BB sticks to expansionary policy despite liquidity pileup

AKM Zamir Uddin

Despite record excess liquidity in the banking system and depressed credit growth, the Bangladesh Bank yesterday said it would continue its expansionary monetary stance in the current fiscal year to help the economy ride out the slowdown.

Although the previous expansionary monetary policy largely failed to augment the demand in the economy battered by the coronavirus pandemic, the BB again took the same route for fiscal 2021-22 to counter the impacts of the crisis.

This means, bringing the coronavirus situation under control continues to hold the key for the economy to weather the lingering slowdown.

The annual monetary and credit programmes for FY22 are outlined to make sure that there is enough room for money and credit growth to sufficiently support the targeted nominal GDP growth while remaining vigilant about commodity and asset price movements, the statement said.

"In case of any unexpected price pressure development or formation of any sporadic asset price bubbles due to the presence of ample excess liquidity in the banking system, the BB will not hesitate to take appropriate policy action if required, throughout the year ahead."

The existing credit programmes in the form of various stimulus packages would help give a boost to the agriculture, SMEs and export-oriented sectors.

The central bank rose to the occasion to go beyond the traditional frameworks and has loosened monetary policy tools since the start of the pandemic in Bangladesh in March last year.

But there is a doubt whether the central bank would be able to make the productive sector vibrant amid a fall in demand as the Delta variant of Covid-19, the most contagious form of the novel coronavirus, is sweeping the country.

"We have cautiously drawn up an expansionary and accommodative monetary policy by coordinating the government's expansionary fiscal policy," BB Governor Fazle Kabir said in a statement.

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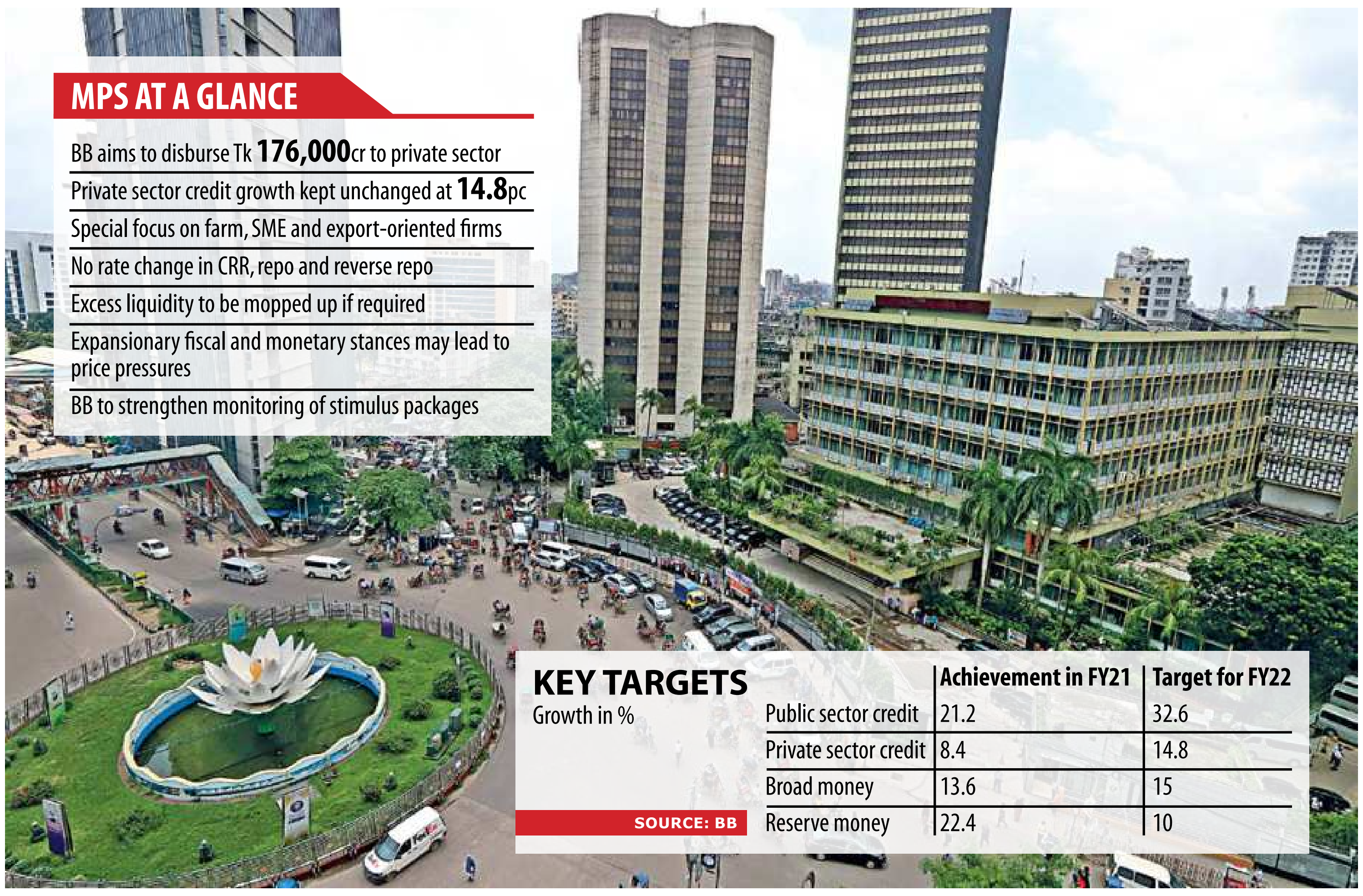

MPS AT A GLANCE

- BB aims to disburse Tk **176,000**cr to private sector
- Private sector credit growth kept unchanged at **14.8**pc
- Special focus on farm, SME and export-oriented firms
- No rate change in CRR, repo and reverse repo
- Excess liquidity to be mopped up if required
- Expansionary fiscal and monetary stances may lead to price pressures
- BB to strengthen monitoring of stimulus packages

KEY TARGETS

Growth in %

	Achievement in FY21	Target for FY22
Public sector credit	21.2	32.6
Private sector credit	8.4	14.8
Broad money	13.6	15
Reserve money	22.4	10

SOURCE: BB

Time to be more pragmatic

Salehuddin Ahmed

The latest monetary policy was declared yesterday, while the previous one was in July 2020. In my immediate reaction I want to question why monetary policies should come about on a yearly basis. It is not a budget which, under constitutional limitations, has to take place on a yearly basis. The monetary policy does not need to have such a requirement. Moreover, money variables deal with some volatility, so it is proper for it to be half-yearly. If that is done, there will be no need to issue periodic circulars which are on an ad-hoc basis.

Coming back to the monetary policy, it starts with a GDP growth of 6.1 per cent and inflation rate of 5.56 per cent. Some other macro variables including foreign exchange reserves also look good. But question arises on the growth rate and inflation. If you deconstruct the growth, it is difficult to see the sectors from which it comes from.

The Covid-19 pandemic has dealt a severe blow. Even then the agriculture sector and some select large industries have withstood that blow. But to justify a 6.1 per cent growth is difficult.

The inflation rate measurement has methodical problems. The reality does not conform to the official figure of inflation. Yet to me, the point here is that at this juncture, Bangladesh should not bother with so called trade-off between growth and inflation estimate.

What is now important is to revive the economy, create employment opportunities, boost up agricultural production and increase foreign currency earnings.

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Cryptocurrency trading not allowed: BB

Star Business Report

Bangladesh Bank once again said yesterday that it does not allow holding or trading of any kind of virtual coin or cryptocurrency in the country.

