
MUTUAL TRUST BANK

**Mutual Trust Bank (MTB) has recently signed a memorandum of understanding (MoU) with Brac at the bank's Gulshan 1 corporate head office in Dhaka to support people affected with Covid 19. Tushar Bhowmik, chief financial officer of Brac, and Syed Rafiqul Haq, additional managing director of MTB, signed the agreement. Syed Mahbubur Rahman, managing director and CEO of MTB, Morseda Chowdhury, director for health, nutrition and population programme of Brac, and Rais Uddin Ahmad, deputy managing director of MTB, were also present.**

# BP boosts payouts after profit jump

**Reuters**, *London*

BP boosted its dividend and share buybacks after beating expectations with a $2.8 billion second-quarter profit powered by higher oil prices and recovering demand.

The strong results, underpinned by higher sales at petrol stations, bolster BP's plan to shift away from oil and gas to renewable and low-carbon energy in an effort to battle climate change, CEO Bernard Looney told Reuters.

"The strengthening of the balance sheet and the excess cash flow allow us to prosecute our agenda around the energy transition," Looney said.

BP shares were up 2.7 per cent by 0754 GMT versus a 1.15 per cent gain for the broader European energy index.

Rivals including Royal Dutch Shell, TotalEnergies and Chevron also boosted shareholder returns last week, reflecting a recovery from the pandemic which saw energy demand plummet.

BP increased its dividend by 4 per cent to 5.46 cents after it was halved to 5.25 cents in July 2020 for the first time in a decade.

BP also plans to repurchase $1.4 billion in shares in the coming months after generating surplus cash of $2.4 billion in the first half of the year, it said.

In April, BP launched a $500 million buyback plan to offset dilution from an employee share distribution programme.

Looney said in a statement that the measures were possible due to a stronger performance as well as "an improving outlook".

BP expects global oil demand to recover to pre-pandemic levels sometime in the second half of 2022.

BP's underlying replacement cost profit, the company's definition of net earnings, reached $2.8 billion in the second quarter, beating the $2.15 billion expected by analysts. That was up from $2.63 billion in the first quarter and marked a rebound from a loss of $6.68 billion a year earlier.

The results were also due to stronger demand for fuel, including aviation fuel, as well as higher profit margins at convenience stores in BP's petrol stations, it said.

BP's net debt fell dropped to $32.7 billion from $40.1 billion.

BP said it has increased its price forecast for benchmark Brent crude oil to 2030 to reflect expected supply constraints, while also lowering its longer-term price forecast because it expects an acceleration in the transition to renewable energy.

As a result, the company increased the pre-tax value of its assets by $3 billion. That comes after writedowns of more than $17 billion last year.

The company said at an oil price of $60 a barrel, it expects to be able to buy $1 billion in shares and boost its dividend by 4 per cent annually through 2025.

Brent oil prices rose in the second quarter to an average of $69 a barrel from $61 in the previous quarter and from $29.56 a year earlier.


REUTERS/FILE

**A BP logo is seen at a petrol station in London, Britain.**

# IMF officially approves increased lending capacity

**Afp**

The board of governors of the International Monetary Fund on Monday greenlit increasing the institution's lending capacity by $650 billion, the last step in approving an initiative to boost aid to the most vulnerable countries.

"This is a historic decision – the largest SDR (Special Drawing Rights) allocation in the history of the IMF and a shot in the arm for the global economy at a time of unprecedented crisis," IMF head Kristalina Georgieva said in a statement.

"It will particularly help our most vulnerable countries struggling to cope with the impact of the Covid-19 crisis," she said. The program, which had already been approved by the IMF's executive board in mid-July, will be implemented on August 23.

Newly issued SDRs will be allocated to member countries in proportion to their IMF quota, the lender said.

Emerging and developing nations are to receive around $275 billion in total.

But "we will also continue to engage actively with our membership to identify viable options for voluntary channeling of SDRs from wealthier to poorer and more vulnerable member countries to support their pandemic recovery and achieve resilient and sustainable growth," Georgieva said.

Wealthy countries could, for example, transfer their SDRs by using those attributed to them to finance the IMF's Poverty Reduction and Growth Trust Fund, which would increase the supply of loans to low-income countries. The NGO Oxfam welcomed the IMF's decision.

The "new SDRs will bring much-needed liquidity to struggling developing countries without adding to their unsustainable debt burdens," Nadia Daar, head of the Washington-based NGO, said in a statement.


It is "unfathomable that wealthy nations would fail to reallocate a substantial portion of their SDRs -- at least $100 billion as agreed by the G7" at a mid-June summit, she said.

It is also necessary for governments to "work transparently and together with civil society" so that SDRs are used wisely, Daar added. Created in 1969, SDRs are not a currency and have no material existence.

Their value is based on a basket of five major international currencies: the dollar, the euro, the pound, the renminbi or yuan and the yen.

Once issued, SDRs can be used either as a reserve currency that stabilizes the value of a country's domestic currency, or converted into stronger currencies to finance investments.

For poorer countries, the interest is also to obtain hard currencies without having to pay substantial interest rates.

