

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES				
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY	
▼ 0.50%	▼ 0.74%	\$1,782.31	\$62.91	▼ 0.85%	▼ 0.72%	▼ 0.97%	▲ 0.57%	83.95	100.03	115.40	12.81	
5,475.98	9,544.37	(per ounce)	(per barrel)	50,889.76	30,017.92	2,880.64	3,696.17	BUY TK	84.95	103.83	119.20	13.46



Star BUSINESS

DHAKA MONDAY FEBRUARY 22, 2021, FALGUN 9, 1427 BS • starbusiness@thedailystar.net

Rush for family savings tools

Overall savings certificate sale soars 60pc as savers flee banks for poor deposit rates

REJAUUL KARIM BYRON and REFAYET ULLAH MIRDHA

The downing of bank deposit rates is pushing savers towards national savings certificates as they seek higher returns after incomes were wiped out by the coronavirus pandemic.

And on the frontline are families with investable funds.

Sales of family savings instruments grew nearly threefold year-on-year to Tk 20,149 crore in the July-December period of fiscal 2020-21 from Tk 7,581 crore.

Many of the investors bought such certificates in the names of their spouses and children.

Overall sales of savings certificates soared 60 per cent year-on-year to Tk 54,976 crore in the first half of the fiscal year.

The driving factor was the more than 11 per cent interest offered by the government on various savings certificates, including that for families. The interest rate of family saving certificates is the highest, at 11.52 per cent.

One can buy Tk 45 lakh-worth of the instrument using a single account. The sale of the certificates through joint accounts is not allowed.

The sale of savings certificates for a three-month term also increased because of a higher ceiling for quantities bought and an opportunity to purchase it for the underaged.

The instrument's sales soared 151 per cent



year-on-year to Tk 15,059 crore from July to December. The interest rate for the certificates is 11.04 per cent. One can buy Tk 30 lakh-worth of the certificates and double that using joint accounts.

The sale of savings certificates had increased even during the Covid-19 pandemic, which wiped out the incomes of many families.

Analysts attribute the spiral to an opportunity to whiten black money on payment of a 10 per cent tax on the declared amount and the increased inflow of remittance from

the Bangladeshi expatriates.

Zahid Hussain, a former lead economist of the World Bank's Dhaka office, said the net sales of national saving certificates had already exceeded the budget target for FY21.

There has been a boom in the sales despite a decline in incomes and savings due to Covid-19 and tighter enforcement of eligibility for investment by the government since last year, he said.

"The biggest reason perhaps is the surge in remittances, which went into the purchase of family saving certificates."

READ MORE ON B3

Dhaka needs to pay \$460m to join New Development Bank

JAGARAN CHAKMA and MD FAZLUR RAHMAN

Bangladesh will have to pay about \$460 million in subscription fee to become a member of the New Development Bank (NDB) or BRICS Bank, a new international lender looking to mobilise resources for infrastructure and sustainable development projects.

Of the sum, \$92 million shall be contributed to the bank's paid-up capital payable in seven annual instalments, according to a letter of the High Commission of India (HCI) in Dhaka.

It came as the high commission said India was interested in helping Bangladesh become a member of the NDB.

In December, Indian Prime Minister Narendra Modi invited Bangladesh to join the NDB.

On February 2, Dhaka expressed its interest to join the NDB at a virtual meeting with NDB President Marcos Troyjo.

At the meeting, the NDB president promised to consider Bangladesh's proposal.

"Bangladesh is eligible to fulfil all conditions for becoming a member of the NDB as the country has shown tremendous achievement in economic development during the last 12 years," said Finance Minister AHM Mustafa Kamal in a press release.

The High Commission of India (HCI) in Dhaka wrote twice, in August and November 2020, offering Bangladesh to be

a member of the NDB.

"The HCI Dhaka avails itself of this opportunity to renew to the Ministry of Foreign Affairs and the Government of the People's Republic of Bangladesh the assurances of its highest consideration," the second letter said.

In August, the HCI requested Bangladesh to discuss in details for the membership of the NDB.



The NDB plans to include 16 new members. Among the prospective members, Bangladesh is a priority.

"We have to submit an analysis of the external debt situation, the gross domestic product and the strength of the economy to take shares of the NDB," said an official of the finance ministry said.

The government will now move to discuss the membership issue with the management of the NDB, he said.

The lender began its official journey on July 21, 2015, with an initial capital of \$50 billion. The total capital of the bank is \$100 billion.

READ MORE ON B3

Govt-fixed soybean oil rates fall on deaf ears

MOHAMMAD SUMAN, Cig

Retailers and wholesalers in Chattogram market are continuing to charge Tk 3 to Tk 4 higher than the Tk 115 fixed by the government as the retail price of each litre of loose soybean oil four days ago.

According to the sellers, loose soybean oil is selling for Tk 110 per litre at mill gates and at Tk 117 to Tk 118 at retail, although the government had fixed Tk 108 for the former and Tk 115 for the latter last Wednesday.

The mill gate refers to factories of refiners.

Wholesale traders at Khatunganj market, one of the country's largest wholesale commodity hub, say loose soybeans was being sold at mill gates for Tk 4,300 per maund (40.90 litres) at the beginning of last week.

However, on Saturday the price was hiked to Tk 4,500. The main reasons being supply shortages and price hikes in international markets.

"Although the demand for the product is increasing ahead of Ramadan, the supply is not," Abdur Rashid, a Khatunganj wholesaler, told The Daily Star.



"I bought a DO (delivery order) two weeks ago but failed to collect the oil from the mill gate up until today due to a supply shortage," he said.

Rabiul Haosen, a retailer of Kazir Dewri chicken market, said although the price of bottled soybean was similarly fixed by the government and being abided by, the same was not possible for the loose one.

READ MORE ON B3

High food prices weighing on the vulnerable: FAO

STAR BUSINESS REPORT

High prices of rice and other important food items, including soybean oil and loose palm oil, have severely constrained the purchasing power for a large section of the vulnerable population above the poverty line in Bangladesh, said the FAO.

"The food security situation for a large number of people is of concern, despite the government's expansion of social protection," said the Food and Agriculture Organization (FAO) in its brief on Bangladesh on Thursday.

The UN agency said prices of rice in the Dhaka market increased steadily throughout 2020, reflecting tight market availabilities, exacerbated by an upsurge in domestic demand due to the Covid-19 pandemic.

It said overall prices of rice were more than 35 per cent above their year-earlier values and at their highest level since October 2017.

Monthly prices data of Dhaka city compiled by the FAO showed that prices of coarse rice soared 38 per cent year-on-year to Tk 44.4 per kilogramme in January this year, the highest since September 2017.

READ MORE ON B3



Delta Life to appoint US actuary firm to assess health

STAR BUSINESS REPORT

Delta Life Insurance is going to appoint a foreign actuary firm to get an independent assessment of the health of the insurer, which came into the spotlight for breaching rules and making bribery allegation against the head of the industry regulator.



After appointing an administrator in the company, the Insurance Development and Regulatory Authority (IDRA) ordered special audits into Delta Life Insurance to ascertain the authenticity of allegations from stakeholders.

