

# Star BUSINESS

Stock market turnover has continued rising above the Tk 1,000 crore mark for the second day consecutively



Story on B4

## Interest rate on interbank loans crosses 9.5%, highest since 2012

STAR BUSINESS REPORT

The interest rate on interbank loans crossed 9.5 percent yesterday, the first time since 2012, in the face of rising liquidity shortage in the banking sector.

On January 23, banks borrowed Tk 2,476 crore from their counterparts at an average interest of 9.57 percent calculated on overnight basis as demand for money from cash-strapped banks and the government exceeded supply, data released by the Bangladesh Bank (BB) showed.

Banks linked the liquidity dearth to the BB's sales of US dollar to banks and a rise in policy rate, which the banking watchdog has been pursuing in its effort to curb inflation by reducing excess demand in the market through making money costlier.

Last week, the BB hiked the policy rate—at which it lends to banks and financial institutions—by 25 basis points to 8 percent, posting the eighth straight spike in the rate since the tightening cycle began in May 2022, as inflation shows no signs of cooling.

As the policy rate goes up, it is natural for the fund to become costlier and it becomes evident from the auction of bond and treasury bills by the government, said a senior official of a private bank.

Banks that have surplus funds are showing interest to invest either in government treasury bills or going for interbank deposits to get higher returns, the official said.

"This is pushing up the interest rate on overnight loans. Government borrowing is a big factor here."

The banker said the yield of 20-year Bangladesh government bonds auctioned yesterday rose to 12.1 percent from 11.2 percent a month ago.

The yield or interest rate of a 15-year Bangladesh government bond shot up to 12 percent at auction yesterday from 11.1 percent a month before, the official added.

The liquidity flow squeezed further amid BB's sale of dollars to banks to enable them to clear import payments.

Between July-December of 2023, the BB sold \$5.69 billion of foreign currency to banks meaning that the central bank withdrew more than Tk 62,500 crore from banks.

READ MORE ON B3

## Economy to take a beating for acute gas crisis

### Textile sector bearing the brunt

#### MAJOR CHALLENGES

- Severe gas crisis
- Dollar shortage
- High interest rate

#### PRODUCTION CAPACITY

Dropped to 30-40% in Savar, Ashulia, Gazipur, Maona and Narsingdi

#### CONSEQUENCES

- Most millers using diesel as an alternative to gas
- Mills remain idle for most of the time in a day
- Production is being disrupted
- Garment export may be affected

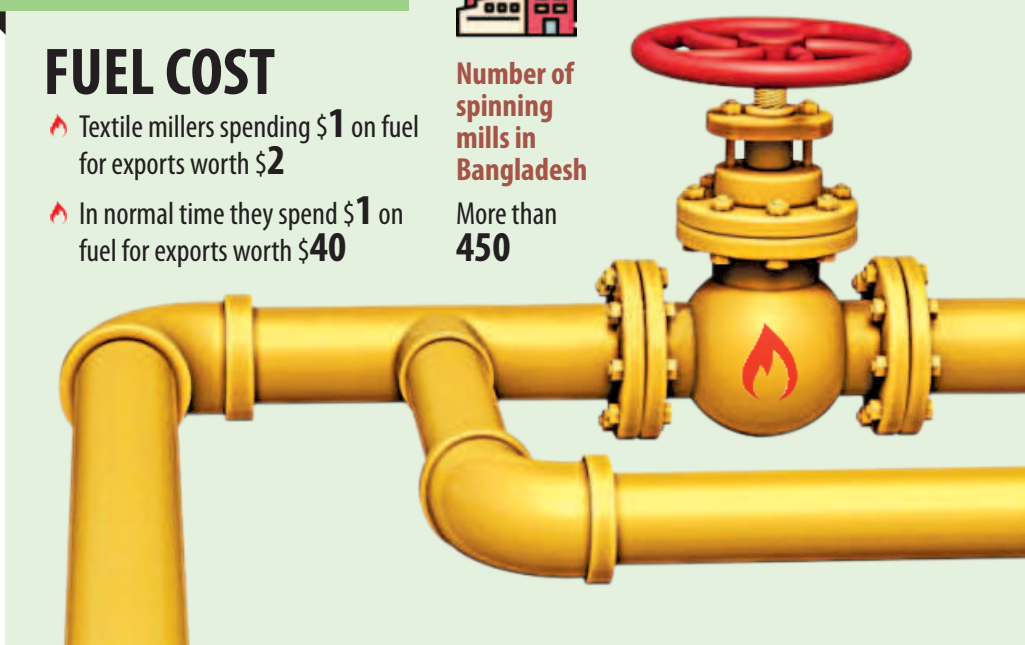
#### Regions hit hard by gas crisis: Narayanganj, Rugganj and Bhulta



