NRBC BANK

SM Parvez Tamal, chairman of the NRBC Bank's Board of Directors, virtually presided over its 8th annual general meeting yesterday. The meeting approved 5 per cent stock and 7.5 per cent cash dividends for 2020. Managing Director and CEO Golam Awlia was present. Cricketer Shakib Al Hasan also attended the meeting as a distinguished shareholder.

ONE BANK

ASM Shahidullah Khan, chairman of the ONE Bank's Board of Directors, virtually presided over its 22nd annual general meeting recently. The bank announced 6 per cent cash and 5.5 per cent stock dividends in the meeting. Executive Committee Chairman Zahur Ullah, board directors Shawket Jaman and Anannya Das Gupta, Independent Director Aurangzeb Chowdhury and Managing Director M Fakhrul Alam also attended.

Data confirms US inflation spike but unlikely to rattle Fed

AFP, *Washington*

Prices have indeed spiked in the United States, government data released Friday said, but analysts believe the increase isn't enough to change minds at the Federal Reserve, which is planning to keep rates low to help the economy recover from the Covid-19 pandemic.

The Commerce Department's personal consumption expenditures (PCE) price index in May rose 3.9 per cent from the same month in 2020, its largest year-on-year increase since August 2008, the data said.

However much of the increase was in energy prices, which a year ago were languishing after business restrictions to stop the virus from spreading caused a sharp downturn in demand.

The dynamic -- a big price spike relative to 2020 in sectors hit hard by the pandemic -- was what Fed officials led by Chair Jerome Powell had bet would happen as the US economy reopens, and is unlikely to change minds at the central bank.

"From the Fed's perspective, price pressures are transient and will abate as reopening effects fade and supply constraints ease," Rubeela Farooqi of High Frequency Economics said.

Economists have debated for months over whether the Fed's zero interest rates and the US government's trillions of dollars in stimulus spending will cause inflation to soar when Covid-19 vaccines allow business to return to normal.

The PCE data is particularly closely watched because it is what the Fed uses to gauge inflation, which it aims to keep around two per cent.

"Core" inflation with volatile food and energy prices excluded was at 3.4 per cent year-on-year last month, and Gregory Daco of Oxford Economics predicted it would run around three percent for the second half of this year.

"We don't foresee runaway inflation," he said in a note.

As the severity of the Covid-19 crisis became clear, the Fed cut interest rates to zero in March 2020, then announced a new framework that would keep them lower for longer to help the economy achieve maximum employment, particularly for less-educated people and racial minorities.

But with the country rebounding strongly from the record downturn the pandemic caused that year, some economists say the Fed will have to raise rates sooner than expected.

There is evidence of agreement on the rate-setting Federal Open Market Committee.

At its meeting earlier this month, a majority of members predicted rates will increase in 2023, a change from March, when members didn't see rate hikes until at least 2024.

In testimony before a House committee earlier this week, Powell downplayed recent inflation data, predicting it would be temporary.

"Look at the categories where these prices are really going up, you'll see that it tends to be areas that are directly affected by the reopening. That's something (they) will go through over a period that will then be over," he said.Friday's PCE data supported that.

The sector that saw the largest price jump was energy, which was up 27.4 percent year-on-year, while food prices rose 0.4 per cent, much less than in recent months. Compared to April, prices overall rose 0.4 per cent, slower than that month's 0.6 per cent month-on-month rate.

The data also showed consumers were steering their dollars away from expensive goods and towards restaurants, hotels and recreation activities that had been disrupted during the pandemic.

However spending overall increased just $2.9 billion, less than expected and basically flat from the month prior.

Personal income fell two percent, less than forecast, in what the report said was due to the fading of government stimulus payments approved in March that inflation hawks had seized on to say the economy would overheat.

Ian Shepherdson of Pantheon Macroeconomics said it is still possible inflation could accelerate.

"The key question for the Fed, though, is whether the spike in core inflation raises inflation expectations, and whether employees have the power to translate higher inflation expectations into faster wage growth," he said in an analysis.

AFP

A rise in energy prices accounted for the bulk of the increase in the May PCE price index, government data said.

