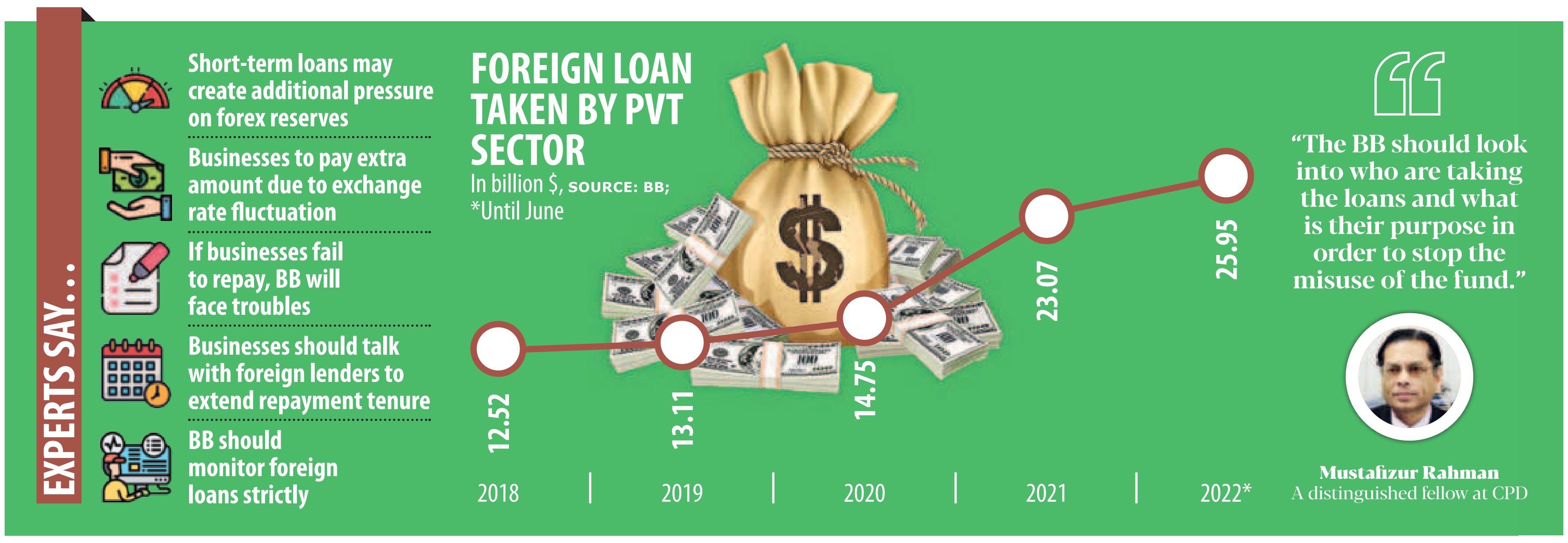
Star BUSINESS



New headache: private firms' foreign loans jump to $26b

AKM ZAMIR UDDIN

The amount of foreign loans availed by the private sector in Bangladesh has been swelling fast since 2020, creating a major headache for the country's economy at a time when its foreign exchange reserves are plummeting.

Various private companies in the country took foreign loans to the tune of $25.95 billion collectively as of June this year, up 39 per cent year-on-year, shows data from Bangladesh Bank.

Besides, short-term external debt accounted for 68.4 per cent of all foreign loans taken by the private sector till June. The repayment tenure for a majority of these short-term loans is a maximum of three years.

Experts say repaying the short-term foreign loans will place additional pressure on the foreign exchange reserves, which have been under stress due to blistering import payments since the last quarter of fiscal 2021-22.

The reserves now stand at less than $38 billion in contrast to more than $46 billion a year ago.

Businesses chiefly took a hefty amount of foreign loans during the pandemic, when the LIBOR and other benchmark rates nosedived to below 1 per cent in the global market. Local businesses were allowed to take foreign loans at the benchmark rate plus 3.5 per cent as set by Bangladesh Bank.