# Exports slip 11pc in July

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The shipment of the eco-friendly fibre and its products slumped 41 per cent to $60.7 million from $103 million a year ago as the overseas sales of jute yarn, the main export item from the sector, were pummeled.

SK Nasir Uddin, chairman of the Bangladesh Jute Spinners Association, linked the fall to the declining demand after the price of raw jute hit a record Tk 5,000 per maund earlier this year.

He said the export soared in the last fiscal year mainly in terms of value, which reflected the high price of the natural fibre, not in terms of volume. The price of raw jute rose because of the hoarding and a lack of proper planning and enforcement by the authorities, he added.

"Steps should be taken so that no mill can stock jute of more than two-month of its installed capacity.

Furthermore, rules should be enforced so that none can sell wet raw jute and hoard more than 500 kilograms of jute," said Nasir Uddin, also the chairman of Akij Group.

"A coordinated effort is needed to bring about discipline in the sector."

Two other major earners—fresh and processed agricultural products as well as frozen and live fish—also suffered losses.

Agricultural products, whose takings hit $1 billion for the first time in the last fiscal year, saw a decline of 3 per cent, while frozen fish exports dropped 13 per cent.

Leather and leather goods, another major foreign currency earner, posted gains marginally.

Buoyed by the shipment in leather products and leather, the sector's total receipts were 1 per cent higher at $90.5 million in July, which was $89.9 million in the same month last year.

# A hawkish Bullard sees more volatile economic 'regime' emerging in US

**Reuters**, *Washington*

The coronavirus pandemic may have pushed the United States into a volatile era of stronger growth and better productivity, but higher interest rates and faster inflation as well, St. Louis Federal Reserve president James Bullard said, elaborating on why he thinks the U.S. central bank should end its crisis-era policies.

Bullard, who five years ago said he viewed the United States as mired in an epoch of low growth, low productivity and low inflation, said he is beginning to think a new "regime" may have arrived where the Fed will have to cope with faster change and more frequent shocks.

For more than a decade before the pandemic "economic growth was slow and not very volatile and inflation in tandem was slow and not very volatile," Bullard said in an interview with Reuters on Monday.

"This environment is a very different one where you have upset the global equilibrium... The reverberations will continue, and you will have a lot more volatility than you are used to."

On the plus side that could mean a run of productivity- enhancing developments that keep US growth and wages rising fast; the risk is higher inflation that could upend the Fed's current expectation that price pressures will ease on their own and allow for continued loose monetary policy.

"We will have long, lingering effects as the rest of the world recovers. You have shortages and bottlenecks everywhere. You have Europe likely to grow more quickly in coming quarters," Bullard said.

"You have industries still adjusting to the post-pandemic world - many things happening, and at a pace we are not used to."

In that setting "monetary policy needs to be more nimble."

His comments come with a specific policy recommendation: that the Fed begin trimming its $120 billion in monthly asset purchases soon, cut them to zero by early next year, and be ready to raise interest rates if inflation does threaten to remain too high for too long.

**JAMES BULLARD**
**PRESIDENT, FEDERAL RESERVE BANK, ST LOUIS**

After missing its 2 per cent target during a decade of weak inflation, the Fed wanted to encourage a period of faster price increases, but now may be at risk of getting too much of what it asked.

But his views speak to a deeper prospect: That the economy may have changed in fundamental ways over the past 18 months, leaving the Fed looking at a different landscape than when it established a new framework just about one year ago.

That framework envisions giving more weight to job growth, and allowing inflation to run above 2 per cent for a time to let employment expand.

With the economy growing faster and inflation running higher than expected, outside analysts have noted that the approach involves navigating tricky terrain - allowing unemployment to dip below what's considered a sustainable rate before it rises back to its "natural" level.

"Cooling an overheated labor market has rarely ended without recession," JPMorgan economist Michael Feroli wrote in mid-July, concluding that while the Fed's new framework wasn't destined to fail, it did in his view increase the likelihood of a "hard landing" when the central bank does have to raise interest rates.

# Another privately built jetty comes to Ctg port's aid

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Currently, the CPA can allocate a maximum of seven jetties of its general cargo berths (GCBs) to accommodate six bulk vessels. The rest 12 jetties are dedicated to handling container vessels.

The CPA is even unwilling to allow the bulk vessels transporting heavy items to use the GCB jetties as they have become old. It has not allowed scrap-carrying ships to berth at the port since July 1.

So far, eight vessels have berthed at the first jetty of Karnaphuli Dry Dock since March 30. Around 1.50 lakh tonnes of scraps have so far been unloaded.

Both jetties can accommodate two ships with a length of up to 180 metres each, said M Abdur Rashid, managing director of Karnaphuli Ship Builders.

"The port can now reduce vessels' waiting time and generate revenues using our jetties," he said.

He said the link road from the jetties to Chaturi, Anwara via Chittagong Urea Fertilizer Ltd needed to be widened and renovated to allow trucks to ply while carrying imported goods.

Giulia-1, with 33,000 tonnes of scrap, arrived at the outer anchorage in the middle of July.