#### FUEL COST

- Textile millers spending \$1 on fuel for exports worth \$2
- In normal time they spend \$1 on fuel for exports worth \$40

Number of spinning mills in Bangladesh  
More than 450



REFAYET ULLAH MIRDHA and JAGARAN CHAKMA

The severe gas crisis is increasing the cost of manufacturing of goods for both local and export markets, which may ultimately hit the pockets of consumers in the form of higher prices and the economy since overseas sales could see further slowdown.

Owing to lower generation of gas locally, factories in all sectors of the economy have long complained of inadequate energy supply. But the supply situation has worsened in the past two weeks.

At present, the government supplies 2,500 million cubic feet of gas per day (mmcf), the lowest since April 2020, against a demand of 3,800 mmcf, data from state-run Petrobangla showed.

The acute gas crisis has crippled the textile and garment sectors, which may not bode well for the country as they account for 85 percent of Bangladesh's exports and have created millions of jobs, mainly for the poor.

With the onset of winter, the power sector's demand for gas has subsided, but that does not mean the other sectors are getting more gas because of a drop in local production and fewer imports.

The shortage has hit hard industrial belts such as Narayanganj, Rugganj and Bhulta, forcing

many factories to either keep production shut for long hours or run operations with expensive diesel in order to retain customers.

Most of the textile mills, which are usually gas guzzlers, in Savar, Ashulia, Gazipur, Maona and Narsingdi are running at 30 to 40 percent capacity because of the gas crisis.

Currently, textile millers have to spend \$1 on fuel in order to make export-bound goods worth \$2. When the gas supply is normal, they would ship goods worth \$40 with the same expenditure on energy, industry people say.

"Usually, I export \$20 million worth of garment items a month but the production has fallen. This will bring down exports to \$10 million," said a composite garment factory owner in Bhulta. The company produces finished garments from cotton.

At its peak, it can produce 160 tonnes of yarn per day. However, the output has plunged to 60 tonnes, he said.

Now, the factory can dye 90,000 metres of fabrics a day against a capacity of more than 2.5 lakh metres. Similarly, the output of the fabric mill has fallen to 90,000 metres against the capacity of 2.5 lakh metres.

"I am running my mills not to make any profits but to maintain the flow of work orders from international buyers," the owner said.

He said the yarn production capacity of the

READ MORE ON B3

## Walton shares sink to lowest level in three years despite profit jump

STAR BUSINESS REPORT

Shares of Walton Hi-Tech Industries took a big hit yesterday even though the company's profit soared in the first half of fiscal 2023-24 as finance costs fell thanks to fewer fluctuations in foreign exchange rates.

The company's profit increased to Tk 340 crore during the July-December period of the current fiscal year while it was Tk 14 crore during the same

period the previous year.

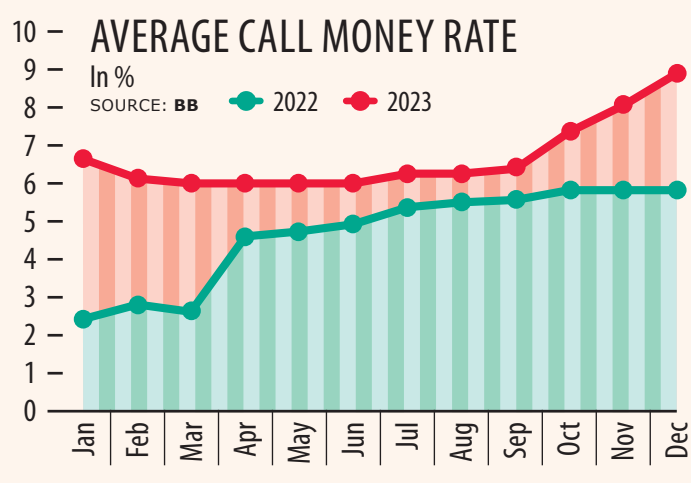
But despite declaring higher profits, Walton saw its share value erode by 7.49 percent to hit a roughly three-year low of Tk 840 per unit yesterday, showed data of the Dhaka Stock Exchange (DSE).