But things are completely different now as the benchmark rates have ballooned to more than 3 per cent in the foreign market in keeping with the recovery of the global economy from the business slowdown caused by Covid-19.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, says if businesses fail to repay the loans on time, the central bank will have to provide foreign exchange support to them.

Under such a situation, the foreign exchange reserves will face a deep crisis.

"So, businesses should try to negotiate with foreign lenders such that they can repay the loans at a convenient time, when the ongoing volatility comes to an end," he said.

The ongoing fluctuation of the foreign exchange rate has emerged as a big challenge for businesses as well, creating an uneasiness in the private sector, Mansur added.

The taka shed 25 per cent of its value in the inter-bank platform over the past year. As such, the exchange rate of taka stood at Tk 106.75 for each US dollar yesterday in contrast to Tk 85.25 a year ago.

Mansur, also a former official of the International Monetary Fund, went on to say that the rise in global interest rates along with the depreciation of the local currency against the US dollar has brought lots of drawbacks for borrowers.

Syed Mahbubur Rahman,

READ MORE ON B3

External debt repayment to double in 3yrs

REJAUL KARIM BYRON *and* MD ASADUZ ZAMAN

Bangladesh's external debt repayment obligation will double in the next three years, according to data of the Economic Relations Division (ERD).

The country repaid over $2 billion in external debt in 2021-22 fiscal year and the amount is projected to double and cross the $4 billion-mark in 2024-25 fiscal year.

The ERD, however, said the external debt has been rising in absolute terms, but it has been declining as percentage of the gross domestic product (GDP).

According to the ERD's debt sustainability analysis, Bangladesh's total debt stood at 12.94 per cent of the GDP in 2020-21 fiscal year, down from 13.36 per cent in FY20 and 14.71 per cent in FY19.

FY21's debt amount is still much lower than the threshold of 40 per cent of the GDP.

On the declining external debt, ERD Additional Secretary Abdul Baki said: "Our external debt is sustainable in the short- and medium-term horizon."

READ MORE ON B3

STOCKS

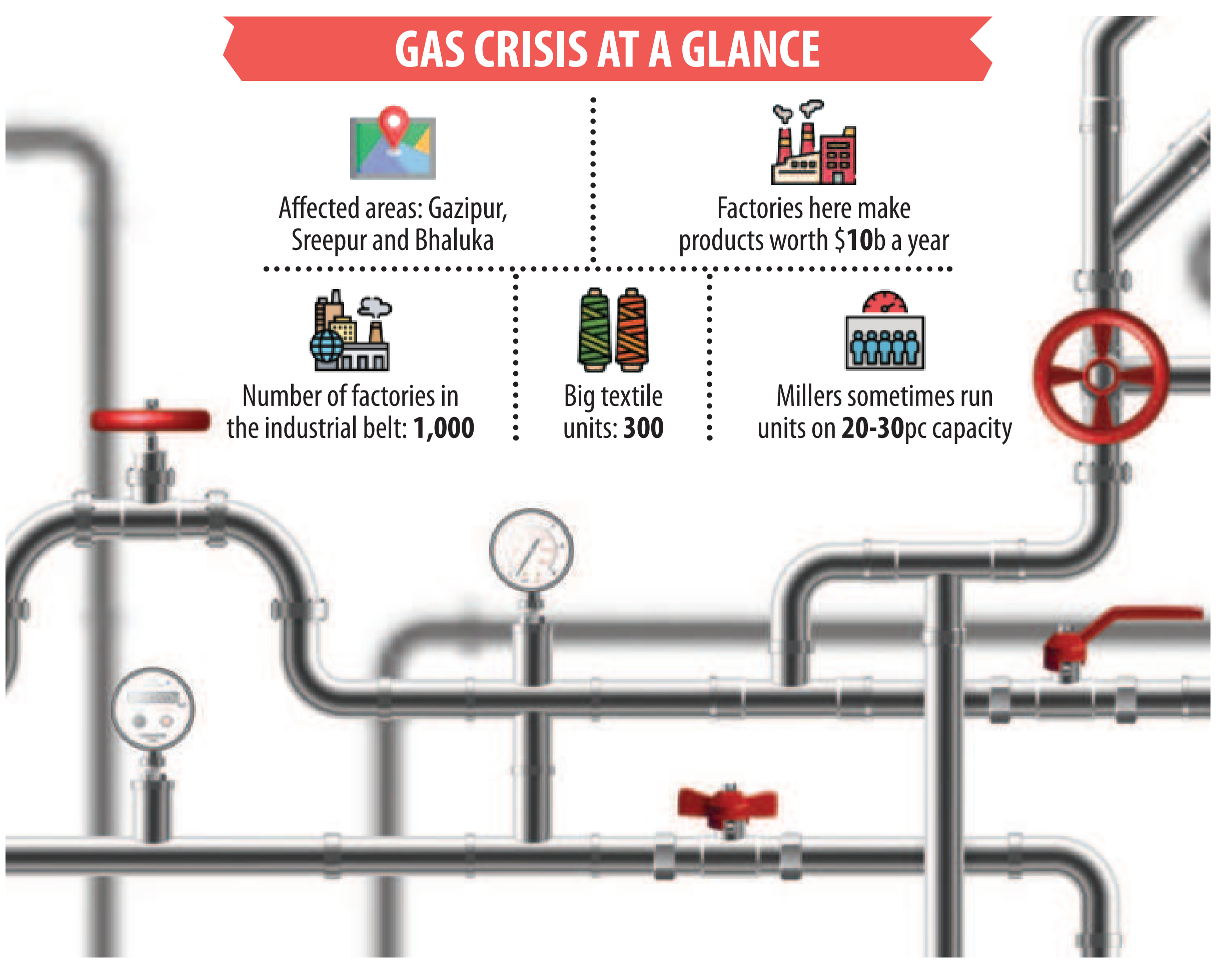
DSEX ▲	CASPI ▲
0.30%	0.31%
6,535.13	19,200.86

