EU watchdog tells banks to have a 10-year climate plan

REUTERS, London

Banks in the European Union must have a 10-year plan spelling out how they will deal with environmental, social and governance (ESG) risks to their bottom line, the bloc's banking watchdog said on Wednesday.

Increasing volumes of money are going into climate-friendly investments and regulators want investors to have a reliable snapshot of a company's green credentials.

A report from the European Banking Authority (EBA) on Wednesday set out recommendations for banks and their supervisors for approaching ESG risks and help the EU meet its goals of cutting carbon emissions by 2050.

Banks should plan strategically over a period of at least 10 years to show their resilience to different scenarios, disclose strategic ESG objectives, and assess the need to develop sustainable products, EBA said.

Climate risks can include "physical" or weather-related events like floods, and "transition" risks from sudden changes in asset values. The EBA report looks at the second pillar of core banking rules that assess how risks at a lender are managed.

It is expected to set out detailed guidance for the third pillar relating to disclosures of risks later in the year. Work on pillar one or whether actual capital requirements need changing to reflect ESG risks, is expected at a later date.

The report builds on existing EU initiatives such as a taxonomy that defines a sustainable product, and disclosure rules for all types of companies.

The European Central Bank which regulates top euro zone lenders will use the report from the end of 2022 for updating its annual "SREP" review of whether banks hold enough capital to cover risks on their books.

All EU banking supervisors will be required to apply the report or explain any gaps.

"We are putting an initial emphasis on climate-related risks as data is more advanced, but banks should also advance their identification and understanding of social and governance risks," said Fabien Le Tennier, a policy expert in EBA's ESG Risks unit.

Banks typically plan strategically for up to five years ahead at present.

"Most of our recommendations will not come as a surprise for banks, but there will probably be a challenge for banks to meet all of them, at least in the near term," Le Tennier said.

REUTERS/FILE

The lignite (brown coal) power plant complex of German energy supplier and utility RWE is reflected in a large puddle in Neurath, northwest of Cologne, Germany.

UK inflation pressures hit records as growth cools only slightly

REUTERS, London

Inflation pressures faced by British firms hit record levels this month, and growth in the private sector cooled only slightly from an all-time high in May when coronavirus restrictions were lifted, a survey showed on Wednesday.

The preliminary reading of the IHS Markit/CIPS UK Composite Purchasing Managers' Index (PMI) pointed to one of the strongest monthly improvements in business activity since 1998, with a reading of 61.7 - not far off May's unprecedented 62.9.

Input costs matched a previous record increase from June 2008 and prices charged by firms rose by the largest amount since these records began in 1999, as disruption to supply chains caused a scramble for components.

Inflation faced by consumers could now have a lot further to rise after breaking above the Bank of England's 2 per cent target last month, said Chris Williamson, chief business economist at IHS Markit, which compiles the survey.

The BoE is not expected to change monetary policy when it announces the outcome of its June policy meeting on Thursday but investors are waiting to hear whether it is sticking to its view that the rise in inflation is likely to prove transient.

Hugh Gimber, global market strategist at JP Morgan Asset Management, said the PMI showed the private sector was struggling to keep up with the vaccine-driven rebound in demand.

"Today's data will strengthen the conviction of those on the Monetary Policy Committee who believe that extraordinary levels of policy support are no longer warranted," he said.

But Samuel Tombs, at consultancy Pantheon Macroeconomics, said an expected rise in unemployment as the government's job protection scheme winds down over the next three months, and an easing of Covid-19 bottleneck pressures on prices, meant the BoE would probably not be swayed by short-term inflation signals.

Prime Minister Boris Johnson allowed bars, restaurants and other hospitality firms in England to resume indoor service in mid-May. But last week he delayed the removal of the last social-distancing rules after Covid-19 cases rose again.

There were signs in the PMI survey that the rebound might be slowing as new orders cooled and manufacturers also felt the effects of Brexit after Britain left the European Union's single market on Jan. 1.

Tombs said British manufacturers' export orders undershot those of their euro zone peers for the sixth consecutive month, and by a larger margin than in May.

The PMI survey showed hiring rose by a record amount in June but many firms were unable to operate at full capacity because of staff shortages.

The lack of candidates also pushed up wages.

Williamson said that could add to worries that the recent spike in inflation will last longer than the BoE has suggested.

The PMI for the services sector dipped to 61.7 in June from 62.9 in May. The index for the smaller manufacturing sector fell to 64.2 from 65.6.

Sentiment about the economic outlook, while still positive, fell to its lowest in five months.