The central bank's announcement came as confusion built up after it sent a letter to the Criminal Investigation Department of the police that trading of cryptocurrencies cannot be considered a crime although virtual coins are illegal under the laws of the country.

In a circular and through its website on December 24 in 2017, the Bangladesh Bank asked all to refrain from trading of virtual currency.

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Let factories reopen

FBCCI, BGMEA urge govt

Star Business Report

The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) yesterday urged the government to allow them to reopen all factories, including export-oriented industries, citing that export might suffer severely for the continued restriction.

The apex trade body made the call at a meeting with Cabinet Secretary Khandker Anwarul Islam where leaders of Bangladesh Garment Manufacturers and Exporters Association (BGMEA), Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) and Bangladesh Textiles Mills Association were present.

Manufacturing activities have been shut owing to restrictions to contain the spike of coronavirus infection and as a result, the supply chain is at risk of breaking down, FBCCI President Md Jashim Uddin said at the meeting.

He said both the producers and consumers are suffering directly and indirectly.

The FBCCI president also said the resumption of factories has become urgent as the factories such as processing and pharmaceuticals are encountering difficulties in getting packaging and wrapping materials for their products.

"We also have a target to achieve US$51 billion this fiscal year," he said.

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PORT DECONGESTION

NBR move yet to prove effective

Container congestion looms over ICDs

Dwaipayan Barua, *Ctg*

A National Board of Revenue's (NBR's) temporary permission to shift import-laden containers from the Chattogram port to private inland container depots (ICDs) as a decongestion effort seems to have borne no fruit.

Rather, it now poses a threat of container congestion at the private ICDs as deliveries from there also remains poor.

The private ICDs are already choked with a backlog of export cargoes.

Port users said such initiatives would prove futile unless importers start taking deliveries at their regular pace.

Import-laden containers have been piling up at the port due to a record low in deliveries being taken amidst the Eid holidays and countrywide lockdown.

The NBR on July 25 gave the permission to move all types of import-laden containers to the ICDs till August 31.

Previously, containers carrying 38 types of items were allowed to be taken to the ICDs to be unstuffed and delivered from there. Some 43,574 TEUs (twenty-foot equivalent units) of containers were lying at the port against its storage capacity of 49,018 TEUs up until the morning of July 25, when the NBR order came.

The CPA chairman earlier said they would try to keep less than 40,000 TEUs at the port by shifting the remaining to make operational activities smooth at the port.

As of yesterday morning, the port had 42,585 TEUs. A total of 3,925 TEUs of import containers were sent to the 19 ICDs in the last three days till yesterday afternoon, according to the ICDs.

But a majority had the previously allowed 38 items and a few had the newly permitted items, said the ICD sources.

In the permission order, the NBR set a condition for all containers to be scanned before being transferred while physical examination of all those carrying commercial items.

It is taking time for implementing these conditions, said the sources.

The ICDs currently do not have adequate capacity to receive a big chunk of import-laden containers from the port, said Bangladesh Inland Container Depots Association Secretary Ruhul Amin Sikder.

READ MORE ON B3

BATB to invest Tk 322cr for expansion

Star Business Report

British American Tobacco Bangladesh (BATB) has made its second investment announcement in a span of six months, saying it was aimed at expanding for meeting growing demand from abroad.

The cigarette maker yesterday made public plans over a Tk 322 crore investment in its Savar factory.

Last February, it announced investing Tk 192.50 crore to increase its manufacturing capacity.

Commercial operations at the plant is expected to start within October.

As demand from abroad is rising, the investment is being increased step by step, said Company Secretary Md Azizur Rahman, adding that excess production capacity in absence of demand would have impacted cash flows.

"We have to compete with Singapore, Malaysia and other developed nations but we are capable enough to compete so our demand is rising," he said.

The company in recent months sent products to China, the Maldives and other countries despite the challenges of the pandemic, he said.

"We are meeting our finance demand from internal sources mainly. If needed we will go to banks," said Rahman.

"Our new planned expansion activities will take around one year for commercial operations to launch because there are many things to do," he said.

READ MORE ON B3

Set yourself up for a successful retirement

Md Abu Talha Sarker

Saidur Rahman Shamim has been working in the garment industry for more than 25 years. Yet, despite working for such a long time, he literally lives from hand to mouth.

Nowadays, the 50-year-old is worried about the future of his two children and his post-retirement life as he does not have much savings. He would receive some money in the form of service benefit if he is laid off or goes into retirement, although the amount would not be much.

His worry about the future led him to open an insurance policy two years ago so that his family can absorb shocks in case of his sudden death or the loss of income because of age.

"I can't sleep well when I think about the future," Shamim said. The situation is much better for Didarul Hasan, who has been working for a reputed company in a well-paid position.

But he, too, became aware of the importance of savings after joining a private bank as private-sector employees in Bangladesh don't enjoy any pension facility.

"Both my father and father-in-law are former government employees. I can see the tension-free life they lead because of the pension," the 38-year-old mid-level executive says.

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ANISUR RAHMAN

This row of shops, including those of street vendors, on GPO Road in the capital has been shut amidst the ongoing "strict" lockdown till August 5. The government has taken a primary decision to extend the lockdown if Covid infections continue to surge. It has also turned down a plea from businesspeople, including garment manufacturers, for letting them resume operations of factories. The photo was taken recently.

Facebook deposits Tk 2.4cr VAT

Star Business Report

Social media giant Facebook has deposited nearly Tk 2.4 crore in value-added tax (VAT) after it got registration for the indirect tax with the National Board of Revenue (NBR).

The VAT was paid through Facebook Ireland Ltd, Facebook Payments International Ltd and Facebook Technologies Ireland Ltd for the month of June, said Pramila Sarker, additional commissioner of the Customs, Excise and VAT Commissionerate, Dhaka (South).

Three entities of Facebook got Business Identification Numbers (BINs) from the commissionerate in June this year.

READ MORE ON B3

SBAC BANK

South Bangla Agriculture and Commerce (SBAC) Bank allotted 60 shares for general investors, 76 for affected investors and 108 for investors living abroad through an announcement at Dhaka Stock Exchange (DSE) head office in Dhaka yesterday. The company completed its initial public offering (IPO) subscription from July 5 to July 12. SM Amzad Hossain, chairman of SBAC Bank, Mosleh Uddin Ahmed, managing director and CEO, Tariq Amin Bhuyan, managing director of the DSE, and M Shaifur Rahman Mazumdar, chief operating officer, were present.

Rights group urges US customs to probe Goodyear Malaysia

Reuters, *Kuala Lumpur*

Rights group Liberty Shared has asked United States customs authorities to investigate the Malaysian operations of American tyre maker Goodyear Tire & Rubber Co over accusations of abusive labour practices, the group told Reuters.

The Hong Kong-based anti-trafficking group said its June petition to US customs, based on lawsuits and police reports by migrant workers, was probably the first such effort against a subsidiary of an American-owned company in southeast Asia.

"The conditions and treatment they have endured seem to satisfy the International Labour Organisation's forced labour indicators," the group's managing director, Duncan Jepson, said in its first comments to media on the issue.

Goodyear, one of the world's largest tyre makers, said it was not aware of any petition on the matter, while the UN agency did not immediately respond to a request for comment. Malaysia, which employs millions of foreign workers, has faced growing accusations of exploitative labour practices, and received the worst ranking this month in an annual US report on human trafficking.

Similar petitions to US customs, including one last year by Liberty Shared regarding Malaysian palm oil producer Sime Darby Plantation, have led the United States to block imports over suspected use of forced labour.

