

Buy now, pay later faces backlash

REUTERS, London
Giving young shoppers easy credit to spend online doesn't sound sensible. Yet a new craze called "buy now, pay later" (BNPL) is growing in popularity. The risk is a regulatory backlash like that which befell US vaping heavyweight Juul.

BNPL acts like a credit card, but with even easier access. All an 18-year-old needs is a few details — as simple as a phone number and their name — to start deliveries without paying for the item upfront.

Enthusiasts claim bespoke technology allows BNPL groups to do a "soft credit check" on consumers that then get a month to decide whether to actually buy the item, or return it. No fees or interest is charged before that.

Klarna, a \$5.5 billion Swedish startup bank backed by rapper Snoop Dogg, has 1 million active BNPL users in the UK, according to Citi. In the United States, it was the top trending shopping app on the Google Play store in October and the most downloaded app compared to direct competitors, exceeding rivals by more than 100,000 monthly downloads in September, Morgan Stanley data shows.

Everything free has a cost, though. Retailers like ASOS, which pays a fee to the BNPL providers who finance the free purchases, are popular among young shoppers. Easy credit provides scope to afford a dress just for a night out, before returning it.

Marketing campaigns like Klarna's "Shop like a Queen" indirectly encourage shoppers to buy more. The risk is younger users keep too many things and hurt their credit score if they miss a payment to Klarna, which provides finance in return for receiving interest. The danger for BNPL

providers is increasing competition, and their technology being less smart than anticipated.

The sector is already facing a regulatory backlash in Australia, where the government is debating whether BNPL should be treated more like a bank loan for regulatory purposes.

Share prices of Afterpay, which offers the service Down Under, fell 20 percent in October after UBS analysts cited regulatory risk as a concern. And, even though BNPL can on average

increase each online order value by 30 percent, not all retailers are fans. UK clothing chain Next suggested in October that the form of purchase was dangerous.

As they expand in the United States, Klarna and peers could face a Juul-style backlash. The e-cigarette group started as a safer alternative to smoking, but now lawmakers are treating its popularity among teenagers as a menace. That could be what they wind up thinking about buy now, pay later.



REUTERS/FILE
People rest with shopping bags at Macy's Herald Square during early opening for the Black Friday sales in Manhattan, New York City.

Emaar says may raise funds against Burj Khalifa viewing decks, not selling them

REUTERS, Dubai
Dubai's Emaar Properties said on Tuesday it was considering raising capital against cash flows generated by the observation decks on its Burj Khalifa skyscraper, but was not looking at selling them.

Reuters reported on Monday, citing sources, that Emaar was planning to sell the "At The Top" observation decks on the world's tallest building and had hired Standard Chartered to advise on the process.

Emaar "would like to confirm that it is not selling the At The Top business" and is "currently considering a structured transaction wherein financing is being

raised against cashflows of At The Top," it said in a bourse statement on Tuesday.

At over 828 metres, the Burj Khalifa is twice as tall as New York's Empire State Building and nearly three times the height of the Eiffel Tower in Paris. At The Top overlooks the Dubai Fountains, another popular tourist attraction, with views of the city, the coast, and the desert.

Reuters cited two sources on Monday as saying the sale process began in November. The sources requested anonymity as the details were not public.

The viewing decks make about 600-700 million dirhams (\$163-\$191 million) a year, one source said.

Saudi-Kuwaiti accord paves way for resumption of oil production: Aramco CEO

REUTERS, Dubai
Saudi Aramco said on Wednesday a new agreement between Saudi Arabia and Kuwait paves the way for the resumption of oil production in the Neutral (partitioned) Zone shared by the two countries.

Saudi Minister of Energy Prince Abdulaziz bin Salman and Kuwaiti Foreign Minister Sheikh Ahmad Nasser al-Mohammad al-Sabah signed on Tuesday an agreement and a memorandum of understanding in Kuwait, state news agency KUNA said.

The two OPEC members halted production at the jointly operated Khafji and Wafra fields, which together produce some 500,000 barrels of oil a day (bpd) or

up to 0.5 percent of the world's oil supply, in 2014 and 2015, respectively.

"With the signing of this new accord, both parties have reached consensus that now is the right time to resume production in this zone," Aramco's President and CEO Amin Nasser was quoted as saying in a statement by Aramco. AGOC, a subsidiary of the giant Saudi state oil firm, operates Khafji oil field alongside Kuwait's Gulf Oil Company.

"Both sides will work to ensure production resumption at the earliest opportunity," he added.

Oil output in the Neutral Zone, which dates back to 1920s treaties establishing regional borders, is divided equally between Saudi Arabia and Kuwait.

Lebanon banks 'trapping' state salaries: minister

AFP, Beirut
Lebanon's caretaker finance minister accused the country's banks on Tuesday of "trapping" civil servants' salaries with withdrawal limits that have fuelled public anger in the crisis-stricken country.

"What is happening in some Lebanese banks is unacceptable," Ali Hassan Khalil wrote on Twitter.

"They are trapping the salaries of (state) employees that are transferred by the finance ministry every month."