Govt to import 50,000 tonnes of rice from India

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The goods include onion, garlic, lentil, chick pea, sugar, salt, soya bean oil, palm oil, and spices like ginger, cinnamon, clove, cardamom, cumin and bay leaf.

FINANCE MINISTER HOPEFUL ABOUT ECONOMY

Following the meetings, Finance Minister AHM Mustafa Kamal at a virtual press briefing gave messages of hope about the country's economy.

Stating that there are numerous challenges, he said, "I won't say that there is no challenge. But we always take challenge as opportunity."

Sharing statistics to show how the economy was recovering amidst the Covid-19 pandemic, he said though revenue earning was not good at the beginning of the fiscal year, it increased by 17 per cent in the past 11 months.

In the same period, exports increased by 14 per cent. "If you look at the reserve, it almost reached $46 billion," he said.

He hoped of doing better in the upcoming days with all the people of the country. In reply to a query about budget deficit, he said the United Nations has called on all countries to pursue a policy of expansion, not contraction, in order to reduce the impact of the pandemic.

"But our prime minister much earlier emphasised on taking an expansionary monetary and fiscal policy," he said.

The country's budget deficit next fiscal would reach 6.2 per cent against 18 per cent in the USA, 13.07 per cent in India, 11.88 per cent in China and 6.2 per cent in Vietnam.

Now, all the countries are trying to move forward by increasing deficits, he said.

In reply to a question about whether the scope of whitening black money will be offered in the new fiscal year, the minister said it would be made public during the passing of the money bill in parliament on June 29.

The minister declined commenting on a report of a probe body formed to investigate the hacking of Bangladesh Bank reserve, explaining that investigations in cases in connection with the incident were ongoing.

In response to another question, the minister said if the Serum Institute of India finally failed to provide Covid-19 vaccines, Bangladesh would "Obviously" get its money back.

The health ministry is monitoring the issue. "However, India also needs vaccines. We will take decision considering all the reasons," he said.

Malek Spinning's stocks soar on expansion news

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Other than the balancing, modernisation, rehabilitation and expansion (BMRE) of the existing project, the board meeting also decided to install a new plant in Bhaluka, Mymensingh with an estimated total investment of Tk 213.19 crore. The project will involve land and factory development, civil construction and so on.

The company's existing production capacity is 35,000 kilogrammes of yarn per day or 1.26 crore kilogrammes per annum with 63,624 spindles, the disclosure said.

After the BMRE, it is expected that there will be 79,464 spindles, 2,000 of which will be rotor open-ended, so that production and sales revenue will increase by 60 per cent and profitability will also increase substantially.

This BMRE will create value addition due to the improvement of product quality, enabling the company to sell its products at higher prices and retain better margins.

The proposed BMRE may be implemented by funds from internal generations as well as bank loans and other sources. "We produce a single product, yarn, whose production would be increased now with the expansion," said Syed Saiful Haque, company secretary of Malek Spinning.

"The demand for this product has definitely increased, which was assessed by our team so the board decided to go for expansion," he added.

Regarding impacts of Covid-19, Haque said that since their production was interrupted due to the pandemic, it did not provide any dividends last year.

"But now the situation has improved," he added.

The company informed its stock investors last month that JM Fabrics and Knit Asia will procure yarn from Malek Spinning in bulk.

JM Fabrics will procure yarn ranging from 150,000 to 180,000 kilogrammes every month, amounting to about Tk 3.15 crore to Tk 6.80 crore.

Meanwhile, Knit Asia will procure around 250,000 to 300,000 kilogrammes of yarn every month amounting to Tk 5.25 crore or Tk 11.34 crore per month from Malek spinning Mills based on current prices.

Oilseed production doubles in 12 years

FROM PAGE B4

According to the agriculture ministry, oilseed production was 6.6 lakh tonnes in 2009 while it increased to 11.54 lakh tonnes in 2020.

"This ministry is working to increase the cultivation of oil crops as an additional crop without reducing the production of paddy production," he added.

Md Mesbahul Islam, senior secretary of the agriculture ministry, said it is possible to increase the production of paddy by one tonne per hectare by cultivating improved varieties of Bridhan-71, Bridhan-81, Bridhan-89, and Bridhan-92.

"If this can be done, there will be a 10 per cent land surplus. So, other crops can be cultivated instead of paddy," he said, adding that it is also possible to increase the crop density by cultivating improved varieties of paddy and mustard.

As per data from the agriculture ministry, 90 per cent of the country's edible oil demand is met through imports while only 10 per cent is locally produced.

