

STOCKS As on Tuesday		COMMODITIES		ASIAN MARKETS				CURRENCIES As on Tuesday STANDARD CHARTERED BANK			
DSEX ▲ 0.83% 6,535.87	CSCX ▲ 0.82% 11,411.96	Gold ▲ \$1,814.26 (per ounce)	Oil ▲ \$71.56 (per barrel)	MUMBAI ▲ 1.02% 54,369.77	TOKYO ▼ 0.21% 27,584.08	SINGAPORE ▲ 1.07% 3,182.90	SHANGHAI ▲ 0.85% 3,477.22	USD \$ BUY TK 83.95 SELL TK 84.95	EUR € 89.62 102.42	GBP £ 115.73 119.53	¥ ¥ 12.75 13.41



BUSINESS

DHAKA THURSDAY AUGUST 5, 2021, SRABAN 21, 1428 BS ● starbusiness@thedailystar.net

Savers, small borrowers pay price as banks run after high profit

Lenders cut interest rate on deposits faster than that on loans

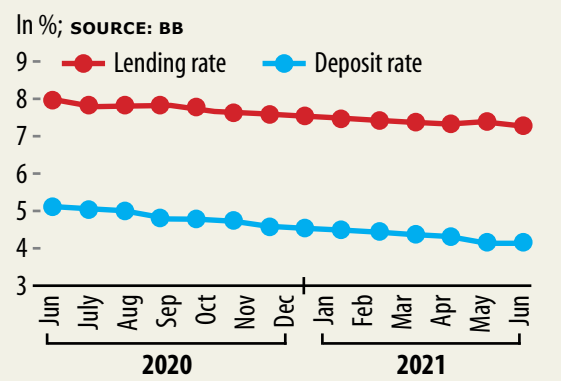
AKM ZAMIR UDDIN

With the financial sector being weighed down by huge excess liquidity, banks have cut the interest rates on deposits at a faster pace than on loans, penalising savers and, to some extent, small borrowers.

But the average spread, the difference between the lending rates and the deposit rates, widened over the last several months, meaning banks are punishing clients to ensure handsome profits and dividends for shareholders.

The weighted average rate on deposits stood at 4.13 per cent in June, down from 5.06 per cent a year ago, according to data from Bangladesh Bank. As a result, depositors are facing a negative return on savings given the

TRENDS OF LENDING AND DEPOSIT RATES



inflation rate of 5.64 per cent in June.

The lending rate declined to

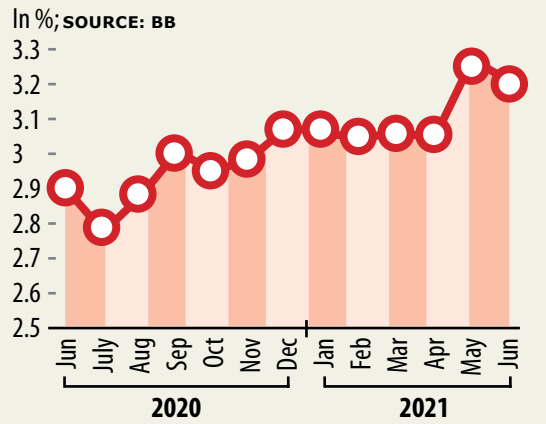
7.33 per cent in the month from 7.95 per cent a year ago.

Against the backdrop, the spread stood at 3.20 percentage points in June in contrast to 2.89 percentage points in the same month a year ago.

"The higher spread is not desirable at all as it is depriving the depositors of a scope to get a return on their funds kept at banks," said Salehuddin Ahmed, a former governor of the central bank.

"If we consider the inflation rate, the real interest rate is highly

TRENDS OF INTEREST RATE SPREAD



negative."

Most banks now offer an interest rate of 2 to 4 per cent on the fixed deposit receipts (FDRs), which result in a negative real interest rate of 2-3 per cent for savers.

The plight of the savers who have kept their money in the savings accounts is deeper than that of the depositors who opened FDRs as many banks provide less than 2 per cent interest rate on the former products.

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Bangladesh on cusp of industrial revolution

HSBC says in Bangladesh Market Insights 2021

STAR BUSINESS REPORT

Bangladesh is on the cusp of an industrial revolution as incomes rise and technology plays an ever-increasing role in the economy, according to HSBC.