COMMODITIES AS OF FRIDAY

Gold ▲	Oil ▲
$1,675.22	$85.57
(per ounce)	(per barrel)

ASIAN MARKETS FRIDAY CLOSINGS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 1.82%	▼ 1.11%	▲ 0.01%	▼ 2.30%
58,840.79	27,567.65	3,268.29	3,126.40



Gas shortage chokes textile millers

BTMA writes to Nasrul Hamid for solution

STAR BUSINESS REPORT

Textile millers across the greater Gazipur, Sreepur and Bhaluka industrial belt yesterday urged the state minister for energy, power and mineral resources to put an end to their perennial gas crisis, which is currently preventing them from continuing smooth production.

Textile millers and other factories along this industrial belt annually produce some $10 billion worth of goods, particularly fabric, yarn and finished garments. However, they have been suffering from low gas pressure for the past few years.

The gas pressure at industrial units in the region, including 300 textile mills, is so low that they can no longer run their normal activities, according to factory operators.

"At times, millers can run their units at just 20 to 30 per cent capacity," said Monsoor Ahmed, additional director of the Bangladesh Textile Mills Association (BTMA).

Fazlul Haque, managing director of Israq Spinning, said his mill has the capacity to produce 120 tonnes of yarn a day but it only makes some 50 to 55 tonnes at present

Nearly 1,000 large, medium and small industrial units are located on this belt. Of these factories, around 300 are large textile mills that mainly supply fabrics and yarn for export-oriented garment factories, he added.

Fazlul Haque, managing director of Israq Spinning, said his mill has the capacity to produce 120 tonnes of yarn a day but it only makes some 50 to 55 tonnes at present as the gas pressure is practically non-existent between 6:00pm and 7:00am.

"The crisis has been even more severe over the last one month as the pressure is too low," Haque said.

Taslimul Haque, general manager of Square Group's textile division, said production has declined 30 per cent because of low gas pressure in the Maona, Gazipur and Bhaluka areas, where their factories are located.

For instance, each unit can normally produce 50 tonnes of yarn a day but they now produce only 30 tonnes a day, he added.

With this backdrop, BTMA President Mohammad Ali Khokon suggested the government ration 100 pounds per square inch (PSI) of gas from the 250PSI capacity local

READ MORE ON B3