Rocked by two months of anti-government protests and a political deadlock, Lebanon is also facing its worst economic crisis since the 1975-1990 civil war.

A liquidity crunch has pushed Lebanese banks to impose capital controls on dollar accounts, capping withdrawals at around \$1,000 a month. Some have imposed even tighter restrictions.

Some have also capped weekly withdrawals of the Lebanese pound at one million — the equivalent of \$660 at official rates — even as the currency has plunged by nearly a third against the dollar on the black market in recent weeks.

The tightening controls have prompted public uproar, with many accusing banks of robbing them of their savings.

On Tuesday, Khalil said it was a "sacred right" of civil servants to be paid in full and on time.

"It is not permissible for this right to be violated," he said, vowing legal action to ensure public servants can access their salaries in full.

At banks in the northern city of Tripoli, tensions soared Tuesday as clients struggled to withdraw their salaries, said an AFP correspondent there.

A fight broke out in a branch near the city's main protest camp after the bank refused to let a customer withdraw dollars.

An anti-government street movement has rocked the small Mediterranean country since October 17.

Bowing to popular pressure, the government resigned two weeks into demonstrations.

Since then, a potential default on Lebanon's huge public debt has heightened the economic and political crisis.

The faltering economy has pushed many companies into bankruptcy, while others have laid off staff and slashed salaries.

A recession of more than 0.2 percent is expected for this year, the World Bank says. In its first step towards forming an urgently-needed government, President Michel Aoun last week designated engineering professor Hassan Diab as the country's next prime minister, replacing Saad Hariiri who quit in late October in the face of mass protests.

Diab, a self-styled technocrat, has vowed to form a cabinet of independent experts within six weeks.

St Petersburg airport to host Ryanair, other low-costers

REUTERS, Moscow
Low-cost airline Ryanair and other budget carriers are expected to start flying from Russia's St Petersburg airport in 2020, the Russian Transport Ministry said.

The move is part of Russia's plan to boost tourist flows to St Petersburg and will mean more competition for Russian air carriers, including national flag carrier Aeroflot.

The ministry said on Tuesday that Ryanair, EasyJet, WizzAir, Volotea, Air Baltic and Fly One had expressed interest in flights from St Petersburg's Pulkovo airport, Russia's fourth largest after Moscow's three major hubs.

It said the companies had applied for flights from Pulkovo, coded LED by the International Air Transport Association, to 22 countries, including Britain, Germany and France.

Double trouble for RMG

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Stronger currencies and policy incentives given by the competitor countries are enabling them to get more business by offering lower prices than Bangladesh, according to the exporters and analysts of the BGMEA.

A significant increase in production cost because of the implementation of the minimum wage in December last year is another major reason for the falling garment export, they said.

Poor efficiency and relatively higher cost of doing business are decaying Bangladesh's trade competitiveness.

Over-concentration of the industry to a few product items and to a handful of markets are among the top-rated challenges, the leaders of the garment makers' platform said.

"As we are tracking export data on monthly basis, the trend is still giving a dull picture," said Rubana Huq, president of the BGMEA.

The data of the first fortnight of December showed that exports declined by more than 3 percent, meaning the growth may continue falling in the whole month, she said.

It is difficult to project the trend since the global market looks volatile due to the emergence of a number of factors such as the EU-Vietnam free trade agreement, the strategic move by China to offset the impact of punitive tariff by lowering prices, and the emergence of new sourcing destinations, according to Huq.

"The growing share of online sales will also bring a major disruption to the conventional way of doing business in the medium term. If we do not take proper steps now to get ourselves at par with our competitors, it will be difficult to get the rhythm back in our exports."

The probable fallout could be closure of more factories, displacements of more workers and a decline in export earnings, which might affect the overall macro-economic performance of the country, she said.

"We have appealed to the government for a few policy support to tackle the crisis."

The government also responded and lowered the source tax on garment export to 0.25 percent.

"However, we have demanded for the retrospective effect of it like previous years," Huq said.

"At the same time we have requested for withdrawal of the conditions to avail the 1 percent special incentive and also for withdrawal of tax on incentives."

She said since the exchange rate has become a major downside of the country's competitiveness, the BGMEA hopes the government will be considerate to allow a premium—for example, Tk 5 per US dollar on 25 percent of export value—on the local retention on garments exports.

According to Huq, diversification of the industry is one of the most

important priorities now and the sector needs special incentive to encourage product and material diversification and innovation.

"For long-term business sustainability, we need an exit policy," Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, argued for a temporary devaluation of the taka against the US dollar for some selective exportable garment items.

For instance, the government can devalue the greenback for the manmade fibre garment and synthetic fibre garment exports, he said.

If the government devalues the local currency against the dollar for selective items, product diversification will take place automatically, he said.

Mansur also said the taka can be devalued to Tk 90 against a US dollar right at this moment. However, the government should also notice whether the inflation goes up due to the devaluation of the currency, he said.

"Currency devaluation is not a permanent solution," he said.