Goodyear's Malaysian unit was asked by an industrial court to pay back wages to migrant workers and comply with a collective pact, after dozens of foreign workers sued over unpaid wages and unlawful overtime, Reuters reported in May.

It has challenged two verdicts in the High Court.

In its response to the rights group's comments, Goodyear added that it had strong policies to protect human rights.

"We take seriously any allegations of improper behaviour and are committed to ensuring that our business practices and those of our associates, operations and supply chain adhere to all applicable legal requirements and the requirements in our policies," a spokesperson said in an email.

UK bank Lloyds logs soaring profit on Covid recovery

AFP, *London*

British bank Lloyds said Thursday that first-half net profits surged on lower-than-expected credit losses as the economy extended its recovery from the Covid-19 pandemic.

Profit after tax soared to 3.9 billion ($5.4 billion, 4.6 billion euros) in the six months to June, Lloyds Banking Group (LBG) said in a results statement.That compared with slender net profit of 19 million one year earlier. LBG released a total of 837 million that had been set aside to cover souring loans during the pandemic.That compared with a vast impairment charge of 3.8 billion last time around linked to the emergency health crisis.

"During the first six months of 2021, the group has delivered a solid financial performance with continued business momentum, bolstered by an improved macroeconomic outlook for the UK," said interim chief executive William Chalmers.

"While we are seeing clear progress in the vaccine roll-out and emergence from lockdown restrictions, the coronavirus pandemic continues to have a significant impact on the people, businesses and communities of the UK.

The lender was also helped by a booming domestic property market.Lloyds meanwhile unveiled a 390-million deal to buy savings and pensions firm Embark.Chalmers is leading the bank until incoming new boss Charlie Nunn takes the helm in August.

Rival Barclays had revealed Wednesday that its first-half net profits jumped to 3.8 billion on the back of the improved economic outlook.

In England, the bulk of lockdown measures were lifted last week after a phased easing of restrictions.

Tougher curbs however remain across the rest of the UK.Nevertheless, the highly-transmissible Delta coronavirus variant is forcing some countries to reimpose restrictions.

China's efforts to calm investor jitters help markets rebound

Reuters, *Hong*

China stepped up attempts to calm frayed investor nerves after a wild markets rout this week by telling foreign brokerages not to "overinterpret" its latest regulatory actions, setting the stage for a rebound in beaten-down stocks on Thursday.

Chinese state media also joined in to say yuan-denominated assets in China remained attractive and that short-term market panic did not represent long-term value.

China stocks had their best day in two months on Thursday. The blue-chip CSI300 Index jumped 1.9 per cent and the Shanghai Composite Index gained 1.5 per cent, but for the week, the gauges are still down 4.7 per cent and 3.9 per cent, respectively.

Shenzhen's start-up board ChiNext jumped 5.3 per cent, recouping nearly all of this week's savage losses.

Hong Kong's Hang Seng Index ended Thursday up 3.3 per cent, shrinking this week's loss to 3.7 per cent. The Hang Seng Tech Index , the target of a heavy sell-off earlier this week, surged 8 per cent, but is still down 4.3 per cent for the week.

The gains came after the securities regulator on Wednesday night held a meeting with executives of top global investment banks with an aim to calm financial markets nerves, people familiar with the matter told Reuters.

The meeting added to official efforts to shore up investor confidence, which has been dented by Beijing's sweeping regulatory actions that hit firms in the $120 billion private tutoring sector and technology behemoths.

"This is more to calm the market to isolate the education industry and not to overinterpret it," said one of the people, who has knowledge of the meeting held by China Securities Regulatory Commission (CSRC) vice chairman Fang Xinghai.

At the meeting, Fang told the bankers that official policies would be rolled out more steadily to avoid sharp volatility in the markets, said another person, adding Fang also indicated the crackdown was not aimed at decoupling Sino-U.S. financial markets.

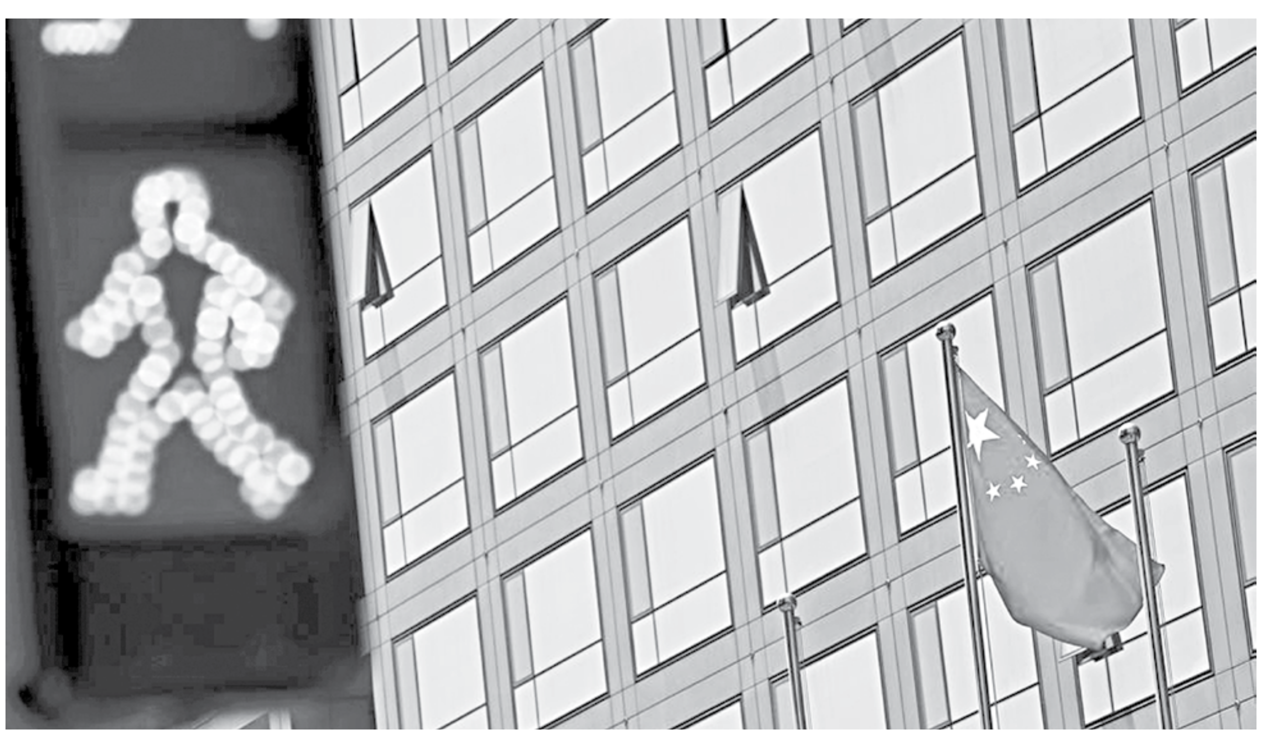
Executives from investment banks Credit Suisse, Goldman Sachs, JPMorgan and UBS, among others, attended the meeting, said the people, who declined to be named as they were not authorised to speak to the media. The regulator only invited those foreign brokerages with existing licenses to operate in the country, said a separate person with knowledge of the meeting.

CSRC did not immediately respond to Reuters' request for comment. Representatives at Credit Suisse, Goldman, JPMorgan, and UBS declined to comment. Bloomberg first reported the regulatory meeting on Wednesday. "Recent events definitely have a negative impact on the global investor sentiment about China. So the risk is whether the long-term money will also pull out of China," said Wang Qi, CEO at fund manager MegaTrust Investment (HK).