The auditors earlier found that the company was in breach of several regulations and that further investigation was required.

"We will appoint a top actuary firm from the US as Bangladesh has few actuary firms," said Sultan-ul-Abedin Mollah, administrator of Delta Life Insurance.

The IDRA appointed Mollah as the administrator on February 11 to protect policyholders' interests and submit a report on the company's situation within four months.

READ MORE ON B3

Pandemic wreaks havoc on car sales

Additional road tax also to blame



JAGARAN CHAKMA

Passenger vehicle sales fell by around 26 per cent in 2020 compared to the previous year due to the ongoing coronavirus pandemic and imposition of additional road tax.

Passenger car sales were at its lowest in the past seven years as a total of 12,403 units were sold in 2020 while it was 14,681 units in 2014.

Sales started rising in 2014 and continued to increase until 2019, according to data from the Bangladesh Road Transport Authority (BRTA).

However, the Covid-19 fallout and imposition of additional road tax negatively affected the industry, market players said. The government decided to increase advanced income tax, commonly known as road tax, by 67 per cent for the current fiscal year.

The amount must be paid when seeking the registration and fitness renewal for private motor vehicles.

Until the last fiscal, the owners of cars or jeeps with up to 1,500cc engine capacity had to pay Tk 15,000 as road tax while those with up to 2,000cc engine capacity paid Tk 30,000.

The rates of taxes for these vehicles increased to Tk 25,000 and Tk 50,000 respectively in the current fiscal.

Meanwhile, a car or jeep with an engine capacity of 2,000-2,500cc now has to pay 50 per cent more at Tk 75,000.

Similar vehicles with an engine capacity of 2,500-3,500cc will have to pay 25 per cent more.

READ MORE ON B3

Swiss spooked by using debt to prop up economy

AFP, Zurich

Germany, which is known for strict budgets, has tapped debt markets to prop up its virus-hit economy, while neighbouring Switzerland has consistently curbed borrowing despite calls to change course.

With Swiss firms struggling through another lockdown, the federal government last week finally loosened its purse strings a bit, doubling emergency aid to 10 billion Swiss francs (\$11.2 billion, 9.3 billion euros) as part of a programme to boost the economy.

But when he presented the package for companies worst hit by the latest Covid restrictions, Finance Minister Ueli Maurer again lamented that Switzerland had to borrow to boost the economy.

Some 10 billion francs in debt will have to be paid off within six years according to a constitutional debt brake rule, Maurer warned.

He promised to present various options to do so as soon as the economic outlook cleared a bit. Despite mounting criticism that the wealthy Alpine nation isn't doing enough to support companies, Maurer has repeated time and again that the Swiss government has "no money".

The government is already borrowing "150 million francs a day, or six million per hour, or 100,000 a minute," he notes. In 2020, Switzerland's federal government spent 15 billion francs (\$16.7 billion, 13.8 billion euros) to support the economy, and preliminary data shows it ended the year with a deficit of 15.8 billion

(\$17.6 billion, 14.5 billion euros).

Some have called for Switzerland to put balanced budget dogma aside during the crisis, to protect against potential long-term economic damage. "Switzerland could be much more generous," said Michael Graff, an economics professor at ETH Zurich, a public research university.

He believes the country could borrow what it needed to boost business activity without a problem. A study published by Graff in January argued the nation's post-crisis finances would remain healthy even if borrowing rose, primarily because the country entered the pandemic with one of the world's lowest debt ratios.

National debt stood at 25.8 percent of gross domestic product (GDP) at the end of 2019. That was less than half the European Union's widely breached target of 60 per cent.

According to Graff, if the Swiss debt ratio rose by 10 percentage points, or even 20, and "if things take a turn much worse than expected" the country would still be at a level that is "extremely low, compared to other nations, once the crisis is overcome." If Switzerland is in some ways a very liberal nation, Graff pointed to a "public debt phobia" which he said was a cultural trait.

After debt soared at the end of the 1990s owing to a crushing real-

estate crisis, Switzerland became a champion of fiscal rectitude, introducing a debt brake into its constitution in 2003.

"This fear of going into debt is something irrational," argued Cedric Tille, an economics professor at Geneva's Graduate Institute of International and Development Studies.

This is especially so, he said, because Switzerland currently benefits from negative interest rates, which means investors are willing to lose money to own Swiss 10-year bonds.

Former Swiss central bank vice president Jean-Pierre Danthine believes the country's debt brake rule should be suspended when the economy is facing a crisis. With negative rates, Switzerland can borrow "all it needs for its economy", he said in a recent interview with Lemman Bleu television.

The country did not suffer as badly as some European neighbours during the first wave of the pandemic moreover, and its economy has fared better. It was able to ease restrictions faster and count on strong pharmaceutical exports.

The Swiss government rapidly implemented economic support measures and allocated 70 billion francs (\$78 billion, 64 billion euros) to finance partial unemployment benefits for workers and short-term business loans.

After falling by 8.6 per cent in the first half of the year, Swiss GDP rebounded with a 7.2-per cent gain in the third quarter.



People line outside a supermarket during the coronavirus disease outbreak in Geneva, Switzerland.

REUTERS/FILE

Sunak to raise business tax to pay for Covid-19 support

REUTERS

British finance minister Rishi Sunak is set to increase a tax on business to pay for an extension to Covid-19 support schemes in the budget next month, The Sunday Times reported.

Sunak, in his speech on March 3, will announce he is increasing corporation tax from 19 pence in the pound and will outline a pathway where it rises to 23 pence in the pound by the time of the next general election, the report said. The move will raise an expected 12 billion pounds (\$16.8 billion) a year, the report added.

According to the report, at least 1 pence is set to be added to the bill for business from this autumn, at a cost to business of 3 billion pounds, with further rises in subsequent years.

Allies of Sunak clarified he would not increase corporation tax higher than 23 per cent.

These measures will be helpful in paying for an extension to the furlough scheme, VAT cuts and business support loans until at least August.

Unlike the 2010 Conservative-led government, which pursued spending cuts to rebalance the economy after the global financial crisis, Sunak is expected to defer most of the toughest decisions about how to pay for that support in his budget speech.



Britain's Chancellor of the Exchequer Rishi Sunak

"The corporation tax hike will be higher than expected and the extension of the support schemes will be longer than most people expect," the newspaper quoted a source as saying.

Insiders indicated the stamp duty holiday on property purchases would also be extended in line with the other coronavirus support measures, the report said.

Britain's economy had its biggest slump in 300 years in 2020, when it contracted by 10 per cent, and will shrink by 4 per cent in the first three months of 2021, the Bank of England predicts.

Former Bank of England Governor Carney joins board of digital payments company Stripe

REUTERS

Mark Carney, former head of the UK and Canadian central banks, has joined the board of US digital payments company Stripe Inc, days after the company was reported to be planning a primary funding round valuing it at over \$100 billion.

"Regulated in multiple jurisdictions and partnering with several dozen financial institutions around the world, Stripe will benefit from Mark Carney's extensive experience of global financial systems and governance", the

company said on Sunday, confirming a report by the Sunday Times newspaper.