Walton's financial statements indicate that the consumer electronics maker saw its sales decline 8.4 percent year-on-year to Tk 2,368 crore in the first six months of fiscal 2023-24.

Meanwhile, the company's net operating cash flow per share dropped to Tk 27 from Tk 61 during the corresponding period of fiscal 2022-23 as its sales proceeds fell by about 20.8 percent year-on-year to Tk 2,892 crore.

In a price sensitive disclosure on the DSE, Walton said its profits rose as finance costs were lower during the July-December period compared to months of the previous fiscal.

READ MORE ON B3



## Govt importing lentil, rice-bran oil for OMS in Ramadan

STAR BUSINESS REPORT

The government has started importing lentils and rice-bran oil for distribution among lower-income people during the upcoming Ramadan.

The foodstuffs will be distributed at subsidised rates under the Open Market Sale (OMS) initiative or among roughly one crore family card holders of the Trading Corporation of Bangladesh.

The Cabinet Committee on Government Purchase yesterday approved the import of 20,000 tonnes of lentils and 1.20 crore litres of rice-bran oil at a cost of Tk 201.59 crore and Tk 189.60 crore respectively.

Sources at the cabinet committee said the government plans to import a total of 2.88 lakh tonnes of lentils and 28.80 lakh litres of rice-bran oil in fiscal 2023-24.

Of the amount, the government has already imported 1.52 lakh tonnes of lentils and 15.45 lakh litres of rice-bran oil.

The 20,000 tonnes of lentils will be imported in two different consignments of 10,000 tonnes each.

Half of the lentils will be jointly supplied by Roy Agro Food Products Ltd and Nabil Naba Foods Ltd at Tk 105.45 per kilogramme. India's Uma Expo Pvt Ltd will provide the rest at Tk 101.13 per kilogramme.

Majumdar Products Ltd, Majumdar

READ MORE ON B3

## Air travel to Jashore, Barishal nosedives after opening of Padma Bridge

RASHIDUL HASAN

The launching of Padma Bridge has sharply reduced the demand for domestic flights on the Dhaka-Jashore and Dhaka-Barishal routes, spelling trouble for private airlines Novoair and US Bangla Airlines.

This is because the reduced passenger traffic has compelled both airlines to cease flight operations in Barishal while the number of flights to Jashore has dropped to as few as one or two daily.

Additionally, Novoair has been forced to sell two of its ATR-72 turboprop aircrafts to Yeti Airlines, a leading domestic airline in Nepal.

"We decided to sell two of our seven aircrafts as the number of passengers on these two domestic routes has decreased by about 30 percent," Mofizur Rahman, managing director of Novoair, told The Daily Star.