"In terms of the foreign capital flows, whatever happened lately was mostly driven by hedge fund type hot money ... we welcome any Chinese government's moves to increase transparency and rebuild investor confidence."

The CSRC meeting followed a brutal sell-off in shares of Chinese companies this week after investors were spooked by Beijing's rules that ban for-profit tutoring in core school subjects.

The new rules for the private education companies closely followed China's antimonopoly campaign against technology giants and new regulations for home-grown companies looking to list overseas.



A Chinese national flag flutters outside the China Securities Regulatory Commission building on the Financial Street in Beijing, China on July 9.

REUTERS

Higher oil prices boost Mexico's Pemex in Q2

AFP, *Mexico City*

Mexican state energy giant Pemex said Wednesday that a recovery in oil prices helped it make a profit of around $720 million in the second quarter of 2021.

The company reported net earnings of 14.4 billion pesos for the three months through June, compared with a loss of 44.3 billion pesos in the same period of 2020. Revenue soared to 347.4 billion pesos, from 181.69 billion a year earlier, according to a company statement.

The most important drivers were "the recovery in prices at a global level and to a lesser extent the volumes sold," the group said.

Total debt stood at $115.1 billion at the end of the second quarter, up from $113.9 billion at the end of March, it said.

Pemex is battling back from what it called the worst crisis in its history last year due to the coronavirus pandemic.

The group lost around $23 billion in 2020 due to a slump in demand for energy that caused oil prices to briefly turn negative for the first time.

On Tuesday, credit ratings agency Moody's downgraded Pemex from Ba2 to Ba3 with a negative outlook, putting it deeper in junk bond territory, due to concerns about liquidity and business risks.

US pending home sales decline in June as prices climb

Reuters

Contracts to purchase previously owned US homes declined in June in step with a spike in home prices after rebounding strongly in the prior month.

The National Association of Realtors (NAR) said on Thursday its Pending Home Sales Index, based on contracts signed last month, fell 1.9 per cent to 112.8. Economists polled by Reuters had forecast pending home sales would increase 0.3 per cent.

Pending home sales for May were revised to show an increase of 8.3 per cent instead of the 8.0 per cent gain previously reported.

Pending home contracts are seen as a forward-looking indicator of the health of the housing market because they become sales one to two months later.

"Pending sales have seesawed since January, indicating a turning point for the market," Lawrence Yun, NAR's chief economist, said in a statement. "Buyers are still interested and want to own a home, but record-high home prices are causing some to retreat."

House prices have soared in the past year, with the median price for both new and existing homes now topping $360,000.

Compared with one year ago, pending home sales were down 1.9 per cent.

Sharp drops in pending home sales in the South and West in June outweighed modest increases in the Northeast and Midwest.

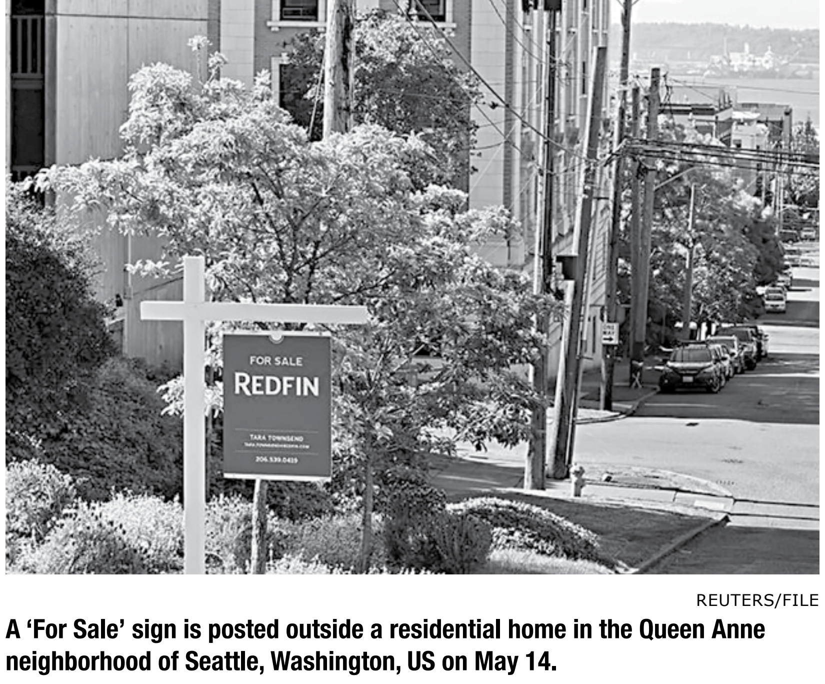
"The Midwest region offers the most affordable costs for a home and hence that region has seen better sales activity compared to other areas in recent months," Yun said.

Home prices have surged nationwide in large part due to limited supply. Contrary to the run-up to the 2007-2009 financial crisis, the current boom does not feature a frenzy of speculators and buyers with low credit scores trying to flip homes.

Sales of new single-family homes fell for the third consecutive month in June, hitting a 14-month low. However, existing home sales rebounded moderately last month.

"With prices at record highs and mortgage rates still hovering near record lows, sellers are recognizing the favorable conditions," said George Ratiu, senior economist at Realtor. com.

The average contract interest rate for traditional 30-year mortgages declined to 3.01 per cent - its lowest level since February - in the week ended July 23.



REUTERS/FILE

A 'For Sale' sign is posted outside a residential home in the Queen Anne neighborhood of Seattle, Washington, US on May 14.

Qualcomm optimistic on 5G

Reuters

Qualcomm Inc on Wednesday predicted a rise in sales of chips for 5G phones, including Apple Inc's iPhone, as the company said it had mitigated supply shortfalls that have contributed to a global chip shortage.

Qualcomm total revenues rose 63 per cent to nearly $8 billion, boosted by soaring sales of chips for connected devices that hit $1.4 billion.

The San Diego, California-based company is the biggest supplier of mobile phone chips in the world and the leader in 5G technology, supplying modem chips that help iPhones connect to wireless data networks and the modems and central processors for much of the Android market.

Shares were up 3.1 per cent to $146.86 in after-market trading following the results, which could alleviate some concerns among investors about the impact of the shortage on the smart phone market, including the iPhone.

Qualcomm Chief Executive Officer Cristiano Amon told investors during a conference call that the company's efforts to secure its chips from multiple manufacturing partners were making progress bolstering supplies, with the first shipments of significant volume in the fiscal third quarter and more to come in the coming months.

"We're still on track to materially improve supply by the end of the calendar year," Amon said.

The company is also benefiting from the exit from the global smartphone market of China's Huawei Technologies Co Ltd . Huawei's flagship models did not use Qualcomm chips but its rivals, who are now snapping up market share, mostly do.

Qualcomm has boosted sales of other chips, such as radio-frequency chips that augment its 5G phone chips and whose sales have doubled in the past year. Sales are also growing for a variety of chips for cars and for "internet of things," or IoT, applications.

Qualcomm said on Wednesday it expects sales of those chips to hit $10 billion this fiscal year, up from $6 billion the previous year. The company also said it expects adjusted profits of $8.24 per share for its fiscal 2021, nearly double the year before.

Qualcomm's chip revenue forecast for the current fiscal fourth quarter had a midpoint of $7.25 billion, compared with analyst estimates of $6.83 billion, according to Refinitiv data.

Amon said even as its own bottlenecks ease as it brings on more manufacturing partners, some of Qualcomm's customers cannot find the supporting chips from other vendors that they need to make full devices.

"We continue to see strong demand in every single business outpacing supply," he said on the call.