"Urbanisation, smaller households and more women at work are powerful consumption drivers that support high levels of growth," said Devendra Joshi, equity strategist for ASEAN and Frontier Markets at HSBC.

A lot of investors do not know that Bangladesh's economy is not only larger than that of Vietnam but also growing faster, he told a virtual discussion on "Bangladesh Market Insights 2021: Consumption Propelling Growth" yesterday.

This growth was in the face of some adversities such as a lack of infrastructure, power shortages and a banking system that has a higher rate of nonperforming loans, he said.

Although now Bangladesh is getting more and more attention, it deserves even more as it has a strong external position with low external debt, strong foreign exchange reserves and remittances, said Joshi.

He said foreign direct investment (FDI) remains low but was expected to improve as it moves up the value-added ladder fast.

"While Bangladesh is one of the cheapest places to manufacture goods in Asia, it will need to diversify away from garments. In terms of ease of doing business, Bangladesh still lags behind Vietnam but is making efforts to improve," he said.

UPSIDES

Urbanisation and growing smaller households

More women at work

Low external debt

Strong forex reserves

Robust remittance

CHALLENGES

Low FDI inflow

Weak infrastructure

Higher NPL in banks

Fifty years past its independence, Bangladesh has grown into one of Asia's fastest growing economies with a very exciting long-term demographic story, said Joshi.

"With this backdrop, the Bangladesh stock market deserves more attention as it holds opportunities for investors looking for diversification and 'hidden gems,'" he said.

He said the stock market was where it was five years ago and was well placed to start closing the gap.

Bangladesh's economic growth exceeded 7 per cent for four years in a row in the pre-pandemic period while its population grew at a fast pace to stand at around 165 million, said the official.

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INTRODUCING

NEW

HOTLINE NUMBER

16704

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Low-cost funds for women entrepreneurs

STAR BUSINESS REPORT

The cost of funds for women entrepreneurs has declined as the Bangladesh Bank yesterday said they would be able to borrow at a 5 per cent interest rate under one of its refinance schemes.

Both male and female entrepreneurs earlier could avail loans from the refinance scheme in the enterprise sector. Now, only women-headed businesses will get financing from the facility, according to a notice of the central bank.

The volume of the fund is Tk 1,500 crore.

The central bank has already set a target to give out at least 15 per cent of the SME loans to women entrepreneurs by 2024.

As part of the move, the central bank has taken the latest initiative to allow them to borrow from the banking sector easily. Women-owned enterprises now account for a maximum of 4 per cent of the total SME loans disbursed annually.

Under the scheme, banks and non-bank financial institutions will receive funds from the BB at 0.50 per cent interest rate. The lenders can charge a 5 per cent lending rate. The central bank doubled the volume of the refinance scheme in May last year to offset the impacts of the business slowdown stemming from the coronavirus pandemic.

It also lowered the lending rate to 7 per cent from 9 per cent at that time.

Edible oil price rises

Higher freight rate, reduced supply to blame

MOHAMMAD SUMAN, CIG

Consumers are paying more for edible oil as prices have risen in the international market due to increased shipping fare and reduced supply.

Retailers say soybean oil prices in Bangladesh have gone up by up to 6 per cent, or Tk 5 to Tk 10, per litre last month.

Branded soybean oil is selling for Tk 150 per litre and non-branded oil at Tk 140 to Tk 142 a kg.

Retailers were found selling a one-litre container at Tk 150, up from Tk 145 a month ago.

The prices range from Tk 690 to Tk 700 for the five-litre container, up from Tk 675 to Tk 680 previously.

Md Hashem, the proprietor of Fultaz Super Shop in Chattogram city, said: "All the refiners have hiked oil prices and reduced supplies owing to an import crisis and rising prices in the international market."

The prices saw a similar increase in Dhaka.

Wholesalers at the Khatunganj-Chaktai market in Chattogram and



AT A GLANCE

- Price up by Tk 5-10 a litre in a month
- Branded oil sells for Tk 150 a litre
- Non-branded Tk 140-142 a kg
- Crude soybean price went up by \$214 a tonne in a month
- Price of crude palm oil rose by \$152 per tonne

Moulvibazar in Dhaka, two of the biggest trading hubs for edible oil in the country, said the prices went up by Tk 200 to Tk 350 per maund (37 kgs) in the last month.