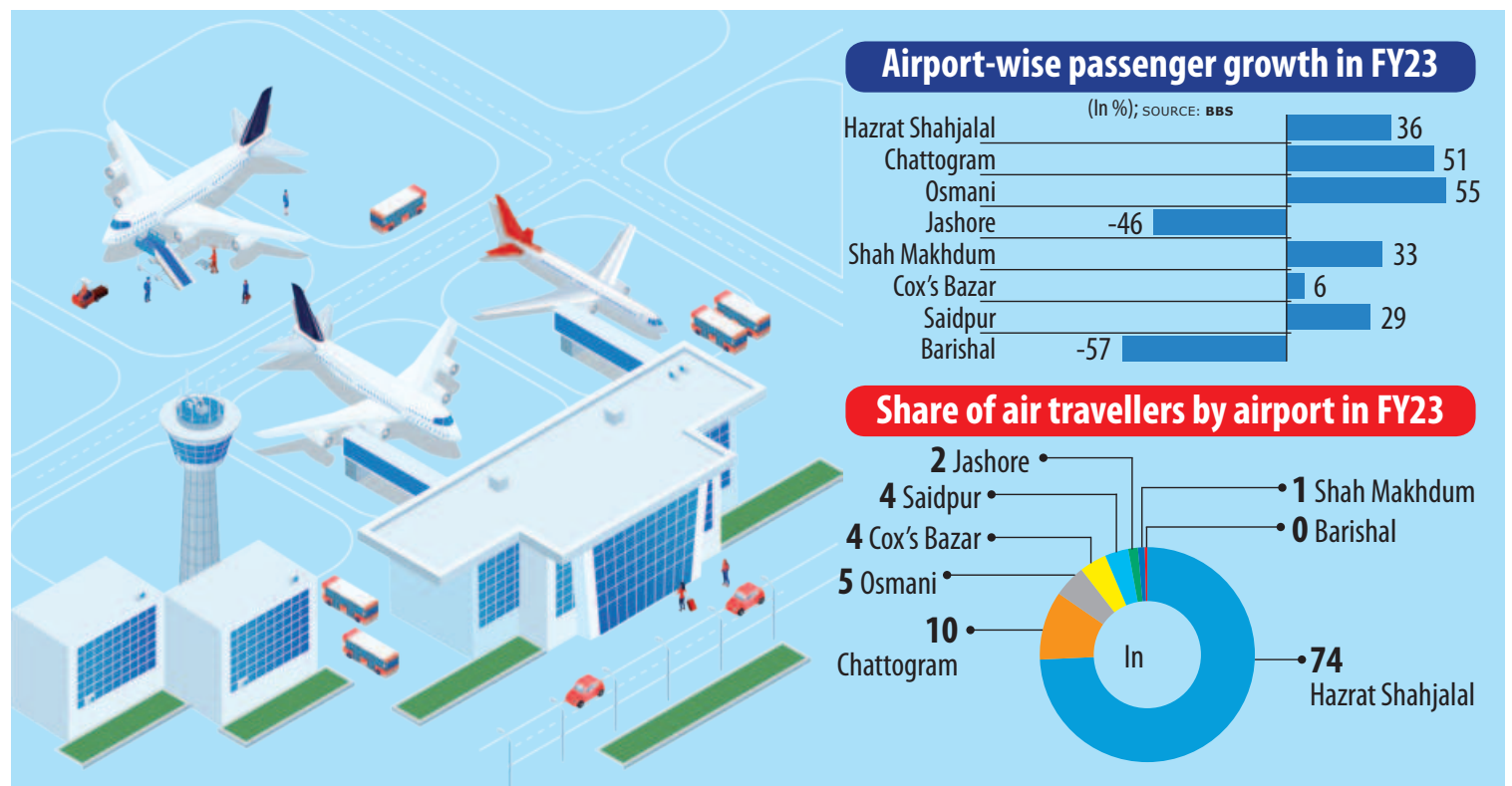
The opening of Padma Bridge was pivotal in reducing passenger movement to and from Jashore and Barishal as people can now travel to these destinations within four to five hours, he added.

Besides, the cost of road travel is cheaper compared to airfares.

"Why will I choose to fly to Barishal when travelling by road takes almost the same amount of time while the fare is significantly less," said Monirul Islam, an official of a private company.

He explained that it usually takes about an hour to reach Dhaka airport, where passengers need reach at least an hour ahead of their flight's departure.

"So, taking flight time into consideration, the journey can take up to three-and-a-half



hours," he added.

Officials of both airlines informed that the elimination of flights on the Dhaka-Barishal route was a result of repeated flight cancellations amid reduced demand.

According to the Bangladesh Bureau of Statistics, Jashore airport handled 34,228

passengers in May 2022, a month before the Padma bridge was inaugurated.

Then in June 2023, passenger movement at the airport reduced to 17,796.

For Barishal airport, the passenger movement stood at 12,113 in March 2022 before climbing down to 4,143 in June 2023.

A total of 932 flights were operated at Jashore airport in April 2022 while in June 2023, the number was 472.

For Barishal airport, a total of 256 flights were operated in April 2022 while the number was only 90 in June 2023.

READ MORE ON B2