Apple on Tuesday predicted the chip shortage would start to hit its iPhone in the fourth quarter.

On Wednesday, Qualcomm said that global sales of 5G handsets for 2021 was likely to come in at the higher end of its forecast of 450 to 550 million handsets.

That means that phone makers are likely directing any chips that are in short supply toward production of their more profitable 5G devices. Apple shares rose 0.14 per cent in after-hours trading after Qualcomm's results.

A Qualcomm sign is seen outside one of the company's many buildings in San Diego, California, US.

REUTERS/FILE

Spain's unemployment rate falls in Q2

REUTERS, *Madrid*

Spain's unemployment rate fell in the second quarter of the year as companies hired more staff following the easing of Covid-19 restrictions, official data showed on Thursday.

Data from the National Statistics Institute (INE) showed the unemployment rate fell to 15.26 per cent in the April-June period from 15.98 per cent in the previous quarter. Economists polled by Reuters had forecast the rate would drop to 15.10 per cent.

The unemployment rate remains well above the 13.78 per cent rate recorded in the fourth quarter of 2019 before the pandemic hit Spain.

The government expects the unemployment rate to fall to 15 per cent at the end of this year and to 14 per cent in 2022, Economy Minister Nadia Calvino said earlier this week.

Around 465,000 new jobs were added over the period, showing the economy has improved from the 0.4 per cent contraction in the first quarter when the government toughened restrictions to curb new waves of Covid-19 infections. The hundreds of thousands of workers who were put on government-supported furlough since the beginning of the pandemic were not included in unemployment data. Many of them are now returning to work.

INE is expected to release gross domestic product data for the second quarter on Friday.

REUTERS/FILE

People walk near closed shops amid the coronavirus disease outbreak in Madrid, Spain.

Swedish economy surpasses pre-pandemic size

REUTERS, *Stockholm*

Sweden's economy looks to have recovered all of the losses wrought by the Covid-19 pandemic, economists said, after preliminary figures released on Thursday showed the country was at the forefront of the economic rebound.

While its economy shrank 2.8 per cent in 2020 when the pandemic first hit, Sweden was not hit as hard as many other countries thanks in part to less onerous Covid-19 rules which allowed most businesses to stay open.

Now, with a vaccine rollout accelerating and more restrictions being lifted, gross domestic product expanded by 0.9 per cent in the second quarter from the previous period, a preliminary estimate from the Statistics Office showed.

A Reuters poll had forecast quarterly growth of 0.7 per cent.

Against the second quarter of last year, GDP was 10 per cent higher.

This meant the economy was now bigger than its pre-pandemic size, economists said. "About 0.6 per cent up (from before pandemic) which puts Sweden at the front of the pack in European terms," David Oxley, an economist at Capital Economics, told Reuters.

In June, the government had said the economy would recover faster than previously expected, with the finance ministry revising its growth forecast upwards to 4.7 per cent for 2021.

NBR move yet to prove effective

FROM PAGE 1

"Currently we have over 12,000 TEUs of export-laden containers in the ICDs while usually 6,000 TEUs are stored," he said.

"We would not be able to receive much until a good portion of these export laden containers can be shipped off," he said.

Another problem is that importers are not promptly receiving goods off of containers being shifted, he said.

Taking deliveries from the ICDs is a time consuming and expensive process, said Chittagong Customs Clearing and Forwarding Association General Secretary Altaf Hossain Bachchu.

Importers, mainly readymade garment factory owners, prefer taking delivery of raw materials directly from the port, he said.

Echoing him, Bangladesh Garment Manufacturers and Exporters Association (BGMEA) First Vice President Syed Nazrul Islam said until the factories opened, deliveries both from the port and the ICDs would not gain momentum.

He, however, said some of their members, on being requested by the BGMEA central committee, have started taking deliveries.

BB sticks to expansionary policy despite liquidity pileup

FROM PAGE B1

The BB stance is in line with the suggestion of the International Monetary Fund, which said on Wednesday that clear communication from central banks on the outlook for monetary policy would be key to shaping inflation expectations and safeguarding against premature tightening of financial conditions.

Because of the business slowdown and depressed appetite for loans, the BB missed the private sector credit growth last fiscal year. It achieved 8.40 per cent credit expansion against the target of 14.80 per cent.

It has kept unchanged the credit growth for 2021-22 and aims to disburse Tk 176,000 crore to the private sector.

Kabir said that the central bank would not adopt any quantitative easing measure to implement the monetary policy.

Quantitative easing is a form of unconventional monetary policy in which a central bank purchases longer-term securities from the open market to increase the money supply and encourage lending and investment.

Kabir said the BB would rein in the flow of funds to the unproductive sector and would give utmost efforts to supply money to the productive and manufacturing sectors.

As part of the move, the new policy will focus on agriculture, SMEs, export-oriented industries and the informal sector, which have been hit hard by the pandemic.

It aims to achieve 7.2 per cent GDP growth and contain inflation at 5.3 per cent in FY22. The country failed to hit its targets on the two key macroeconomic indicators in FY21.

The governor went on to express a hope that the policy would generate quality jobs by offsetting the adverse impacts of the pandemic.

Economic activities have not rebounded as expected due to the economic slowdown, which has subsequently fueled excess liquidity, Kabir said.

The second wave has created an uncertain situation, which is why the central bank hasn't withdrawn the relaxations of various monetary tools, such as cash reserve ratio (CRR) and policy rates.

The BB earlier reduced CRR, which determines the portion of customer deposits that commercial banks must keep as a reserve with the central bank, by 100 basis points to 4 per cent.

A higher CRR means the banks must hold higher reserves and thus tighten the flow of cash.

The BB also slashed the repurchase agreement rate by 125 basis points to 4.75 per cent and cut the reverse repo rate by 75 basis points to 4 per cent to make funds cheaper for banks.

In addition, both the government and the central bank are now implementing 28 stimulus packages involving Tk 128,000 crore to help various sectors rebound.

This has created a record amount of excess liquidity, which stood at Tk 231,462 crore in June.

Cheap money created by the expansionary policy has already created some bubbles, as evidenced in the stock market and the housing sector. The benchmark index of the Dhaka Stock Exchange has surged in recent months riding on the excess liquidity.

"The central bank will use its monetary tools in the days to come to absorb any situation deriving from the excess liquidity," Kabir said.

The central bank warned that any further deterioration of the existing pandemic amid the continuation of global price hikes and any other unexpected crop loss in the next seasons might create some undue price pressures.

Kabir said the media reported that the soft loans under the stimulus package were being misused.

"Spot inspections on banks carried out by the central bank have been hampered due to the pandemic. Therefore, we have strengthened the off-site supervision," he said.

The BB has already asked banks to beef up the monitoring of the loan disbursement from the stimulus fund.

WHAT ANALYSTS SAY

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, said that the central bank had properly addressed the loan disbursement for the SME and agriculture sector.

"But the BB should have given a clear direction on how to mop up the excess liquidity."

The central bank now provides at least 50 per cent of the stimulus packages from its own sources.

"The BB should rein in the injection of the fund as it usually supplies funds in the form of reserve money, which fuels the excess liquidity," Mansur said.

Mustafizur Rahman, a distinguished fellow at the Centre for Policy Dialogue, said that there was no scope to achieve the private sector credit growth target if the ongoing Covid-19 situation persisted.

"There is no major risk for the inflation to hike now, but the government should give attention to contain the price pressure on food grains."

Rizwan Rahman, president of the Dhaka Chamber of Commerce and Industries, said that the target of the monetary policy could not be realised if the economy did not recover.