Midland Bank gets 'A1' rating

STAR BUSINESS DESK

The Credit Rating Agency of Bangladesh (CRAB) has upgraded long term credit rating of Midland Bank to "A1" based on financial statements as of December 31, 2020, whereas it was "A2" last year.

A long term "A1" rating indicates strong capacity to meet financial commitments, high quality and being subject to low variability in credit risk, says a press release.

In a short term rating, the bank has been awarded "ST-2", which indicates strong capacity for timely repayment of its commitments.

Modhumoti Bank gets 'A1' rating

STAR BUSINESS DESK

The Credit Rating Agency of Bangladesh has upgraded the rating of Modhumoti Bank to "A1", to be effective till June 30, 2022, based on its financial statements as of December 31, 2020. Last year it was "A2", says a press release.

A long term "A1" rating indicates strong capacity to meet financial commitments and obligations. In a short term rating, the bank has been awarded an "ST-2", which indicates strong capacity in timely repayment of obligations.

Scaled-down mobile congress returns to Spain

AFP, *Spain*

A smaller version of the world's biggest mobile fair opens Monday in Spain under tight virus controls, with top firms avoiding an in-person presence after the pandemic derailed last year's edition.

The four-day Mobile World Congress (MWC), one of the first big technology conferences staged in Europe since the start of the pandemic, comes as global smartphone sales are rebounding after slumping in 2020 due to the economic havoc caused by the health crisis.

It will take place both in-person at Barcelona's main conference centre as well as in digital form, with a live performance by US rock legend Jon Bon Jovi and an online appearance by tech billionaire Elon Musk.

Many major firms like Samsung, the world's top smartphone maker, Nokia, Google and Facebook have pulled out of the in-person event, citing virus concerns although some will take part virtually.

China's beleaguered Huawei, whose smartphone business has been battered by US sanctions, will be the biggest firm with a physical presence at the show.

"It is quite evident that the show will be vastly different from previous years," Mats Granryd, director general of the industry association that stages the congress, the GSMA, told AFP. "It won't have the same buzz as before. "Unlike in other years, no major phonemaker is scheduled to present a new flagship device at the event, although some small Chinese and European firms are expected to unveil new phones.

The event -- which is usually held in February -- will occupy just three halls of the congress centre this year, compared to eight in the past.The GSMA has limited attendance to 50,000 compared with a normal attendance of around 100,000.It expects 30,000-35,000 people to actually attend, although Granryd warned it was "very difficult" to make forecasts this year. While participating firms were sending far fewer people to the congress those who are coming tend to be top executives, he added.

Organisers are offering Spanish residents working in 11 "key" industries such as finance a pass for the event for just 21 euros ($25), compared to several hundred euros normally. Participants will only be allowed into the congress if they have a negative Covid-19 test result which is less than 72 hours old.Once inside they must wear medical-grade FFP2 face masks at all times and follow a one-way walking system.

Global dirty money watchdog adds Malta to 'grey list', keeps Pakistan

REUTERS, *Paris*

A global dirty money watchdog said on Friday it had added European Union member Malta to its "grey list" of countries under increased monitoring, and kept Pakistan on the list despite progress on tackling terrorism financing.

The Financial Action Task Force (FATF) also said that Haiti, the Philippines and South Sudan were added to its grey list, and that Ghana had been removed after the country had made progress.

The Maltese government had already flagged its inclusion on the list, which indicates deficiencies but has no legal repercussions, in a move that Prime Minister Robert Abela called "unjust".

FATF made its move after years of international criticism of Maltese policymaking, including the sale of national passports, as well as a lack of legal action against government officials who were mentioned in the Panama Papers as having set up secret offshore companies.

"There remains serious weaknesses and areas of work that Malta must address," FATF president Marcus Pleyer told a news conference. "It is crucial for Malta to make sure that there are systems in place that are strong enough to prevent money laundering and terrorism financing."

Pleyer said that Pakistan remained under increased monitoring despite substantial progress addressing everything on a 2018 action plan except a last item concerning the investigation and prosecution of senior leaders and commanders of UN-designated terrorist groups.