Forbes magazine had reported on Wednesday that investors were valuing Stripe at a \$115 billion valuation in secondary-market transactions.

A senior Stripe executive told Reuters in December that the company plans to expand across Asia, including in Southeast Asia, Japan, China and India. The company offers products that allow merchants to accept digital payments from customers and a range of business banking services.

Stripe raised \$600 million in April in an

extension of a Series G round and was valued back then at \$36 billion.

Consumer-facing fintechs have seen a boost to their businesses during the COVID-19 pandemic, as people have been staying at home to avoid catching the virus and have increasingly been managing their finances online.

Carney, who headed the Bank of England and the Bank of Canada, had a 13-year career at Wall Street bank Goldman Sachs Group Inc in its London, Tokyo, New York and Toronto offices.

He is the United Nations special envoy on climate action and finance.

Volkswagen to make decision on selling Bugatti in H1: German weekly

REUTERS, Frankfurt

Electric hypercar maker Rimac Automobili and Volkswagen's supercar brand Bugatti are a good technological fit, Porsche AG's CEO told German weekly Automobilwoche, fuelling hopes that a deal between the two could happen soon.

British automotive magazine Car last year reported here that Volkswagen was on the verge of selling Bugatti to Rimac Automobili, citing sources.

In exchange, Porsche AG, also owned by Volkswagen, would raise the 15.5% stake it owns in Rimac Automobili, founded by Croatian entrepreneur Mate Rimac, Car said.

"At the moment there are intense deliberations on how Bugatti can be

developed in the best possible way. Rimac could play a role here because the brands are a good technological fit," Porsche AG CEO Oliver Blume said.

"There are various scenarios with different structures. I believe that the issue will be decided by the group in the first half of the year," said Blume, who also sits on the management board of parent Volkswagen AG.

Rimac has developed an electric supercar platform, which he supplies to other carmakers, including Automobili Pininfarina.

Blume also confirmed higher savings targets for Porsche, saying the carmaker plans to support results by 10 billion euros (\$12.1 billion) of cost cuts by 2025, up from 6 billion previously.

Bitcoin and ethereum prices seem high, says Musk

REUTERS

Billionaire CEO Elon Musk said on Saturday the price of bitcoin and ethereum seemed high, at a time when the cryptocurrencies have hit record highs, with bitcoin crossing the \$1 trillion market-capitalization threshold.

The chief executive of Tesla Inc, whose recent tweets have fueled the digital-currency rally, made the remark on Twitter while replying to a user who said that gold was better than both bitcoin and conventional cash.

Musk, who earlier in the week remarked that he found the prospect of holding bitcoin adventurous for an S&P 500 company, said in a tweet: "Money is just data that allows us to avoid the inconvenience of barter ..."

"That said, BTC & ETH do seem high lol," he added.

Bitcoin, the world's most popular cryptocurrency, hit a fresh high in Asian trading on Saturday, extending a two-



Tesla CEO Elon Musk speaks at the E3 gaming convention in Los Angeles, California.

REUTERS/FILE

month rally a day after the digital currency's market capitalization exceeded \$1 trillion.

Ethereum or ether is the second-largest cryptocurrency by market capitalization and daily volume.

Musk, an ardent proponent of digital currencies, has defended Tesla's recent purchase of \$1.5 billion of bitcoin, which has ignited mainstream interest in the digital currency.

US existing home sales edge up as supply plummets

AFP, Washington

The hot US housing market continued in January as sales of existing homes rose again, but high demand drove supply to a record low, according to industry data released Friday.


Home sales have remained solid, consistently one of the strongest sectors of the pandemic-ravaged US economy, fueled by record low borrowing costs, even as builders have struggled to keep up with demand.

Sales of existing single-family homes, townhomes, condominiums and co-ops increased 0.6 percent from December to a seasonally-adjusted annual rate of 6.69 million in January, the National Association of Realtors (NAR) said. That put sales up 23.7 per cent from the 5.41 million annual rate in January 2020, the data showed. "Home sales continue to ascend in the first month of the year, as

buyers quickly snatched up virtually every new listing coming on the market," NAR chief economist Lawrence Yun said in a statement. "Sales easily could have been even 20 percent higher if there had been more inventory and more choices. "Total housing inventory at the end of January fell 1.9 per cent to just over a million units, 25.7 per cent below January 2020, the report said.

However, the hot buying environment has continued to push prices higher, driving the median existing-home price in January to \$303,900, up 14.1 per cent from January 2020, marking 107 straight months of year-over-year gains.


While strong sales are expected to continue this year, "a lack of supply and eroding affordability are expected to lead to a moderately slower pace of existing home sales relative to their late 2020 momentum," said Nancy Vanden Houten of Oxford Economics.



Microcredit
Regulatory
Authority

মাইক্রোক্রেডিট রেগুলেটরী অথরিটি

৮, শহীদ সাংবাদিক সেলিনা পারভীন সড়ক, গুলশেঁশা প্লাজা (৭ম তলা)
বড় মগবাজার, রমনা, ঢাকা-১২১৭
ফোনঃ ৮৩৩৩২৪৫, ৮৩৩৩১৯৬



তারিখঃ ০৫ ফাল্গুন ১৪২৭
১৮ ফেব্রুয়ারি ২০২১

স্মারক নং-৫৩.০৪.০০০০.০১০.৬০.০০১.২১-৫৬৩

ক্ষুদ্রঋণ কার্যক্রম পরিচালনার সনদের আবেদন বিষয়ক বিজ্ঞপ্তি

দেশের ক্ষুদ্রঋণ প্রদানকারী প্রতিষ্ঠানগুলোর কার্যক্রমে স্বচ্ছতা ও জবাবদিহিতা নিশ্চিত করা ও অভ্যন্তরীণ ব্যবস্থাপনায় সুশাসন প্রতিষ্ঠার প্রয়োজনে সরকার মাইক্রোক্রেডিট রেগুলেটরী অথরিটি আইন, ২০০৬ এর আওতায় মাইক্রোক্রেডিট রেগুলেটরী অথরিটি (এমআরএ) প্রতিষ্ঠা করেন। উক্ত আইনের ১৫(১) ধারা অনুযায়ী অথরিটির সনদ ব্যতীত কোনো বেসরকারি প্রতিষ্ঠান কর্তৃক দেশে ক্ষুদ্রঋণ কার্যক্রম পরিচালনা করার সুযোগ নেই। দারিদ্র্য বিমোচন, কর্ম-সংস্থান সৃষ্টি ও ক্ষুদ্র-উদ্যোক্তাদের আর্থিক সহায়তা প্রদান অব্যাহত রাখার নিমিত্ত উপযুক্ত প্রতিষ্ঠানকে নতুনভাবে সনদায়নের লক্ষ্যে দেশের সকল জেলা হতে নিম্নোক্ত বিষয় ও শর্তে ক্ষুদ্রঋণ কার্যক্রম পরিচালনার সনদের আবেদন আহ্বান করা যাচ্ছেঃ