Shahidul Islam, chief executive officer of VIPB Asset Management, said until the credit growth went up and inflation pressure rose, the central bank should not withdraw the excess liquidity.

"Though the key index of the stock market has risen to its historic high, the overall market is not overvalued. Some stocks are overpriced because of manipulation," he said, adding that many blue-chip stocks were trading at lower prices.

Time to be more pragmatic

FROM PAGE B1

When I look at the monetary policy, I see Bangladesh Bank (BB) has mentioned it to be aimed towards investment and employment generation. In a tone of complacency, the BB states that its policy helped cottage, small and medium enterprises (CSMEs). How? What is the result? Has the Covid-19-induced package of the government announced last year benefitted small farmers? Yet the BB mentions that small farmers, street vendors, hotel workers, transport workers got some incentives. Time has come for BB and policymakers to be free from complacency and be more pragmatic.

The agricultural and rural credit policy mentions some packages like a refinancing scheme, credit guarantee scheme and startup fund for new entrepreneurs and self-employed. But the million dollar question is "'Do these people get access to the fund from banks and financial institutions?" Bankers, adopting conventional and routine procedures and with age-old orientation of profit making, risk reducing and aim of expanding their domains, still do not adopt innovative, forward looking and small-borrower friendly methods.

Bangladesh Bank mentions "Monetary Management and Supervision". What are the concrete actions? The BB must go beyond fixing targets and some monetary measures only. It also should emphasise on the implementation, monitoring and supervision of whatever policies, guidelines and norms exist for banks and financial institutions.

The first step is to reduce all problems of banks and financial institutions, ensure good governance. Without fixing the pillars, how can a stable economy be built up? The four things which should be kept in mind, not only for the present monetary policy but for subsequent periods, are: (a) impact of Covid-19 on the economy-wide sectors, (b) impact of changes in global trade and business, (c) removal of inequality and injustice created due to faulty strategies, and misplaced priorities and finally (d) employment generation.

Last but not the least, it is pertinent to point out that though the monetary policy has some lacks when it comes to having effect, it is important that it builds confidence of the people in the financial sector, including the capital market.

The writer is a former governor of Bangladesh Bank.

Cryptocurrency trading not allowed: BB

FROM PAGE B1

The banking regulator still does not allow or support trading of any cryptocurrency, such as Bitcoin, Ethereum, Ripple and Litecoin, Bangladesh Bank said in a statement yesterday.

Cryptocurrencies are a form of digital asset based on a network that is distributed across a large number of computers.

This decentralised structure allows them to exist outside the control of governments and central authorities.

In its public notice, Bangladesh Bank said transaction through any virtual currency will not be allowed as per the Foreign Exchange Regulation Act 1947, the Money Laundering Prevention Act 2012 and the Anti-Terrorism Act, 2009. No one can claim any financial transaction made through virtual coins, as no legal authority in the world permits such trading, the banking watchdog said in today's statement.

Parties with artificial names conduct these online transactions, where there are high risk of breaching the laws related to money laundering and financial crimes, it added.

That is why no regulator, including Bangladesh Bank, allows cryptocurrency trading, according to the statement.

Cryptocurrencies initially did not take approval from any country, but central banks of some nations such as Japan, Singapore, the United Arab Emirates and the United States have officially recognised them in recent times.

BATB to invest Tk 322cr for expansion

FROM PAGE B1

"If our export surges then it would impact the whole economy positively because its linkage industry also will get a boost," he added.

Meanwhile, the company disclosed its first half yearly financial reports for 2021. Its net revenue rose 25 per cent to Tk 3,841 crore from Tk 3,070 crore.

During the same period, its profits rose 43 per cent to Tk 862 crore from Tk 600 crore.

Profits were driven by growth in volume offset by growth in operating expenses, said its financial report. Stocks of the cigarette maker rose 0.27 per cent to Tk 567 yesterday.

Facebook deposits Tk 2.4cr VAT

FROM PAGE B1

They got BINs after a two-year stalemate since July 2019, when the NBR made it compulsory for tech giants to either set up offices in Bangladesh or with commissionerate point agents such that the government can collect VAT on the services provided by them by local firms.

Prior to Facebook, Google and e-commerce company Amazon got BINs here complying with the NBR rule.

Early this month, Microsoft, the introducer of the most widely used operating system Windows, got VAT registration.

Facebook's local sales agent Httpool Bangladesh Ltd has been paying the indirect tax since July last year.

Let factories reopen

FROM PAGE B1

Bangladesh logged $38.75 billion in export in the previous fiscal year 2020-21, posting 15 per cent growth year on year, data by Export Promotion Bureau (EPB) showed.

At the meeting, garment exporters also requested the government to allow them to reopen factories immediately since the ongoing lockdown creates several problems, including getting fresh orders for the coming season.

The current lockdown imposed on July 23 to contain the Covid-19 pandemic has also created difficulties for manufacturers in taking delivery of import containers from ports, raising concerns about increased congestion there, said exporters.

"We have requested the government for permitting us to reopen factories as soon as possible. We want to start vaccination in factories," said BGMEA President Faruque Hassan after the meeting.

Entrepreneurs said reopening of industries is necessary to ensure vaccination of workers in the biggest export-oriented sector, bringing more than 80 per cent of exports earnings.

Many workers have gone home to celebrate the Eid-ul-Azha holidays with their families, he said, adding that if everything including all the factories is reopened on the same day, August 6, after the end of the lockdown, there will be a transport crisis for the influx of people.

So a plan is required ahead to ensure their smooth return and reopening of everything, he said.

At the meeting, Cabinet Secretary Khandker Anwarul Islam assured to place the issue of factory reopening to the high-ups of the government.

Stocks stay buoyant on liquidity hopes

FROM PAGE B4

Zeal Bangla Sugar Mills shed the most, falling 5.35 per cent, followed by Central Insurance Company, NRB Commercial Bank, Delta Life Insurance Company and Shinepukur Ceramics.

Amidst the intensifying pandemic situation, Reckitt Benckiser Bangladesh logged higher profits in the first half of the current year.

Earnings per share of the multinational hygiene, health and nutrition goods producer stood at Tk 62.03 in the first half while it was Tk 57.51 in the same period in 2020.

The port city bourse also rose yesterday. The CASPI, the general index of Chittagong Stock Exchange, advanced 13 points, or 0.07 per cent, to 18,635.

Among 315 stocks to undergo trade, 141 advanced, 138 dropped and 36 remained unchanged.

Set yourself up for a successful retirement

FROM PAGE B1

Hasan, too, has opened an insurance policy that will support health emergencies for him and his family.

At the end of the maturity period, he would get a sizable amount.

He has a 10-year deposit scheme with a bank. He would continue investing the fund once it matures.

He is entitled to provident fund and gratuity benefits.

Shamim and Hasan represent millions of private-sector employees who dedicate the best part of their lives to organisations but can never ensure a secure life unless they stash away funds and invest them to grow wealth.

With state-backed pension schemes supporting a tiny percentage of the population, most are left on their own to plan their retirement life.

Planning well and ahead is also crucial for post-employment life since this is the time nobody exactly knows about how much money they would require to meet the daily expenses, particularly the health expenditures.

In Bangladesh, only government officials are entitled to retirement pensions.

There are 7.53 lakh people who are eligible for pensions in the current fiscal year, according to the documents of the finance ministry. Apart from this, another 1.15 crore people will receive cash support under various safety net programmes.

There is no pension or gratuity scheme for more than 87 per cent of the employed population, according to the budget documents of fiscal 2016-17.