He added that Pakistan was still failing to put global anti-money-laundering standards into place.

"This means the risks of money laundering remain high, which can in turn fuel corruption and organised crime".

The Philippines' Anti-Money Laundering Council, chaired by the central bank governor, issued a statement on Saturday declaring the country's commitment to implement 18 action points from the FATF plan within the prescribed timeline.

The Philippines passed a law in January to strengthen anti-money laundering and terrorist financing regulations.

A general view of Valletta, Malta. The Maltese government had already flagged its inclusion on the list, which indicates deficiencies but has no legal repercussions.

REUTERS/FILE

Prepare for AI technology

FROM PAGE B4

The forecasting is based on a guesstimate, Saif said, calling the market dark because there is no data about it.

"Companies could predict market demand and design the manufacturing process from production capacity to the supply chain through machine learning and big data analysis from the consumption data collected in mom-and-pop stores by distributors."

In a pre-recorded presentation, Masahiro Nakamura, chief executive officer of Lexer Research Inc of Japan, said: "We are racing to the AI technologies for much functioning, but there are different difficulties in the production process, as well as in production and resource management."

Speaking as a panelist, Ly Ly Cao, a reporter at Viet Nam News, said Vietnam has been famous for its cheap labour and labour-intensive factories for a long time.

"But things are improving as industries are adopting more high technologies," she said, adding that the government has launched supportive policies for companies adopting high technologies.

Applying AI would require big data and companies can collect data from various sources. But it would be a challenge to ensure the quality of data, she said.

Chai Hua, a senior business reporter of China Daily Asia Pacific, highlighted the shortage of AI talent with high academic degrees and a keen willingness to devote themselves to manufacturing industries.

"We should develop talent training models and accelerate the cultivation of more AI talent in manufacturing."

DJ Clark, multimedia director of China Daily Asia Pacific, and Pana Janviroj, executive director of the Asia News Network, moderated the programme.

Revisit corporate tax hike for MFS

FROM PAGE B4

Such uniquely effective small step of MFS for gigantic financial inclusion in the cash-driven economy of Bangladesh needs prudent regulation.

As opposed to the reduction of 2.5 percentage points for all other companies, this year's budget proposes the corporate tax hike on MFS from 32.5 per cent up to 40 per cent. It is like plugging a bomb with the altimeter which explodes once the aircraft ascends to cruising altitude.

Since no MFS outfit makes a profit, the corporate tax does not apply to them either. They collect 10 per cent advance income tax (AIT) from their agents and 12 per cent AIT from the distributors on behalf of the government. In addition, there is a 15 per cent value-added tax on the cash-out fees.

According to bKash, the dominant MFS, Tk 638 crore was paid as taxes while it incurred a loss of Tk 81 crore during the 2019-20 fiscal year. Yet bKash and its 14 other rivals keep investing in their long pursuit for profit. But the taxmen want to count the chickens before they hatch.

It sends a chilling signal to existing and potential investors of the technology-centric nascent MFS industry. Continuous investment in technology to run secured digital payment operations consumes the yield of rising MFS. It seems incomprehensible among the policymakers.

Tax authorities have wrongly bracketed the MFS industry with the scheduled banks. Banks make money from decades-old, if not centuries, mammoth lending products. The MFS companies are, however, mostly cash movers using mobile phone technology.

Unlike banks, the MFS outfits deal with negligible numbers of very old-fashioned retail banking products with minimal yield. Some of them, like remittance handling, are strictly asymmetric as it only delivers converted inward cash. Fundamentally, structural difference and huge operational disparity between banks and MFS should be the guiding principle of taxation.

Authorities should appreciate the fact that MFS outfits, not the traditional banks, have effectively succeeded in bringing the mass population of Bangladesh to the formal channel of payments.

The journey is, however, far from over, as only 20 per cent, or 37 million, of the population, actively operate MFS accounts, according to the central bank. The growth potential of the MFS market, with 15 providers, lies with 174 million mobile phone users.

Therefore, the MFS market should be allowed to grow, while premature and counterproductive 40 per cent corporate tax waits for everybody's interest.

The author is a senior policy fellow at LIRNEasia