

## STOCKS IN DESPAIR

DSEX, the benchmark index of the premier bourse, yesterday sank to its lowest level since May 5, 2015, when it stood at 4,018. The market fell due to huge sell pressure from foreign investors and mounting confidence crisis among investors due to the continuous slide and the tug-of-war among DSE directors on the recruitment of new managing director.

DSEX fell to **4,036.23** points (fell **87.24** points, or **2.11%**)

Turnover Tk **262.81** crore (dropped Tk **23.96** crore, or **8.35%**)

### TOP NEGATIVE CONTRIBUTORS TO DSEX

Company	Points taken
Grameenphone	14.92
BATBC	8.37
Square Pharmaceuticals	7.48
ICB	3.52
United Power Generation	2

### TOP FIVE GAINERS

Company	Gain (in %)
Phoenix Finance 1st Mutual Fund	8
United Airways	7.14
ADN Telecom	5.39
Popular Life First Mutual Fund	5
Beach Hatchery	4.38

### TOP FIVE LOSERS

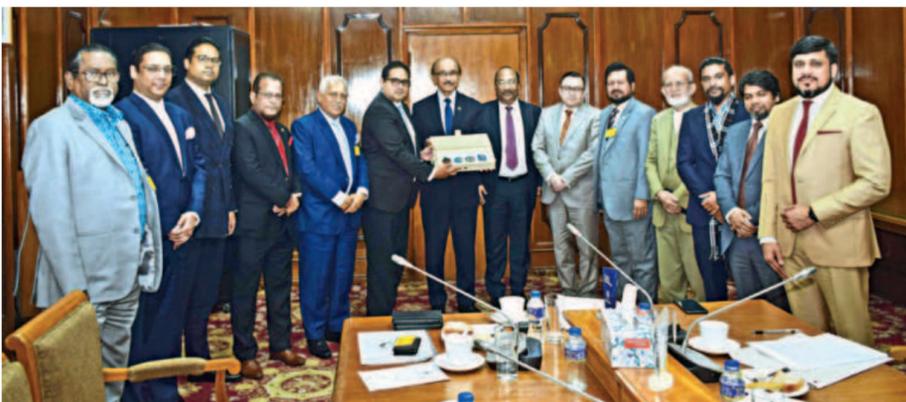
Company	Loss (in %)
SS Steel	9.94
Alhaj Textile Mills	9.74
Golden Harvest	9.63
Meghna Pet Industries	9.27
Samata Leather	9.11

### DSE BROAD INDEX



## BB to relax rules for unintentional defaulters

Governor says at meeting with new DCCI board



Newly elected DCCI President Shams Mahmud, sixth from left, presents a memento to Bangladesh Bank Governor Fazle Kabir during a meeting at the latter's central bank office in Dhaka yesterday.

STAR BUSINESS REPORT

The loan payment process will be eased for unintentional defaulters if they have valid grounds for their failure to clear the loans, said Bangladesh Bank Governor Fazle Kabir yesterday.

The law has clearly defined what will be considered a nonperforming loan (NPL) and who will be called wilful and unintentional loan defaulters, he said.

Entrepreneurs, who failed to repay loans for reasons they cannot be held responsible for, such as delays in getting utility connections and in loan approval process, might get special consideration, he said.

Kabir spoke at a meeting with the newly elected board of directors of Dhaka Chamber of Commerce and Industry (DCCI) when they came to meet with him at his central bank office in Dhaka.

As the Bangladesh economy mostly depends on the banking financial system, the government plans to bring down the lending interest rate to single digit from April this year, he said.

The government has also taken various infrastructure development projects where private sector's intervention would be much appreciated, he said.

Recently, the National Board of Revenue withdrew stamp duty, which

will help flourish the country's bond market system.

Bangladesh should have a strong secondary bond market as a long-term financing mechanism, he said.

He also sought cooperation of the business community for effective use of the \$300 million Export Development Fund, money from which is disbursed by the banking watchdog through authorised dealer banks.

Despite an over 8 percent growth of the gross domestic product, private investment has remained stagnant at 22-23 percent of the GDP, Shams Mahmud, the newly elected DCCI president, said at the meeting.

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## US-Bangla takes lease of two more ATR 72-600 aircraft

STAR BUSINESS REPORT

US-Bangla Airlines has taken long-term lease of two ATR 72-600 aircraft from TrueNoord.

The airline already has four Boeing 737-800, three Dash-8 Q 400 and two ATR 72-600 aircraft. One of the ATRs had been provided by TrueNoord.