Insurance companies and banks have launched products to help people save for the future so that they can comfortably breeze through the difficult times when they become old.

Fahim Islam, executive vice-president for product and solutions at MetLife Bangladesh, says the company's LifeLine Insurance Policy offers benefits for the retirement period that could be availed for 40 years.

He said a 45-year-old is thought to retire at the age of 60. So, he has 15 years in hand. "He can buy a policy for 15 years."

In the usual insurance policy, the policy-holder draws all the money upon maturity. But in the case of the LifeLine policy, if the person thinks he will not draw the entire amount, he can get it in the form of a pension.

The company will generate an investment return on the money and retain a small portion, usually from 1 to 1.5 per cent, of the earnings. The rest of the money will be given to the policy-holder as a pension.

MetLife will continue providing the periodic pension unless the policy-holder surrenders the arrangement to take all the money.

A policy-holder should purchase a policy that matches their lifestyle. Up to 100 years, they will enjoy the pension, said Islam.

HM Mostafizur Rahaman, head of retail business of Dhaka Bank, says there are some deposit products for the retirees. If they can maintain it while they are still employed, they can spend their post-retirement period with ease.

He says a prudent individual arranges for a source of risk-free income well ahead of their retirement, which requires a good financial plan.

The accepted rule of thumb is to save 15 per cent of someone's yearly salary for retirement, according to an analysis of Fidelity, an American financial services firm.

Its savings factors are based on the assumption that a person saves 15 per cent of their income annually beginning at age 25, invests more than 50 per cent on average of their savings in stocks over their lifetime, retires at age 67, and plans to maintain their preretirement lifestyle in retirement.

Based on those assumptions, it estimates that saving 10 times someone's preretirement income by age 67, together with other steps, should help ensure that they have enough income to maintain their current lifestyle in retirement.

One should aim to save at least one time their income by age 30, three times by 40, six times by 50, and eight times by 60, the analysis said.

Hussain Ahmed Enamul Huda, assistant professor of the finance department at the University of Dhaka, said people should start saving for their retirement the very day they start working.

"It does not matter what specific sector someone is working. One should save money for their retirement."

Didarul Hasan says he always tries to follow the advice of legendary investor Warren Buffett, who said: "Don't save what is left after spending; spend what is left after saving."

Experts also suggest people seek financial help early in their career and often like they approach doctors when there is any health problem.

Stocks stay buoyant on liquidity hopes

AHSAN HABIB

Bangladesh's stock market remained buoyant for the second consecutive day yesterday, sending the prime index of Dhaka Stock Exchange (DSE) to a record high, as investors were upbeat that liquidity flow in the market would continue owing to the central bank's expansionary monetary policy.

"Investors hope that the index will continue to rise as money flow in the banking sector may flood the stock market," said a merchant banker.

The DSEX, the benchmark index of the country's premier bourse, edged up 8.06 points, or 0.12 per cent, to 6,425.25 points yesterday. This is its highest point since the inception of the index in 2013. Earlier on July 25, the index touched a historic high of 6,424 points.

"Bank funds are already coming to the market and so, their (investors) expectation is not illogical," he said, adding that the banking sector has a huge excess of liquidity.

Excess liquidity in the banking sector stood at Tk 231,462 crore as of June, up 66 per cent year-on-year and 9 per cent from that a month ago, according to Bangladesh Bank data.

"If the monetary policy for the current fiscal year is expansionary, then the market will get more liquidity," added the merchant banker.

Turnover, another important indicator of the market, went up 11.8 per cent to hit Tk 1,521 crore.

At the DSE, 159 stocks advanced, 167 declined and 48 remained unchanged.

Despite there being no cause for such a rise, Coppertech Industries topped the gainers' list, growing 10 per cent, followed by AFC Agro Biotech, Metro Spinning, Deshbandhu Polymer and FAR Chemical Industries.

AFC Agro Biotech is going to supply five lakh "RT-PCR" test kits along with "VTM" and swab sticks to the Ministry of Health and Welfare for Covid-19 testing. The value of these goods is estimated to be Tk 43.45 crore. After this news was published on the DSE website, stocks of AFC Agro Biotech rose 9.78 per cent to Tk 30.3 yesterday.

Stocks of Beximco were traded the most, worth Tk 60 crore, followed by GPH Ispat, Saif Powertec, British American Tobacco Bangladesh and Active Fine Chemicals.

Stocks of RAK Ceramics rose by more than 4 per cent after its financial report was published, which said its per share profits stood at Tk 1.02 in the second quarter of 2021.

However, it incurred a per share loss of Tk 0.09 year-on-year.

The multinational ceramics maker said due to a revised and responsive business strategy taken by its management, sales had increased by 65 per cent to Tk 326 crore from Tk 197 crore in the same period the previous year.

The company registered an improve in the cost of sales due to enhanced controls on costs compared to that the year before, resulting in increased profits.

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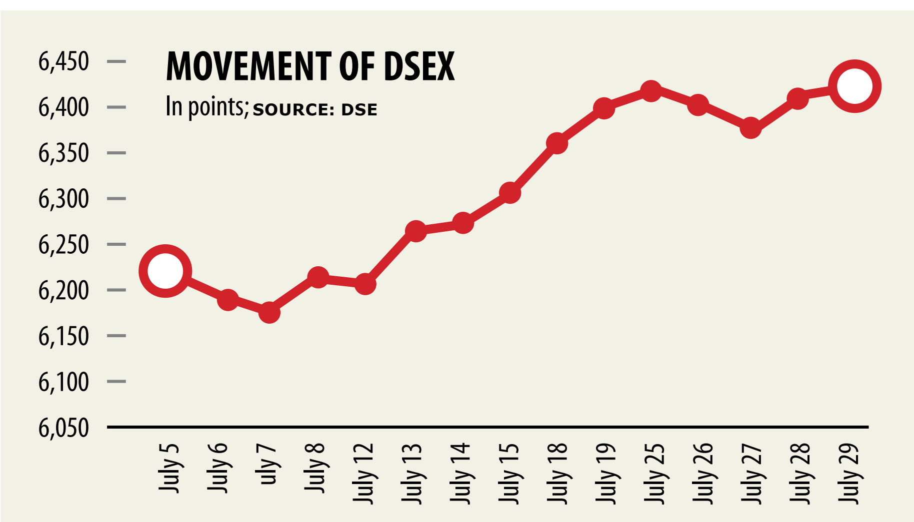

BB raises farm loan disbursement target

Bangladesh Bank has increased the farm loan disbursement target to Tk 28,391 crore this fiscal year in a bid to help farmers combat the adverse impacts of the pandemic.

PHOTO: STAR/FILE

STAR BUSINESS REPORT

Bangladesh Bank has set a target to disburse Tk 28,391 crore in farm loans this fiscal year, up 8 per cent from that a year ago, aiming to combat the adverse impacts deriving from the Covid-19 pandemic.

Banks collectively gave out Tk 25,511 crore last fiscal year, which was 97 per cent of their annual target, according to the central bank's annual agricultural and rural credit policy and programme.

The central bank has incorporated some new aspects in its policy from this fiscal year to ensure food security and develop a sustainable agricultural credit system.

This includes enabling farm loans to be enjoyed by farmers involved in rearing Sonali chickens, buffalo and Garol sheep for commercial purposes.

The Sonali is a cross-breed of Rhode Island Red cocks and Fayoumi hens having an appearance similar to that of local chickens and introduced in northern parts of Bangladesh in 1996-2000.

In Bangladesh, buffaloes are seen as draft animals used for ploughing and pulling carts.

