier, China, according to a planning ministry proposal.

DITF begins today

Minister tries to freshen up 25th edition

STAR BUSINESS REPORT

The 25th edition of Dhaka International Trade Fair (DITF) kicks off today in the same old dusty setting of the capital's Agargaon area although a good number of stalls are still under construction.

Prime Minister Sheikh Hasina is scheduled to inaugurate the event, which is organised by the commerce ministry and the Export Promotion Bureau (EPB).

The month-long event, which was conceived with the view to increasing the sales of local commodities and bringing in foreign goods in Bangladesh, was once awaited all year-long.

The event has now lost sheen for the shrinking number of international stalls and the easy availability of foreign products in the local market. In short, the exhibition no longer offers anything novel.

Commerce Minister Tipu Munshi acknowledged that the fair environment has lost its international flavour but he attempted to shake up proceedings this year to bring back the event's charm.

"We have left some open space so that the visitors can walk easily without any human congestion like in previous years," he said at the press conference.

This year, the number of stalls and pavilions has been reduced to maintain a good environment for visitors. The minister and the EPB said the area was rinsed with water to control the dust, which tend to cause breathing problems among visitors. "We cannot expect a radical change overnight -- it is a gradual process. This year we tried to improve the environment."

The organisers have spent Tk 23.17 crore to prepare the fairground this year, he said,

adding that this time the show will have 483 stalls and pavilions, down from 550 in 2019.

Some 55 foreign companies from 21 countries will take part in this year's trade fair, the commerce ministry said in a statement.

The government is still hopeful that the export earnings will reach \$60 billion in 2021, up from last year's \$46 billion as some new products are showing good

Tipu Munshi acknowledged that the fair environment has lost its international flavour but he attempted to shake up proceedings this year to bring back the event's charm

prospect, the minister said.

Apart from the apparel items, the earnings from shipments of jute and jute goods, leather and leather goods, furniture, ceramics, light engineering products, footwear and frozen foods will increase in the near future.

The government will announce light engineering goods as the product of the year as they have been showing a positive export growth over the last few years, he said.

Commerce Secretary Md Jafar Uddin and EPB Vice-Chairman Fatima Yasmin also spoke.

EU seeks reset in trade talks with US

REUTERS, Dublin

THE European Union's new trade commissioner, Irishman Phil Hogan, was quoted on Monday as saying he would seek a reset of EU/US trade relations on a number of contentious issues when he meets his US counterpart for the first time next month.

The Trump administration imposed tariffs on European steel and aluminium in mid-2018. It has done the same to \$7.5 billion worth of EU products over a dispute about subsidies for European planemaker Airbus, and is threatening action against France over a digital services tax.

Hogan, who was promoted from the role of EU farm chief this month, spoke to US trade representative Robert Lighthizer just before Christmas, he told the Irish Times newspaper.

"We agreed to meet in Washington in mid-January to discuss the long list of issues causing strain in the relationship between the EU and the US. There is no point in getting into the details of resolving trade irritants unless we agree a line on a common trade agenda," he was quoted as saying.

"I will be seeking a reset of the EU/US trade relationship on issues like tariffs on steel and aluminium and the threat of US tariffs in response to a digital tax in Europe."



A worker adjusts European Union and US flags at the EU Commission headquarters in Brussels.

Vertical farming takes off in ageing Japan

AFP, Kyoto

THE nondescript building on an industrial site near Kyoto gives little hint to the productivity inside: 30,000 heads of lettuce grow here daily, under artificial light and with barely any human intervention.

This "vegetable factory", using the latest vertical farming techniques, is part of a trend born out of necessity in Japan, where traditional farming faces a double threat from the ageing population and migration towards the cities.

With the average age of a farmer in Japan at 67 and few candidates to replace those dying out, the country has been forced to become a pioneer in so-called vertical farming.

Globally renowned firms such as Panasonic, Toshiba and Fujitsu have tried their hand -- converting old semi-conductor production lines with varying levels of success.

One of the few companies to turn a quick profit, Spread produces 11 million heads of lettuce annually from its latest factory in Kyoto, a vast sterile area where the vegetables are stacked on shelves several metres high.

Machines shift the lettuces around the factory to areas where the light, temperature and humidity are ideal for that stage of growth. The process works without soil or pesticide, and only a dozen or so humans are employed to collect the lettuce at the end.

Other countries have employed vertical farming techniques -- notably in Denmark and the United States -- but Japan's population crisis means the farmers are dying out, with question marks over how the world's third-biggest economy will feed itself.



An employee inspecting lettuce growing in a facility that uses vertical farming techniques in Kyoto, Japan.

"Given the lack of manpower and decline in agricultural production, I felt a new system was needed," Shinji Inada, Spread's boss, told AFP.

Spread has taken some time to make the process nearly fully automated: an older factory in Kyoto still employs several dozen humans to move the lettuce -- a "difficult task", admits one staff member.

But the advantages are clear: "We can produce in large quantities and at a stable rate all year round, without being affected by temperature changes," said Inada.

"The other benefit is that we have few losses

because our products are preserved for longer," added the vegetable tycoon.

Inada said the firm initially experienced some difficulty in selling the lettuce, but they have now grown a good brand by producing consistent quality at a consistent price -- in a country where prices vary considerably depending on the season.

Spread's lettuce are found on supermarket shelves in Kyoto and the capital Tokyo and Inada has grand expansion visions to move production closer to where the vegetables are consumed.