"These new-vintage ATR72-600s are needed to meet the growing demand for domestic travel across our route network," said Mohammed Abdullah Al Mamun, managing director of US-Bangla Airlines.

"We are very pleased to work with TrueNoord as a specialist lessor in the regional sector - their expertise with turboprop aircraft perfectly complements our business strategy."

"Our recent deliveries to them form part of a growing footprint for TrueNoord across the Indian subcontinent," said Anne-Bart Tieleman, CEO of TrueNoord.

"We are currently working on a variety of transactions where the flexibility and operational route expansion opportunities provided by regional aircraft suit the growth ambitions of several airlines."

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## CAPPING INTEREST RATE

# What the finance minister should watch out for



NAZNEEN AHMED

So, stimulating aggregate demand is not a policy priority at this stage.

The implication that follows from here is that the finance minister will be better off managing the macro-economy if he keeps consumption loan outside the lending interest rate ceiling. There is high administrative cost involved in credit card service, and loans against credit cards are also

towards enhancing demand in this sector. If there is a reinforcement of the process through lowering the rate of interest for home loans, the low deposit rate will push savings out of financial institutions and real estate prices are likely to experience sharp rise.

Once again, for the sake of macroeconomic stability the finance

### INTEREST RATES IN 2019 (IN %)

Months	Weighted average deposit rates	Weighted average lending rates	Spread
January	5.34	9.49	4.15
February	5.34	9.49	4.15
March	5.35	9.50	4.15
April	5.42	9.46	4.04
May	5.46	9.51	4.05
June	5.43	9.58	4.15
July	5.56	9.59	4.03
August	5.60	9.60	4.00
September	5.65	9.56	3.91
October	5.66	9.58	3.92
November	5.71	9.63	3.92

SOURCE: BANGLADESH BANK

less secured. These are probably the reasons why credit card loans have been kept outside the lending interest rate ceiling. The same logic applies in the case of consumption loan too and this should be dealt with in the same manner.

#### IMPACT ON DEPOSITS

Once the size of intended savings is decided by a person, where it is parked depends on alternative rates of return. If the rate of interest earned against deposits in financial institutions is fixed at a low level, it will surely have a displacement effect on this type of deposits.

What are the options that a saver has in Bangladesh? Until recently, the high rate of interest in savings certificates made it the first choice of long-term savers. However, streamlining the process of savings certificates purchase has drastically reduced rampant use of this instrument. The deplorable state of the capital market is also a big disincentive for savers to shift safe savings in financial institutions to risky investment in the capital market.

The next best option for the savers is to invest in real estate. Recent government policies allowing subsidised home loans for government officers and public university teachers, and lowering of registration fees for real estate property have already contributed

minister will be better advised to keep home loans outside of the lending interest rate ceiling at least initially.

#### DIFFERENTIAL IMPACT ON FINANCIAL INSTITUTIONS

The displacement of deposits due to low interest rate from the financial institutions is unlikely to take place in an even manner. The worst affected, in this case, is likely to be the non-bank financial institutions (NBFIs). The NBFIs' basic modus operandi is to attract deposits offering higher interest rates than the banks and then lending these to niche markets at higher interest rate. If NBFIs are required to apply the same lending rate as the banks, it will be a recipe for their downsize, as they will be unable to attract deposits at the corresponding low deposit rate.

The same logic applies when it comes to competition between public and private banks for deposits. The finance minister seems to be aware of this and he mentioned that for government deposits the private banks will be allowed to offer slightly higher interest rates. But government deposits account for only a small proportion of the total deposits in the banking sector and so the case for differentiated deposit rate is even stronger in the case private deposits in private banks.

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# Two British firms turn up with \$1b investment plan

JAGARAN CHAKMA

Two British companies have arrived with an investment plan of \$1 billion, a heartening development for the government which has ramped up its efforts to woo in foreign investors.

The two companies are IM Power, an independent power producer with more than 50 years of experience in the industry, and TenBroekeCo, an

independent international advisory company focused on the delivery of major infrastructure projects.

They intend to set up a 1,000 megawatt plant in Bangladesh to generate electricity by using imported liquefied natural gas at Payra port.

A portion of the power generated would be used for electrification of a railway track between Payra and Dhaka. Moreover, they would also establish

a transmission line between Payra, Dhaka, Chattogram and Cox's Bazar.

Elena Baranova, chief executive officer of IM Power, and Paul E Tweedale, managing director of TenBroekeCo, shared their interest in a meeting with Md Sirazul Islam, executive chairman of the Bangladesh Investment Development Authority (BIDA), in November last year.

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