Various authors have reported that the breeding of the highly prolific Garole breed of sheep is localised in the Sunderban region of Bangladesh and West Bengal.

Considering the demand of the farmers and actual scenario of farming activities in a particular area, per acre credit limit can be increased by up to 15 per cent.

The central bank has also increased the per acre credit limit for fish cultivation.

About 43.8 lakh tonnes of fish are produced annually in Bangladesh, which ranks fifth in aquaculture and third in inland open water capture fish production in the world.

The policy said it would strengthen the supervision on agricultural credits such that farmers can smoothly avail loans they desire.

It mentioned that the central bank had recently reduced the farm loan interest rate to 8 per cent from the previous 9 per cent considering the agriculture sector as one of priority.

The policy said the BB had created a refinance scheme of Tk 5,000 crore last year from its own fund to be disbursed as working capital for the agricultural sector to mitigate the crisis due to Covid-19 pandemic.

The tenure of the scheme ended in June. Under the scheme, banks disbursed Tk 4,295 crore.

In addition, the central bank took an initiative to disburse agricultural credit for the crop and grain sector at a 4 per cent concessional interest rate.

Under it, banks disbursed Tk 4,880 crore till June.

GLOBAL BUSINESS

Fiscal stimulus, vaccines likely fuelled US economic growth in Q2

REUTERS, *Washington*

The US economy likely gained steam in the second quarter, with the pace of growth probably the second fastest in 38 years, as massive government aid and vaccinations against Covid-19 fueled spending on travel-related services.

The anticipated acceleration in gross domestic product last quarter would lift the level of GDP above its peak in the fourth quarter of 2019. Even with the second quarter likely marking the peak in growth this cycle, the economic expansion was expected to remain solid for the remainder of this year.

A resurgence in Covid-19 infections, driven by the Delta variant of the coronavirus, however, poses a risk to the outlook. Higher inflation, if sustained, as well as ongoing supply chain disruptions could also slow the economy.

The Commerce Department will publish its snapshot of second-quarter GDP growth on Thursday at 8:30 a.m EDT (1230 GMT).

"Consumers have plenty of income and wealth ammunition to support consumer spending, while business inventories remain lean and restocking efforts are poised to support business investment and overall GDP growth substantially in the second half of the year," said Sam Bullard, a senior economist at Wells Fargo in Charlotte, North Carolina.

The Federal Reserve on Wednesday kept its overnight benchmark interest rate near zero and left its bond-buying program unchanged. Fed Chair Jerome Powell told reporters that the pandemic's economic effects continued to diminish, but risks to the outlook remain.

The economy likely grew at an 8.5 per cent annualized rate last quarter, according to a Reuters survey of economists.

That would be the second-fastest GDP growth pace since the second quarter of 1983. The economy grew at a 6.4 per cent rate in the first quarter, but that is subject to revision.

With the second-quarter estimate, the government will publish revisions to GDP data. Given that this is not a comprehensive benchmark revision, economists expect only modest changes to previously published estimates. The National Bureau of Economic Research, the arbiter of US recessions, declared last week that the pandemic downturn, which started in February 2020, ended in April 2020.

Economists expect growth of around 7 per cent this year, which would be the strongest performance since 1984. The International Monetary Fund on Tuesday boosted its growth forecasts for the United States to 7.0 per cent in 2021 and 4.9 per cent in 2022, up 0.6 and 1.4 percentage points respectively, from its forecasts in April.

President Joe Biden's administration provided $1.9 trillion in pandemic relief in March, sending one-time $1,400 checks to qualified households and extending a $300 unemployment subsidy through early September. That brought the amount of government aid to nearly $6 trillion since the pandemic started in the United States in March 2020.

REUTERS/FILE

Guests enjoy outdoor dining in the Manhattan borough of New York City, US on May 23.

Samsung reports surge in profit

AFP, *Seoul*

Samsung Electronics' net profits surged more than 70 per cent in the second quarter thanks to higher memory chip prices fuelled by pandemic-led demand, the South Korean tech giant reported Thursday.

Coronavirus-driven working from home boosted demand for devices and appliances powered by Samsung's memory chips.

The company said that "memory shipments exceeded previous guidance and price increases were higher than expected". The world's biggest smartphone maker saw net profits rise 73.4 per cent year-on-year to 9.6 trillion won ($8.4 billion) for April-June, the company said in a regulatory filing.

Operating profit increased 54.3 per cent to 12.6 trillion won from 8.1 trillion won a year earlier, more than half of which came from the firm's semiconductor business.

The strong results come despite an on-quarter decline in Samsung's earnings from its smartphone business because of supply chain problems that disrupted global production. Samsung Electronics is the flagship subsidiary of the giant Samsung group, by far the largest of the family-controlled empires that dominate business in South Korea, the world's 12th largest economy.

The conglomerate's overall turnover is equivalent to one-fifth of gross domestic product. Analysts say the chip unit's proportion of the firm's profit is likely to grow in the months ahead.

"Samsung will benefit from memory chip prices that are likely to go higher in the third and fourth quarter," Park Sung-soon, an analyst at Cape Investment & Securities, told AFP. The firm anticipates favourable market conditions for the rest of the year, with continued demand for memory chips in the server and mobile markets.

UK car output up a third after slump

REUTERS, *London*

British car production rose by nearly a third in the first half of 2021 from last year's slump, but remained down on the five-year average as the sector warned that Covid-19 continued to cause staffing and supply problems.

While factories were forced to close as the pandemic hit Britain in March last year, they have operated in 2021 with protective measures in place, although a lack of semiconductor chips has hit volumes. Some companies have also been affected by staff having to self-isolate for catching Covid-19 or being in contact with someone who had, as cases rose in recent weeks.

Output increased by an annual 31 per cent in the first six months of the year to 498,923 vehicles, helped by a 22 per cent increase in June, industry body the Society of Motor Manufacturers and Traders (SMMT) said, while noting the impact of chip supply problems.

US Senate advances $1tr bipartisan infrastructure bill

REUTERS, *Washington*

A roughly $1 trillion bipartisan infrastructure investment bill advanced in the US Senate on Wednesday, passing a key milestone that moves the emerging legislation toward formal debate and possible passage.

The Senate voted 67-32 to take the first procedural step toward debating the measure that has the support of Democratic President Joe Biden. The bipartisan agreement, which follows months of negotiations, gained the support of all 48 Democrats, two independents and 17 Republicans on this first procedural vote.

Additional procedural votes and debate on the bill itself were expected, possibly into the weekend or beyond.

Democrats intend the bill -- which includes funding for roads, bridges, broadband and other physical infrastructure -- to be the first of a pair of packages, followed by a sweeping $3.5 trillion "human infrastructure" package that faces staunch Republican opposition and some dissent among moderate Democrats.

Democratic Senator Kyrsten Sinema and Republican Senator Rob Portman, the two lead Senate negotiators, announced Wednesday's agreement separately to reporters. Republicans blocked a similar move last week, saying details were not nailed down. In the latest bill, details on transit and broadband were still being finalized but lawmakers said legislative text would be completed soon.

"We're excited to have a deal," Sinema said. "We've got most of the text done, so we'll be releasing it and then we'll update it as we get those last pieces finalized."

The agreement includes $110 billion for roads, $73 billion for power grid spending, $66 billion for railways, $65 billion to expand broadband access, $55 billion for clean drinking water, $50 billion for environmental resiliency, $39 billion for public transit and $25 billion for airports, the White House said.

REUTERS/FILE

A street is closed due to work in the road in Jersey City, New Jersey, US on March 31.