- ১। আবেদনকারী প্রতিষ্ঠানকে আবশ্যিকভাবে নিম্নে উল্লিখিত যে কোন একটি আইনের অধীনে নিবন্ধিত হতে হবেঃ-
 - (ক) The Societies Registration Act, 1860 (Act XXI of 1860);
 - (খ) The Trust Act, 1882 (Act II of 1882);
 - (গ) The Voluntary Social Welfare Agencies (Registration and Control) Ordinance, 1961 (Ord. No. XLVI of 1961); বা
 - (ঘ) কোম্পানী আইন, ১৯৯৪ (১৯৯৪ সনের ১৮নং আইন)।
- ২। অগ্রহী প্রতিষ্ঠানকে অনলাইনে আবেদন দাখিল করতে হবে। অথরিটির ওয়েবসাইট www.mra.gov.bd এর Home Page এ Apply for New License শিরোনামে প্রদত্ত লিংকে প্রবেশ করে আবেদন করা যাবে। আবেদন ফরম পূরণের সহায়ক নির্দেশিকা উক্ত ওয়েবসাইটে পাওয়া যাবে। আবেদন ফরমের নির্ধারিত ছক/ঘরসমূহ যথাযথভাবে পূরণ করতে হবে এবং আবশ্যিক সংযোজনীসমূহ pdf ফাইল আকারে সংযুক্ত করতে হবে।
- ৩। দেশের যেকোন তফসিলি ব্যাংক হতে মাইক্রোক্রেডিট রেগুলেটরী অথরিটি এর ব্যাংক হিসাবে (সোনালী ব্যাংক লিমিটেড, মগবাজার শাখা, হিসাব নম্বর-০১১৯৮০৩০০০০২৯) ১,০০০/- (এক হাজার টাকা মাত্র) জমা প্রদানপূর্বক জমা রশিদ/প্রমাণক আবেদনের সাথে সংযুক্ত করতে হবে। ব্যাংক রশিদে আবেদনকারী প্রতিষ্ঠানের নাম উল্লেখ থাকতে হবে।
- ৪। আবেদনপত্রে প্রারম্ভিক ঋণযোগ্য তহবিল হিসেবে ন্যূনতম ৩০ (ত্রিশ) লক্ষ টাকা প্রদর্শন করতে হবে যা পরবর্তীতে অথরিটির নির্দেশনা অনুযায়ী সংশ্লিষ্ট প্রতিষ্ঠানের ব্যাংক হিসাবে সংরক্ষণ ও অথরিটির অনুমতি সাপেক্ষে ক্ষুদ্রঋণ কার্যক্রমে ব্যবহার করতে হবে। উল্লেখ্য, কোনো ব্যক্তি বা প্রতিষ্ঠান কর্তৃক প্রদত্ত ঋণ/অনুদান প্রতিষ্ঠানের ঋণযোগ্য তহবিলের অংশ হিসেবে প্রদর্শন করা হলে উক্ত ঋণ/অনুদান সংশ্লিষ্ট ব্যক্তি বা প্রতিষ্ঠানের আয়কর বিবরণী সমর্থিত হতে হবে।
- ৫। দাখিলকৃত আবেদন অথরিটির নিকট সন্তোষজনক মর্মে বিবেচিত হলে সংশ্লিষ্ট প্রতিষ্ঠানকে অথরিটির আইন-বিধি অনুসরণসহ শর্ত সাপেক্ষে ৩ (তিন) বছরের জন্য সাময়িকভাবে ক্ষুদ্রঋণ কার্যক্রম পরিচালনার অনুমতি দেয়া হবে। সাময়িক অনুমোদন প্রাপ্ত প্রতিষ্ঠান কর্তৃক ক্ষুদ্রঋণ কার্যক্রম শুরু করার পর নিম্নবর্ণিত লক্ষ্যমাত্রা অর্জন করতে হবেঃ

সময়সীমা	লক্ষ্যমাত্রা
১ম বছর শেষে	ন্যূনতম ঋণগ্রহীতার সংখ্যা ৩০০ এবং ঋণস্থিতি ৪০ লক্ষ টাকা
২য় বছর শেষে	ন্যূনতম ঋণগ্রহীতার সংখ্যা ৬০০ এবং ঋণস্থিতি ৭০ লক্ষ টাকা
৩য় বছর শেষে	ন্যূনতম ঋণগ্রহীতার সংখ্যা ১০০০ এবং ঋণস্থিতি ১ কোটি টাকা

৬। উপরোল্লিখিত শর্তাবলী পরিপালন ও সক্ষমতা অর্জনসহ অথরিটির আইন, বিধিমালা ও নির্দেশনা অনুযায়ী সন্তোষজনক কার্যক্রম পরিচালনা করতে সমর্থ হলে অথরিটি কর্তৃক ক্ষুদ্রঋণ কার্যক্রম পরিচালনার সনদ দেয়া হবে। উল্লেখ্য, কোন প্রতিষ্ঠান কর্তৃক নির্ধারিত ৩ বছর সময়ের পূর্বে ন্যূনতম লক্ষ্যমাত্রা (ঋণগ্রহীতার সংখ্যা ১০০০ ও ঋণস্থিতি ১ কোটি টাকা) অর্জনের মাধ্যমেও সনদ লাভের সুযোগ থাকবে।

৭। আগামী ৩১ মার্চ, ২০২১ তারিখ পর্যন্ত আবেদন দাখিল করা যাবে।

৮। অথরিটি বিজ্ঞপ্তির যে কোন শর্ত সংশোধন বা বাতিল করতে পারবে।

জিডি-৩৪৩

এলেক্সিকিউটিভ ভাইস-চেয়ারম্যান

Rising US bond yields pose new threat to sky-high stocks

REUTERS, New York

The US stock market has so far digested a surge in Treasury yields, but some investors are worried that a continued ascent could prove more problematic.

The yield on the benchmark 10-year Treasury note, which rises when bond prices fall, climbed to a one year high of 1.36 per cent this week, fueled by expectations that progress in the countrywide vaccination program and further fiscal stimulus would further spur economic growth.

So far, stocks have responded with little more than a wobble. But some investors worry that a continued rise in yields on Treasuries -- which are backed by the SU government -- could dim the allure of comparatively riskier investments such as equities and weigh on the S&P 500 that has risen about 75 per cent since last March.

"When ... government bond yields rise, all asset prices should reprice lower -- that's the theory," said Eric Freedman, chief investment officer at SU Bank Wealth Management, adding that he does not believe yields have yet risen far enough to provide an alternative to stocks.

The rise in yields comes as the S&P 500 hovers near all-time highs at the end of a fourth-quarter earnings season that has seen companies overall report earnings 17.2 per cent above expectations, according to Refinitiv data. Earnings will continue to be in focus next week along with data tracking the economic recovery and developments with President Joe Biden's proposed \$1.9 trillion coronavirus relief package.

Despite solid corporate results, worried investors can point to any number of signs



REUTERS/FILE

A Wall Street sign outside the New York Stock Exchange in New York City.

-- including blistering rallies in Bitcoin and Tesla shares and the proliferation of special purpose acquisition companies (SPACs) -- that ultra-easy monetary policy and fiscal stimulus have fueled an excessive appetite for risk that could be curbed if yields start to rise.