After unloading around 10,000 tonnes of goods to smaller lighter vessels there, it got berthed at the second jetty of Karnaphuli Dry Dock.

The unloading from the vessel would be complete by August 8, said Asif Iftekhar Hossain, director of Everett Bangladesh (Pvt) Ltd, the local agent of the ship.

# Mop up excess liquidity to curb asset bubble: CPD

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The BB has issued more than 100 circulars related to the packages over the past year. But the regulatory gaps have not been addressed yet, the CPD said.

"This has made some of the liquidity support packages available also for banks that are weak and poorly governed. The packages were also made accessible to loan defaulters."

The BB has already asked banks to send details of the clients who got loans from the stimulus packages to determine whether the low-cost funds went to productive sectors.

The BB can rein in the injection of funds from its coffer as banks had excess liquidity, Khatun said.

"Inflation will rise if the excess liquidity cannot be used in the productive sector. On top of that, the excess liquidity has also brought down both deposit and lending rates."

The government should consider withdrawing the 2 per cash incentive on remittance as it put pressure on the excess liquidity, she said.

The robust flow of the money sent by the migrant workers has created a surplus foreign fund in the financial sector, adversely affecting the exchange rate between the taka and the US dollar.

The central bank buys US dollars from the market regularly by injecting reserve money to halt the depreciation of the US dollar against the local currency.

Rahman urged the government to roll out a bond so that remitters could invest in the instrument.

"This will allow the government to use the fund to implement infrastructure projects and control the excess liquidity."

He demanded the central bank investigate to unearth whether money launderers were bringing in money in the form of remittance after laundering them abroad.

Khondaker Golam Moazzem, research director of the CPD, said the investment in doubtful stocks in the capital market had been on the rise.

Although the economy is not in good shape because of the pandemic-induced slowdown, the key index of the Dhaka Stock Exchange has gone up to a large extent, he said.

"This means a bubble has been created. The Bangladesh Securities and Exchange Commission should beef up its monitoring."

Fahmida Khatun said a multi-stakeholder task force should be formed to monitor the stimulus packages and assess their effectiveness.

There has been concern about whether the loans under the stimulus packages are being disbursed effectively. From the outset of the unveiling of the support packages, banks have been willing to lend more to large borrowers than small borrowers, paving the way for a "K-shaped" recovery of the economy.

A K-shaped recovery takes place when different sectors experience different rates of recovery after a recession.

The design of the stimulus packages and their distribution will mainly support a "K-shaped" recovery, the think-tank said.

As a result, large firms and public-sector institutions with direct access to the stimulus packages will make some areas of the economy recover faster, but SMEs and the under-pressure middle class would be left behind, Khatun said.

She called for cash support for the poor during the pandemic to help them tackle the economic hardship.

"In addition, funds should be available for micro-entrepreneurs."

Moazzem suggested the central bank increase the grace period for stimulus packages as many borrowers were still struggling to keep their businesses afloat due to the recent wave of infections.

At least 30 per cent of the SME stimulus package should be disbursed among the new entrepreneurs, and the central bank should take measures to this end, he said.

Towfiqul Islam Khan, a senior research fellow of the CPD, said credit demand from businesses was facing sluggishness, so the private sector credit growth target might not be achieved.

The private sector credit growth stood at 8.40 in the last fiscal year against the target of 14.80 per cent.

"The economy will not get the growth momentum back riding on the recovery of the outside world. Internal recovery is the most important factor to make the economy vibrant," Khan said.

According to the CPD, governance of the banking sector would be an essential determinant for the better recovery of the economy.

"Unfortunately, reforms in the banking sector remains outside the radar of the central bank."

Khatun said the severity of high non-performing loans was currently invisible due to the measures taken to relax loan classification.

"Once loans are classified without any special considerations, the volume of NPL may rise significantly."

# Beacon share prices on unusual rise

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July 2020 to March 2021 period while the Beacon logged an EPS of Tk 3.27, shows data of Dhaka Stock Exchange (DSE).

Square Pharmaceuticals' stock price stood at Tk 222.90 yesterday whereas it is Tk 230 for the Beacon.

Square Pharmaceuticals is the market leader, be it considering product quality or market share, and it has a long continuous growth history, said Khairul Bashar Abu Taher Mohammed, CEO of MTB Capital.

But its share price was beaten by that of the Beacon, he said.

Fundamentally the Beacon has no reason to exceedSquare Pharmaceuticals' price, he said.

So, the sudden price rise of the oncologyproduct manufacturermay be for manipulation, he said, adding, "Its fast rise is alarming too."

The stock price of Beacon Pharmaceuticals rose 84 per cent in a span of one month, shows the DSE data.

Investors should be cautious about investing here, added the merchant banker.

"This company's surge is already in our radar," said Mohammad Rezaul Karim, spokesperson of the market regulator, Bangladesh Securities and Exchange Commission.

"Due to the pandemic, our investigation, and hearing process has slowed but its recent price surge is quite suspicious," he said.

"We will see whether there is any wrongdoing behind the price jump," Karim added.