About 48 lakh tonnes of oil crops had to be imported at a cost of Tk 24,800 crore in fiscal 2018-19.

Meanwhile, the use of these oils is gradually increasing in the country. The consumption of edible oil and fat increased to 3.08 million tonnes in 2019 while it was 2.22 million tonnes in 2015.

Besides, the per capita consumption of oil and fat has increased to 18.7 kilogrammes while it was 13.80 kilogrammes in 2015.

Rejoinder, our reply

FROM PAGE B1

database. It assessed value of the car at $21,144 per unit on the basis of the deductive method.

The reason behind higher value of the car was that Saal Sabeel Cars imported two cars and that were imported from a third country. The assessed duty for the vehicle imported through Chattogram Port was higher than that of Mongla Port as the importer, Saal Sabeel Cars, imported vehicles on a limited scale from a third country.

And because of the import from a third country, freight, dealer margin, mid-trader cost and margin, and documentary charges will be added.

On the other hand, the cars imported through Mongla Port came directly from the producing country and in large quantity. For this reason, import cost is less.

Even after that, because of differences arising out of determination of prices of the cars, the consignments were released on a temporary assessment of duty based on bank guarantee of payable duty and taxes on the gap between the last assessed value of $16,340 by the Mongla Customs and the assessed value of $21,144 by Chattogram Customs House in line with Section 81 of the Customs Act, 1969. The government revenue is fully protected in this case.

A letter has been sent to the National Board of Revenue to determine the actual price of these imported vehicles in this regard.

A comparative analysis with other customs shows that the two types of price information published in the newspaper are baseless. It is unfortunate to publish an unsubstantiated report on an issue that is under official process.

OUR REPLY

As per Customs Valuation Rules 2000, Mongla Customs has assessed prices $16,435 per vehicle following the deductive method as no transaction value or the value of similar goods was found in the database.

The Chattogram Customs House assessed the value of the car of the same model at $21,144, following the deductive value method. The tariff was 22 per cent higher than the tariff calculated by the Mongla Customs.

The deductive value of goods is determined based on the retail price in the domestic market. In this case, the difference in the value fixed by the two customs is big.

Our report was based on the data of both customs houses. We stand by our report.

Rules afoot for online consumer protection

FROM PAGE B1

A printed copy of the bill has to be given at the time of delivery of the products, citing the payment of value-added tax. For the products that carry a warranty, the card should specify the period, the place of receiving after-sales services, and contact details.

Perishable goods have to be delivered as soon as possible. Ratings and feedback on products should be posted on websites, apps or platforms so that potential shoppers can make the purchase decision based on the customers' reviews, the draft guideline said.

If it is not possible to hand over the product with the stipulated schedule, the firm will have to notify the customer by telephone, SMS, e-mail or other means within 48 hours of the placement of orders.

In the case of failure to comply with the provisions of the guideline, authorities may take legal action, including scrapping trade licence, company registration, or VAT registration of the seller and banning of the marketplaces.

The guideline also said a platform would not create any virtual wallet without the central bank's permission. Multi-level marketing or network business cannot be conducted through digital commerce, it said.

"It has become crucial to restore discipline in the e-commerce industry by implementing a proper guideline," said Muhammad Abdul Wahed Tomal, general secretary of the e-Commerce Association of Bangladesh.

Stocks fall for second day amid profit booking

FROM PAGE B4

Stock of Beximco were traded the most, worth Tk 160 crore, followed by National Feed Mills, Maksons Spinning Mills, Dragon Sweater and Spinning, and Kattali Textile.

Pioneer Insurance Company shed the most, falling 9.89 per cent, followed by Alif Industries, Prime Islami Life Insurance, Pragati Insurance, and Global Insurance.

The port city bourse also dropped yesterday. The CASPI, the general index of Chittagong Stock Exchange, fell 184 points to 17,580. Among 318 stocks to witness trade, 120 advanced, 181 dropped and 17 remained unchanged.

Private sector faces burdensome business climate

FROM PAGE B1

High import tariffs and the discretionary use of regulations protect well-established businesses and sectors at the expense of the rest, and this impedes innovation.

Limited progress in opening the infrastructure sector for competitive private participation -- with the exception of power generation -- holds back investment and modernisation, the IFC said.

"As a result, Bangladesh's private sector has not moved beyond its initial success and is becoming increasingly concentrated and inward-looking, seeking to maximise rents from existing markets instead of embracing openness and competitiveness."