The latest fund manager survey by BofA Global Research showed a record in the net percentage of investors taking higher-than-normal risk, cash allocations at their lowest level since March 2013 and allocations to stocks and commodities at their highest point in around a decade.

Citi strategists said in a report this week that a 10 per cent pullback "seems very

plausible," noting that "if rising bond yields drag down some mega-cap IT growth names... that will impact the broad index as a result of the over-representation of such stocks."

Analysts at Nomura, meanwhile, said earlier this week that a move above 1.5 per cent on the 10-year could spark an 8 per cent drop in stocks.

Low yields and interest rates support equities in several ways, such as reducing debt and borrowing costs, making stocks look relatively attractive to bonds and helping increase the value of companies' future cash flows.

At 22.2 times its forward price-to-

earnings ratio, the S&P 500's valuation is well above its long-term average of 15.3, according to Refinitiv Datastream, though several investors said stocks still look relatively inexpensive compared to bonds.

Plenty of investors are sanguine about the move, noting that yields appear to be rising due to expectations of an improving economy.

J. Bryant Evans, a portfolio manager at Cozad Asset Management, recently added bank and mortgage company stocks to a high dividend portfolio this week to take advantage of the improving economic outlook and rising rate environment.

More broadly, he was targeting a 3 per cent yield on the 10-year for when bonds might start competing more aggressively with stocks.

"For my clients, I would urge some balance and wait a little bit before moving to fixed income because I think interest rates are still extremely low historically speaking," Evans said.

Paul Nolte, portfolio manager at Kingsview Investment Management, is watching whether rising yields eventually come with a "change in tone at the Fed" that suggest the central bank will start tapering its bond purchases as it reins in its stimulus, which could shake the market. Still, he isn't pulling back on his equity exposure for now because of the recent rise in yields, convinced a strengthening economy will continue buoying stocks, particularly those that should shine in a recovery such as financials and other value shares.

The steeper yield curve, Nolte said, is "the bond market's way of telling everybody that the economy is recovering and getting healthy."

Britain's Cairn hopeful of solution in \$1.2b-plus Indian government tax tussle

REUTERS, New Delhi

Cairn Energy Plc said on Sunday it had discussed multiple proposals with Indian government officials in recent days in an attempt to find a "swift solution" to a long drawn-out tax dispute with the South Asian nation.

In December, an arbitration body awarded the British firm damages of \$1.2 billion plus interest and costs, after ruling India had breached its obligations to Cairn under the U.K.-India Bilateral Investment Treaty.

This month, Cairn filed a case in a US district court to enforce the arbitration award, taking an initial step in its efforts toward recovering dues. The US court this week issued electronic summons to the Indian government to file its response to the lawsuit within 60 days or face a judgment by default.

In a release on Sunday, Cairn said it had held "cordial and constructive discussions" with officials from the Indian finance ministry.

"We remain hopeful that an acceptable solution can be found, in order to avoid further prolonging and exacerbating this negative issue for all parties," the company said, adding it is also ready to take all necessary steps to protect the interests of its shareholders.

The Indian government welcomes Cairn's move to reach out for a resolution but plans to file an appeal against the arbitration award and contest its sovereign right to tax, said a government official in New Delhi, who asked not to be identified.

Cairn took the case to arbitration in 2015 to fight a demand from Indian authorities in 2014 for 102 billion rupees (\$1.4 billion) in taxes that India said it was owed on capital gains related to the 2007 listing of its local unit.

India lost another major international arbitration case last September against telecommunications giant Vodafone over a \$2 billion retrospective tax dispute.

Dhaka needs to pay \$460m to join New Development Bank

FROM PAGE B1

Established by the BRICS states (Brazil, Russia, India, China and South Africa), the NDB is headquartered in Shanghai, China.

The purpose of the bank is to mobilise resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries to complement the existing efforts of multilateral and regional financial institutions for global growth and development.

NDB management is undertaking the first round of membership expansion. The membership is open to all UN members.

The rationale for membership expansion of the NDB is to increase capital base, improve credit rating, and make it a truly global development financial institution.

The management has shortlisted 20 targeted countries for consideration for membership.

Current members of the new bank are Brazil, Russia, India, China and South Africa. Each of the current members is scheduled to nominate two countries into the bank, according to the Economic Times newspaper of India.

So far, the bank has approved more

than 50 projects involving over \$15 billion within BRICS countries.

Apart from the founding members, each emerging developing country's shareholding at the NDB will be determined by its economic size relative to the combined size of all emerging market and developing countries, the Indian high commission said.

In the case of Bangladesh, its initial voting power is likely to be higher than at the World Bank and close to the voting power at the Asian Development Bank (ADB) and the Asian Infrastructure Investment Bank (AIIB), it said.

The expected financial commitment from new members would be relatively small in relation to direct lending and procurement benefits. Based on current authorised capital, each 1 per cent of shareholding at the NDB would correspond to \$1 billion of capital, of which \$200 million shall be contributed to the paid-up capital.

Countries may join as borrowing or non-borrowing members.

Bangladesh is a member of multilateral agencies and lenders such as the World Bank, the International Monetary Fund, the ADB, the Islamic Development Bank, and the AIIB.

Pandemic wreaks havoc on car sales

FROM PAGE B1

"Car importers passed a terrible year in 2020 due to the economic impact of Covid-19 even though sales were slightly improved," said Mohammed Shahidul Islam, secretary-general of the Bangladesh Reconditioned Vehicles Importers and Dealers Association (Barvida) and chairman of HNS Group.

Besides, since car prices increased in Japan at the same time, it will have an impact on the local market in the coming days.

"So, we will demand to the government to restructure the customs duty to help the business survive," Islam said, adding that the market is still unpredictable amid the current crisis.

Car sales came down to 1,033 units per month across the country in 2020 while it was around 1,398 per month the previous year, according to Abdul Haque, president of the Barvida.

"This means our sales volume fell by about 26 per cent compared to normal times," he said.

Customers avoided spending on costly items amid the ongoing economic uncertainty and cars were no exception. Besides, the additional road tax also affected the market, Haque added.

According to the Barvida chief, importers are in deep trouble as sales have decreased drastically due to the faulty tax structure and reduction in depreciation rate.

Haque went on to say that the faulty duty structure for reconditioned cars has been set in a way that pushes the price for reconditioned cars above that of new ones.

He also alleged that the duty structure is creating disparities between reconditioned and brand-new car importers.

Car sales have come down to 41 units per day in 2020 while it was 56 units in 2019 and 61 units in 2018.

The government brought down the maximum depreciation on imported reconditioned vehicles from 45 per cent in fiscal 2015-16 to 35 per cent in 2018-19.

This increased the import duty and price of imported cars, Haque said, adding that there is no depreciation for one-year-old cars. As a result of the reduced depreciation rate, the price difference between reconditioned and brand-new cars is very insignificant.

"Under these circumstances, all importers and dealers face challenges to survive," Haque said.

Mannan Chowdhury Khasru, a former president of Barvida and owner of Nippon Autos Trading, said he had not witnessed such a loss throughout his four-decade-long career in the sector.

