

Spain's unemployment rate falls in Q2

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.



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

Swedish economy surpasses pre-pandemic size

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

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

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.

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

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 (CSEs). 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

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

"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

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

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

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

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 policyholder 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 policyholder as a pension.

MetLife will continue providing the periodic pension unless the policyholder surrenders the arrangement to take all the money.

A policyholder 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.