The report said the financial sector lacks the capacity to efficiently channel domestic savings into a productive investment because of an elevated ratio of non-performing loans and weak capital buffers, underscored by inadequate corporate governance, weak supervision, and a lack of breadth.

Since the private sector is the engine of growth, the facilities that have been given to the garment sector should also be extended to other sectors so that they can also perform well in export in a diversified way, said IFC Country Director Wendy Werner. Currently, the garment industry contributes 84 per cent to the national export. Sectors such as leather and leather goods, footwear, agricultural products, jute and jute goods have a lot of opportunities to grow.

"For a more resilient, inclusive and sustainable growth, Bangladesh needs to diversify its export basket and develop a robust and sophisticated private sector, relevant in the post–Covid-19 recovery phase when public resources would be needed most in the social sectors," said Mercy Tembon, country director of the World Bank.

Salman F Rahman, adviser to the prime minister on private industry and investment, said protectionism was not always bad as, in some cases, it proved worthy.

For instance, the pharmaceutical industry is meeting 95 per cent of the domestic demand and exporting products to other countries due to protectionism. The same is also true for the primary textile industry, he said. The infrastructures and power plants at Matarbari can be the game-changer for Bangladesh, he said.

Ahsan Khan Chowdhury, chief executive officer of Pran-RFL Group, said that investors needed funds from the government, local banks, debt markets, bond market, and international sources for the growth of the private sector.

Mamun Rashid, managing partner of PwC Bangladesh, said the foreign exchange regulation of 1947 needed to be amended as it acted as a stumbling block for foreign direct investment in the country.

Tofazzel Hossain Miah, secretary to the Prime Minister's Office, said the government had already formed six sub-committees with representation from businesses to simplify rules, improve logistics, facilitate trade, and create jobs.

The IFC report said challenges persist, with more than 40 million Bangladeshis still living below the poverty line today and nearly half the population vulnerable to falling back into poverty.

The private sector is responsible for 90 per cent of jobs in the developing world. "It is, therefore, critical to boosting the development of a broad-based private sector."

A fillip for small businesses

FROM PAGE B1

A central banker said banks were not using the refinance scheme much as they were sitting on cash.

Banks and NBFIs have so far used about 30 per cent of the Tk 10,000-crore refinance scheme. But, the demand for the fund will go up once the economy starts to pick up.

The refinance facility under the project will be given on a "first come, first served" basis. This means lenders that apply first would enjoy the support first.

Banks and NBFIs will have to apply to the central bank by July 15 for the fund, and have to sign a participation agreement.

Lenders will have to meet conditions to qualify for the fund.

The lenders that were profitable at least in the last two years will be eligible. The lenders whose default loans are more than 10 per cent can't apply.

The government will take $100 million from the AIIB initially. The rest of the fund will be secured in phases depending on the liquidity situation in the banking sector, the central banker said.

The government signed the loan agreement with the AIIB on February 26.

The multilateral lender will disburse the fund at a 2 per cent interest rate. The repayment tenure is five years.

Despite being the hardest hit, most CMSMEs have not received loans during the pandemic.

12 fuel, power companies see profit rise

FROM PAGE B1

Regarding fuel companies, the managing director said state-run companies have huge deposits in banks which had an impact for the lower interest rate regime in the banking sector.

Among lubricant makers, newly listed Lub-rref (Bangladesh) saw profits rise 20 per cent to Tk 50 crore.

"Thanks to the rebounding of economic activities in the current fiscal year, the fuel and power sector is enjoying higher profits now," said Mofijur Rahman, chief financial officer of Lub-rref Bangladesh.

However, sales growth in the year is still low, between 3 per cent and 4 per cent, he said, adding that the growth was 15 to 16 per cent in previous years.

As all industrial activities had been impacted during the pandemic, the amount of lubricant on demand was low, he added.

Brac Bank cancels card transactions

FROM PAGE 1

This is not the first time Brac Bank severed ties with such companies in the interest of both clients and banks, he said.

He declined to further comment on the issue. Evaly, one of the top e-commerce sites, has had its official Facebook page crowded with a slew of complaints of customers seeking either products or refunds after making payment months in advance.

The platform did not immediately respond to a request of The Daily Star for comments.

Alesha Nahid Apu, executive director for marketing and communication at Alesha Holdings, one of the concerns of which is Alesha Mart, said it was a decision of the Brac Bank management and a matter of their policy. "So, we have nothing to say about their decision," said Apu.

"But at our end, we think if they check the matter for which they have taken this decision, then it will be resolved because there is no problem from our side," added Apu.