Khasru also believes that car sales came down to its lowest in the last seven years due to the Covid-19 fallout and additional road tax.

Besides, car prices in Japan increased as the Japanese currency gained strength against the US dollar.

"There is no scope to manipulate the price as customs charges import duty on the price of the yellow book," he said.

Khasru added that he already had to close two of his three showrooms in Dhaka due to continuous losses in 2020.

Govt-fixed soybean oil rates fall on deaf ears

FROM PAGE B1

"We have to buy the oil at Tk 114 to Tk 115 and the product is being sold in the retail market at Tk 117 to Tk 119 per litre," he said.

"It will not be possible to control the oil market by only fixing the price and not increasing the supply. In order to keep prices and supply normal, the government has to conduct monitoring everywhere from mill gates to retail markets," he added.

According to the Chattogram Custom House data, more than 9.18 lakh tonnes of edible oil, including crude soybean and refined palm oil, worth Tk 5,539 crore were

imported in the past seven months from July to January of the current fiscal 2020-21.

Some 13.13 lakh tonnes of edible oil worth Tk 6,386 crore was imported in the same period of FY 2019-20.

On Wednesday, the commerce ministry fixed the price of loose soybean oil at Tk 115 per litre at the consumers' level, Tk 110 per litre at the distributor level and Tk 107 per litre at the mill gate.

Bottled soybean oil has been fixed at Tk 135 per litre at the consumers' level, Tk 127 per litre at the distributor level and Tk 123 per litre at the mill gate.

High food prices weighing on the vulnerable: FAO

FROM PAGE B1

Medium grains rose 39 per cent year-on-year to Tk 50.81 each kg, data showed.

The UN agency said prices of mostly imported wheat flour decreased in the first part of 2020, reflecting adequate market supplies from the bumper output harvested in April and above-average imports.

Starting from August, prices have been generally increasing, supported by trends in the international markets. Overall, prices in January 2021 were slightly above their year-earlier levels, it said.

The FAO said losses in income and remittances caused by the Covid-19 pandemic and its containment measures led to an increase in poverty.

Citing an official estimate, the agency said 29.5 per cent of the total population was poor as of June 2020, up from 20.5 per cent in June 2019.

The FAO said Bangladesh hosts about 8,60,000 Rohingya refugees from Myanmar, most of whom were residing in the Cox's Bazar district.

The agency report published in November 2020 said living conditions of the refugees and host communities have deteriorated compared to that in the pre-Covid-19 pandemic period.

The assessment shows that the percentage of refugee households with a poor consumption score jumped to 15 per cent from 5 per cent in the pre-Covid-19 period, while for the host communities the score increased from 3 to 8 per cent, it added.

The FAO said output from two rice crops -- Boro and Aus -- had been good because of generally favourable weather conditions in 2020.

However, production of Aman crop, harvested by the end of last year, was estimated to be at its lowest level in three years, due to flash floods between July and August, said the UN organisation. Aman rice crop accounts for about 40 per cent of the annual output.

Overall, the 2020 aggregate paddy production is estimated to be at 5.48 crore tonnes, up marginally from 5.47 crore tonnes the previous year, said the FAO.

Citing planting of Boro rice crop, which accounts for 55 per cent of the annual output, the UN body said favourable weather conditions since the beginning of November 2020, strong domestic prices and ample supplies of irrigation water, above-average June to October monsoon rains and supports for planting activities benefitted crop germination.

The FAO said wheat crops were growing under favourable weather conditions. The area planted is estimated to be close to the five-year average, while the increased use of high-yielding seed varieties has given a boost to yield prospects, it said.

Rush for family savings tools

FROM PAGE B1

Repatriated savings from the returnee migrant workers may have been invested in these certificates, in addition to those remittances diverted from informal to formal channels, said Hussain.

As the sales of savings instruments soared, the government fixed the maximum limits for purchases under individual and joint names.

According to a notification of the Internal Resources Division, a person can't invest more than Tk 50 lakh in three savings instruments.

The three are the five-year Bangladesh savings certificate, the three-month profit-bearing savings certificate, and the family savings certificate.

Under joint names, the highest amount of investment in the three savings schemes can be Tk 1 crore, apparently an attempt at discouraging wealthy people from putting in too much money in savings instruments.

The interest rates on bank deposits have declined significantly. The resultant large difference has dulled the attractiveness of term deposits and increased that of national savings certificates.

The weighted average interest rate on bank deposits dropped to 4.54 per cent in December from 4.64 per cent a month ago, Bangladesh Bank data showed.

The current interest rate is lower than the inflation rate.

"Some investments may also have come from the whitening of undeclared money since the scope of using the untaxed money without asking any questions has been widened this year," said Hussain.

"As a result, there has been a significant rise in the disclosure of previously undeclared income," he said.

Some Tk 10,222 crore was whitened between July and December.

The opportunity to whiten the black money reduced the amount of money deposited in banks for the lower interest rates.

There has been a significant inflow of remittance. It was \$12.95 billion in the July-December period.

The sales of five-year savings certificates increased by 25.20 per cent to Tk 4,977 crore.

The interest rate of the instrument is 11.28 per cent. One can buy Tk 30 lakh-worth of the certificates and Tk 60 lakh-worth through joint accounts.

Anyone can buy the savings certificate, including those earning from businesses involving agriculture and fisheries, after obtaining permission from the tax commissioner.

The sale of postal savings certificates decreased by 24.93 per cent to Tk 8,802 crore between July and December because of a reduction in the purchase limit.

One person can buy Tk 10 lakh-worth of term postal savings certificates and Tk 20 lakh-worth through joint accounts.

Ahsan H Mansur, executive director of the Policy Research Institute, said people were not interested in depositing money in banks because of the lower interest rate.

For instance, banks previously used to pay 6 to 7 per cent interest. Now the rate has declined to 3 to 4 per cent.

Moreover, the government's capping of the purchase of the saving instruments did not work well, Mansur said.

Although the government set ceilings, there has been no compliance as it was possible to buy the certificates under the names of other family members such as wife and children, he said.

Currently, there is liquidity in the market. So, people are investing money in the savings instruments rather than depositing them in banks, said the former official of the International Monetary Fund.

"Such a situation is not helping the development of a bond market in Bangladesh. Most of the bonds have remained non-traded for years. As a result, such a move is not at all good for the economy."

Delta Life to appoint US actuary firm to assess health

FROM PAGE B1

The appointment came after special and investigative audits unearthed breaches of regulations by the insurer.

Earlier, Delta Life Insurance accused IDRA Chairman M Mosharraf Hossain of seeking Tk 50 lakh in bribes for giving approval to the reappointment of the company's chief executive officer and renewing the actuarial valuation basis.

The insurer complained against Hossain with the Anti-Corruption Commission (ACC) on December 7, 2020. On December 9, it sent another letter to the commission, alleging that he demanded the bribe.

Delta Life presented the recordings of phone calls and the audio clip to the commission in support of the allegation.

"As this is an unusual circumstance and we have obligations of running legal issues of the company as well as continuing core businesses, it takes time to appoint auditors," the administrator said.

"We formed a committee to unearth the truth of the allegations made by the company against the IDRA chairman," Mollah said.