The garment industry has to increase its efficiency at least by 30 percent if it wants to be more competitive globally, said Mansur, also a former economist of the International Monetary Fund.

"The sector can obtain efficiency through efficient management practices, technology selection and product and market diversification."

Loan rescheduling hits new high

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The rescheduling of defaulted loans will allow banks not to keep provisioning, meaning they will be able to show higher profits, a central banker says.

The relaxed policy on rescheduling has given a wrong signal to the financial sector and may create a moral hazard, said Mustafizur Rahman, a distinguished fellow of the Centre for Policy Dialogue, a think-tank.

Many good borrowers may feel discouraged to repay their loans on time because of the easy repayment policy, he said.

A reform programme should have been taken to improve the financial health of banks, he said, adding that the latest initiative will rather undermine the corporate governance.

"The record amount of rescheduling will hit banks' profitability as funds remain

stuck for long because of the tool," Rahman said.

"Banks could have earned a good income and profit if they had recovered the funds on time. This also would have given them chances to provide fresh loans."

The large amount of rescheduling indicates that banks will face liquidity crisis in the days ahead, said Salehuddin Ahmed, a former governor of the central bank.

Both the government and the central bank have taken initiatives to disburse loans to the industrial sector at single digit interest rate, but the rescheduling trend will put the brakes on their lending, he said.

"The random rescheduling has weakened the financial norms in the banking sector and eroded business confidence as well. The private sector credit growth has been sluggish for long and it will not get a boost if the trend persists," Ahmed said.



CITY BANK CAPITAL
Ershad Hossain, managing director and CEO of City Bank Capital; Syed Almas Kabir, president of the Bangladesh Association of Software and Information Services, and Joya Chowdhury and Muhaimin Khan, directors of Founder Institute Bangladesh, attend the institute's graduation ceremony, sponsored by City Bank Capital, for eight startups focusing fintech, edtech, agritech, business to business marketplaces and clean energy, at City Alo Centre in Dhaka on Tuesday.

Lenders join realtors for winter sales

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Md Sirajus Saleken, head of mortgage, said they have their own lawyer and instant verification team to assess loan applications.

According to him, the IPDC recently introduced an offer through which customers can make early settlements of 20 percent of the principal amount every year and no money would be charged, including interest, on this amount.

"This new idea will reduce the burden on promising customers," he said, adding, "We bring down processing fees for customers of reputed developers."

The IPDC managed to grab a hold of 12 customers on the fair's second day after developers brought them over to their stall.

12 percent, depending on the customer. Brac Bank, IFIC Bank, Dutch-Bangla Bank, Mutual Trust Bank, Prime Bank, Eastern Bank, Delta Brac Housing Finance Corporation, IDLC Finance and LankaBangla Finance are offering nearly the same facilities for customers.

Mohammad Nazrul Islam, senior manager (sales and marketing) at the Concord Real Estate and Building Products, said they have memorandums of understanding with some lenders to provide loans instantly at low rates.

According to him, mid-range flats sized around 1,500 to 2,000 square feet were in high demand, coming at a price ranging from Tk 80 lakh to Tk 1.5 crore. He said Concord offers flats charging Tk 4,500 to Tk 35,000 per square foot depending on the location.

Russia to use rainy day fund to buy Sberbank

REUTERS, Moscow
The Russian government plans to use the country's National Wealth Fund (NWF) to buy the central bank's stake in Sberbank, a state banker and a source familiar with the plan told Reuters on Wednesday.

On Tuesday, Finance Minister Anton Siluanov said that Russia was discussing whether the central bank should continue to hold a controlling stake in the country's largest lender Sberbank, confirming an earlier Reuters report.

The second source said that under the plan the central bank would transfer any profits it earned from the sale of Sberbank to the state budget. A third source, a well-placed financial market insider, said the same.

The first two sources did not say how much the government, via the Finance Ministry, was ready to pay for the central bank's stake in Sberbank. The central bank currently owns 50 percent plus one share in Sberbank, which is worth 2.8 trillion roubles (\$45.45 billion) based on Sberbank's current market capitalisation.

Telecom tussle erodes trust

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In a major leap forward for the communication sector, the Bangabandhu-1 Satellite, the country's first communications satellite, began commercial operations in the year.

Currently, all the local television channels air their service using the satellite. This is helping the country save a huge amount of foreign currencies that would have been otherwise needed to avail the similar service from foreign companies.

Online shopping kept its growth momentum. "We have achieved new milestones in 2019 both in terms of transactions and orders," said Abdul Wahed Tomal, general secretary of the e-Commerce Association of Bangladesh.

According to the association's estimate,

e-commerce sales went past Tk 2,000 crore in the outgoing year, with 30 percent year-on-year growth.

Some e-commerce ventures received foreign investment and this helped grow the market, Tomal said.

He said as the market is growing rapidly, the association has received some complaints related to product quality and service. "This needs to be addressed."

In the ICT sector, the biggest news was the opening of a Tier-4 national data centre, which will boost the country's data storage capacity.

The Bangladesh Hi-Tech Park Authority also allocated spaces to some new companies in different parks and is developing some new parks in the country.