Soybean oil prices rose by Tk 250 per maund to about Tk 4,500. Similarly, palm oil now costs Tk 4,280 to Tk 4,320 per maund, an increase of Tk 350-Tk 375, according to traders in Khatunganj.

"The price of these products is higher as the supply is lower than demand," said Abdur Razzak, a wholesaler.

Abul Hashem, general secretary of the Bangladesh Edible Oil Wholesalers Association, echoed the same.

"Prices are rising as the supply is low due to the countrywide lockdown," he said.

Traders hint that the price of the cooking oil may go up further in the international markets, which will ultimately affect the prices in the local markets as Bangladesh relies on overseas markets to meet 90 per cent of the demand for the key kitchen item.

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Govt to import 50,000 tonnes of rice from India

Will buy 30 oxygen generator plants

STAR BUSINESS REPORT

The government is going to import 50,000 tonnes of rice from India at Tk 32 per kilogramme, which is 32 per cent below the wholesale prices of coarse grain in the local markets of Dhaka.

The cabinet committee on purchase yesterday approved a proposal of the food department to purchase 50,000 tonnes of non-basmati boiled rice from Bagadia Brothers Pvt at a cost of Tk 160.22 crore.

The price per tonne is \$377, according to a post-meeting briefing. Coarse rice is going for Tk 47 per kg at wholesale in Dhaka. At retail, it was Tk 50 a kg on August 3, according to food traders.

The country's food stock stood at 15.64 lakh tonnes as of August 2, including 12 lakh tonnes of rice.

Rice prices are going up despite a bumper yield of Boro paddy in the just concluded season.

Market players said the hike was for a slow release by farmers from holdings and stocking of middlemen and millers as uncertainty over the Covid-19 crisis lingers.

Due to the uncertainty amidst the pandemic, farmers are unwilling to sell paddy right now, unless they are being compelled to do it, said several farmers.

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Abdur Razzaque

Marketing biggest challenge for farm produce

Minister says

STAR BUSINESS REPORT

With the advancements being made in agriculture, the biggest challenge now is marketing the produce, said Agriculture Minister Muhammad Abdur Razzaque yesterday.

There has been a surprising success in the production of all agricultural commodities, with harvests multiplying for paddy, wheat, maize, vegetables, and fruits, he said.

"But the biggest challenge now is the marketing of these agricultural products. Farmers often cannot market the products they produce, they do not get the right price," he said.

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RAJIB RAIHAN

On the second week of July, 19 private inland container depots (ICDs) were packed with over 15,500 TEUs (twenty-foot equivalent units) of export-laden containers. They usually have to deal with anywhere between 5,000 TEUs to 7,000 TEUs at any moment. The photo was taken at the ICD of Esac Brothers near the Chattogram port yesterday.

Export container backlog eases at ICDs

DWAIPAYAN BARUA, CIG

There has been a remarkable decline in the number of export-laden containers that were about to overwhelm private inland container depots (ICDs) early last month.

A good number of the export containers were shipped off from the Chattogram port in the last two weeks since Eid-ul-Azha after Chittagong Port Authority (CPA) took up several steps to clear the pile-up.

On the second week of July, the 19 private ICDs were packed with over 15,500 TEUs (twenty-foot equivalent units) of export-laden containers. They usually have to deal with anywhere between 5,000 TEUs to 7,000 TEUs at any moment.

According to Bangladesh Inland Container Depots Association (Bicda), the figure came down to 6,500 TEUs as of yesterday morning.

The CPA opened an extra jetty to run 11 in total, prioritised berthing of Colombo-bound vessels, permitted additional feeder vessels to ply on the Chattogram-Colombo route and increased booking of empty containers by shipping lines, said stakeholders.

However, Bicda Secretary Ruhul Amin Sikder said the situation improved primarily for a decrease in export cargoes from garment factories which had remained closed due to Eid holidays and the countrywide lockdown.

He said 1,800 TEUs to 2,000 TEUs of export containers be sent on an average per day from the ICDs to the port over the past week, which eased the backlog remarkably.

As the garment factories have already opened, the flow of export cargoes will start increasing within a week or so, he said.

Echoing him, Bangladesh Freight Forwarders Association (BAFFA) Vice President Khairul Alam Surjan

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