In a letter to the ACC on February 17, Pallab Bhowmik, a joint executive vice president of the insurer, said he was forced by the former CEO of Delta Life to complain to the ACC.

He also sought withdrawal of the allegation.

"I know nothing about the audio clips," he said in the letter.

"We told the official to withdraw the allegation and he has already done it," Mollah told The Daily Star.

ACC Spokesperson Pranab Kumar Bhattacharjee confirmed that the commission received a bribery allegation from Delta Life. "The ACC is yet to decide whether it will investigate the issue," he said.

He was unaware of any letter sent by Delta Life seeking withdrawal of the complaint.

"The ACC will decide whether it will continue the process or halt it," Mollah said.

A former director of Delta Life Insurance, preferring anonymity, said that the audio clip proved many things.

Delta Life Insurance sent two audio clips to the ACC containing a conversation between an official of the company and the IDRA chairman.

Bhowmik filed the allegation in line with a decision of the audit committee of the board, so the official is not a big issue here.

"I hope the ACC will look into it," he added.

When an allegation is submitted, its cancellation is up to the commission, and it might not change even after a letter from an applicant, said a top official of the ACC.

Mollah said he wanted to portray a fair and accurate picture of the company through the auditors as ordered by the IDRA.

"We are now checking previous reports that were submitted by the auditors appointed by the IDRA," he said, adding that they are careful about keeping the business unscathed.

The IDRA ran a special audit through Howladar Yunus & Co in 2019 and then an investigative audit through Fames & R Chartered Accountants to verify allegations from shareholders and policyholders.

"On the basis of Delta's response to audit objections, we found that there were breaches of rules and regulations in at least 22 ways," the IDRA said in a show cause notice.

In some cases, the company's answers were not acceptable to the auditor. In cases where the company did acknowledge the breach of rules, there were no statements on when and how it will be corrected, the notice said.

Fames & R Chartered Accountants traced 25 specific areas through which the interests of policyholders were impacted. It recommended carrying out the further probe.

Meanwhile, the VAT Audit, Intelligence and Investigation Directorate filed a case against Delta Life, alleging that it had evaded Tk 35.18 crore in VAT.

Youngone making massive investment in man-made fibre

Kihak Sung, chairman and CEO of the conglomerate, tells The Daily Star

REFAYET ULLAH MIRDHA

Youngone Corporation, a global conglomerate based in Korea, has made massive investments in man-made fibre (MMF) for clothing in its factories in Bangladesh as artificial materials are now dominating the fashion industry, according to Kihak Sung, chairman and chief executive officer of the company.

Youngone, famous for its outerwear and MMF products, recently started manufacturing polyester fabrics at three factories covering 40,000 square metres each at the Korean Export Processing Zone (KEPZ) in Chattogram.

Besides, Japanese engineers will install some new machinery at one of the factories soon, Sung told The Daily Star in a recent interview.

Sung decided to invest in MMF products due to their rising demand in the international market.

Currently, 95 per cent of all the fibres produced by the company is MMF that is used by its own factories and other local manufacturers for a variety of apparel items.

So far, \$65 million has been invested in the three factories while another \$120 million will be invested to operate five in total.

Being the largest foreign investor in Bangladesh's garment industry, Youngone plans to invest \$1 billion over the next few years depending on the country's situation.

However, Sung did not mention any specific timeframe for the investment.

Youngone has already invested around \$600 million in Bangladesh, Sung said.

The company is also investing in a solar power development project in an effort to bring 40 MW capacity of clean energy to the KEPZ.

Once complete, it will be the world's largest rooftop solar power project.

But like other companies, Youngone was also badly affected by the Covid-19 fallout.

The company lost about 45 per cent of its yearly export revenue due to order cancellations and was forced to halt production for nearly nine weeks amid all the economic uncertainty.

After numerous negotiations, the rate of cancellation was reduced to 15 per cent. On the other hand, the company's Vietnam operations continued to run smoothly.

Sung, who started his business in 1974 and set up a garment factory with only 450-500 workers in South Korea in 1976, has been doing business in Bangladesh since 1980, when he set up a factory at Agrabad in Chattogram.

"So this year is the 41st year of doing business in Bangladesh, which is my second



Kihak Sung

home and the country is deeply ingrained in my heart," Sung told The Daily Star at his Gulshan residence during a short visit to Dhaka.

Although, he could not remember what his initial investment was back in 1980, he did say that exports were short of \$100 million when his newly built factory at the Chattogram Export Processing Zone (CEPZ) was inundated by a massive flood, cyclone and tidal bore in April, 1991.

His single-storied factory building was inundated in the cyclone and more than 300,000 pieces of garment items made for Nike and Marks & Spencer were totally damaged.

It was that time when Sung could have left the country due to the irrevocable losses.

However, he was moved by his workers and decided against pulling out of Bangladesh.

Without being told to, his workers cleaned the damaged garment items in hopes that they could still be exported and it was this hope that guided Sung's decision.

"It moved me very much and that's why we decided to stay in this country. We then built a multi-storied building above the flood level after I raised funds from the Korean stock market to manage the difficult financial situation," Sung said.

Now, the company's annual revenue is about \$2.5 billion and Sung aspires to increase it considerably.

This is why he has been heavily investing in innovative textile and garment production.

Currently, Youngone has business operations, particularly textile and garment, in Bangladesh, the US, Vietnam, Korea, Ethiopia, Uzbekistan, El Salvador and Switzerland.

Sung could not immediately say how many factories are under his corporation but did



Workers are operating knitting machines at a factory of Youngone at Korean Export Processing Zone in Chattogram.

COLLECTED

say that there are five groups of companies in Bangladesh that have more than 60,000 employees combined.

The company's biggest offshore operations are in Bangladesh though and Sung has been developing the KEPZ Corporation to invest more progressively in the country.

Youngone is the main supplier of down jackets—a soft but very warm outerwear made from MMF and real feathers—in Korea and it is also the main supplier of The North Face products globally.

The retention value of quality down jackets in Bangladesh is more than 75 per cent and Youngone is the main producer of this special kind of jacket for cold climates. The product is largely manufactured in Bangladesh.

Sung went on to say that Bangladesh's graduation from a least developed country (LDC) to a developing one will erode its trade competitiveness by more than 10 per cent on exports to EU markets.

Bangladeshi companies need to improve their productivity by at least 50 per cent as well as reduce costs and lead time to compete in the international market before the country

loses its trade benefits.

Bangladesh should use Vietnam as a benchmark for how smooth business operations in a country should run, he added.

For instance, even a few years ago, there were 7,000 Korean companies, mainly textile and garments related, in Shandong province of China but most of those factories were relocated to Vietnam as it offered good business conditions and administrative support.

Bangladesh can learn from Vietnam on how to attract more foreign direct investment, said Sung, who also served as chairman of the Korea Federation of Textile Industries (KOFOTI) and president of the International Textile Manufacturers Federation (ITMF), the world's oldest textile organisation based in Zurich, Switzerland.

Sung said he started his business at age of 27 after the completion of his graduation from Seoul National University and serving in Korean army.

The company chose to come to Bangladesh in the 80's mainly to export locally produced outerwear to Sweden to enjoy the country's quota free benefits.

That year, three Korean companies invested outside of Korea. One went to Sri Lanka, another to Honduras and Youngone in Bangladesh.

Of these three, only Youngone is still doing business while the others have shut down entirely. Sung recalled how one of his female staffers joined in 1977, who is now working at his Vietnam factory.

About the rise of the garment industry and performance of Bangladesh's economy, Sung said he has witnessed remarkable development in the sector.

Although many foreign investors have left Bangladesh, Sung believes that this country has enough potential to grow further.

He said Noorul Quader, owner of Desh Garments, is a big name in the local industry as he sent many executives to Korea for training.

After a long career as a businessman, Sung decided to place the responsibility of leading the company on the shoulders of his daughter Rae Eun Sung.

His daughter has been working as the head of operations in Youngone Corporation and is president and chief executive officer of Youngone Holdings.



GLOBAL BUSINESS

IMF dismisses inflation concerns of Biden stimulus plan

AFP, Washington

Fears that inflation could spiral out of control due to a massive US stimulus package are overblown, IMF chief economist Gita Gopinath said Friday.

Her argument contradicted critics of US President Joe Biden's proposed \$1.9 trillion rescue package for the world's largest economy, who say the amount is excessive, and even those Democratic economists who have also raised concerns about price spikes.

Gopinath estimated that with the full amount of stimulus, inflation "would reach around 2.25 per cent in 2022, which is nothing to be concerned about," she said in a blog post.

Some economists, including former Treasury secretary Larry Summers, have urged caution saying excess spending could spark an inflationary spiral that the Federal Reserve would find difficult to control.

Rising prices would erode purchasing power while higher interest rates to control inflation would send the cost of borrowing soaring in an economy already awash in debt amid the coronavirus pandemic.

Gopinath noted the "concerns about an overheated economy that could push inflation well above the comfort zone of central bankers." But she said "the evidence from the last four decades makes it unlikely." In the decade following the global financial crisis, US annual inflation barely cracked the Federal Reserve's



REUTERS/FILE

The International Monetary Fund logo is seen outside the headquarters building in Washington.

2 per cent target, and in December the rate was just 1.3 per cent.

And Gopinath said the proposed government aid will push US GDP up five to six percent over three years, which would recoup the 3.5 per cent contraction in 2020. The IMF has consistently supported a large US stimulus plan to recover from the Covid-19-induced recession that has left millions jobless.

US Treasury Secretary Janet Yellen late Thursday repeated the administration view that "the price of doing too little is much higher than the price of doing something big." Yellen noted that inflation has been very low for over a decade, and while it remains a risk "it's a

risk the Fed and others have tools to address.

Yellen, like US central bank chief Jerome Powell, who succeeded her in the post, stressed that true unemployment in the US is close to 10 per cent—above the government's official rate of 6.3 per cent last month—and about nine million people remain unemployed, which she says justifies the size of the government aid.

But growing signs that the economy is coming back to life as businesses reopen amid an accelerating vaccination campaign have caused markets to begin to fret about impending price hikes.

The yield on 10-year Treasury notes, a benchmark for inflation

expectations, has been rising sharply since October, and accelerated since the start of the year to around 1.3 per cent, the highest since before the pandemic.

Those fears got a boost from a spike in the producer price index (PPI), which showed wholesale inflation surged 1.3 per cent in January, the largest since the index was revamped in December 2009.

But Powell last week brushed off inflation concerns, saying after prices collapsed last year, some sharp increases are expected but would be unlikely to last. In the current environment, "we want to see actual inflation," before the Fed would take any steps to raise interest rates or roll back the massive bond-buying program, Powell said.

His colleague John Williams at the Fed's New York branch said he was "not really concerned about stimulus ... right now being excessive." He said the central bank is not worried about Treasury yields and so far is not seeing any signs of excessive behavior by businesses or households.

Gopinath, the IMF economist, acknowledged "the danger of market turbulence" due to temporary price swings, or bad news about new virus variants.

But she said that in the wake of the crisis "considerable slack remains in the global economy" which would dampen price pressures, and worldwide supply chains have largely not suffered disruptions, removing another potential source of rising costs.

Airbus CEO urges trade war ceasefire, easing of Covid travel bans

REUTERS, Paris

The head of European planemaker Airbus called on Saturday for a "ceasefire" in a transatlantic trade war over aircraft subsidies, saying tit-for-tat tariffs on planes and other goods had aggravated damage from the COVID-19 crisis.

Washington progressively imposed import duties of 15 per cent on Airbus jets from 2019 after a prolonged dispute at the World Trade Organization, and the EU responded with matching tariffs on Boeing jets a year later. Wine, whisky and other goods are also affected.

"This dispute, which is now an old dispute, has put us in a lose-lose situation," Airbus Chief Executive Guillaume Faury said in a radio interview.

"We have ended up in a situation where wisdom would normally dictate that we have a ceasefire and resolve this conflict," he told France Inter.

Boeing was not immediately available for comment.

Brazil, which has waged separate battles with Canada over subsidies for smaller regional jets, on Thursday dropped its own complaint against Ottawa and called for a global peace deal between producing nations on support for aerospace.

Faury said the dispute with Boeing was

particularly damaging during the Covid-19 pandemic, which has badly hit air travel and led to travel restrictions or border closures. He expressed particular concern about widening bans within Europe.

"We are extremely frustrated by the barriers that restrict personal movement and it is almost impossible today to travel in Europe by plane, even domestically," he said.

"The priority no. 1 for countries in general is to reopen frontiers and allow people to travel on the basis of tests and then eventually vaccinations."

The comments come as businesses increase pressure on governments to reopen economies as coronavirus vaccine roll-outs gather pace across Europe.

France has defended recently introduced border restrictions, saying they will help the government avoid a new lockdown and stay in force until at least the end of February.

Germany installed border controls with the Czech Republic and Austria last Sunday, drawing protest from Austria and concerns about supply-chain disruptions.

Berlin calls the move a temporary measure of last resort.

Poland said on Saturday it had not ruled out imposing restrictions at the country's borders with Slovakia and the Czech Republic due to rising Covid-19 cases.



Airbus CEO Guillaume Faury attends Airbus's annual news conference in Blagnac near Toulouse, France.

REUTERS/FILE

UK insurers to pay up to 2.5b pounds for coronavirus claims

REUTERS

The Association of British Insurers (ABI) said on Saturday insurers are likely to pay up to 2.5 billion pounds (\$3.50 billion) for UK's Covid-19 insurance claims incurred in 2020.

The latest estimates include 2 billion pounds for Covid-19 business interruption claims

and 500 million pounds for Covid-19 related protection insurance claims, travel insurance claims and other general insurance products.

ABI's Director General Huw Evans said in a release that the pandemic illustrated some uncomfortable gaps between what people expected to be covered for and what their policy was designed for.

"We need to learn lessons from this unprecedented event and redouble our efforts to improve consumers' trust in insurance products," he added.

The insurance trade body said 123,000 claims have been settled with payment so far and a further 9,000 have received partial payments as of mid-January 2021.