Jute prices bring cheer to Faridpur farmers

SUZIT KUMAR DAS

Raw jute is currently being sold at Tk 2,800 to Tk 3,000 per maund in the local markets.

SUZIT KUMAR DAS, *Faridpur*

DISTRICTS IN FOCUS

Jute growers in Faridpur are overjoyed by the good prices for raw jute currently being offered in the local markets.

According to the Department of Agricultural Extension (DAE) in Faridpur, a total of 85,077 hectares of land were brought under jute cultivation across nine upazilas in the district this year.

More than 80 per cent of the jute has already been harvested, DAE officials said, adding that they expect a total of about 1.87 lakh tonnes of raw jute to be produced this year.

Raw jute is currently being sold at Tk 2,800 to Tk 3,000 per maund in the local markets.

Farmers in the region say they are very happy with the bumper production.

An average of 15 maunds of jute is produced from each bigha.

Imarat Matabbar, a jute grower in Baliadangi village under Saltha upazila, said he cultivated jute on three bighas of land at the cost of Tk 1 lakh.

"I got 38 maunds of raw jute. I sold 2.5 maunds of jute at Tk 2,900 per maund two days ago," he added.

Tauhid Khan, another jute grower of Ramkantopur village of Saltha upazila, cultivated jute on 2.5 bighas of land.

"I have already harvested 15 maunds from one bigha of land. I have sold six maunds of jute in the local market at Tk 3,000 while it was Tk 2,300 in the same period last year," he added.

The demand for jute is more than the supply in local markets. So, farmers are storing up jute to get better prices. The price of the natural fibre rose to Tk 6,000 per maund last season, Khan said.

Brindabon Mandal, a jute grower in Boutipara area under Nagarkanda upazila, said he collected 40 maunds of jute this year.

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Why loans turn bad

MAMUN RASHID

OPINION

As of March 2021, the total outstanding loans in the banking sector in Bangladesh stood at Tk 111,194 crore. Out of this, an amount of Tk 95,090 crore was classified, equivalent to 8.48 per cent of the total loans. Though the amount is not too big with regard to our experience in the early eighties or even nineties, we have reasons to be concerned, particularly when the size of the classified loans is increasing or temporarily even reduced due to some episodic or artificial measures.

This is more alarming when most banks in Bangladesh can't claim to have a robust risk management culture. The recent stress test, carried out by the central bank, also revealed some disquieting developments.

Due to the concentration of loans within a few large borrowers, many banks run the risk of going "belly up" during any possible economic meltdown or challenging period.

We went through an era of 30 to 40 per cent classified loans. Along with the banking sector reforms driven by the development partners with the active support from the Bangladesh Bank, credit goes to the risk managers at private and foreign commercial banks, who contributed significantly towards the improvement of their asset portfolio despite large growth.

My background as a risk officer for almost 15 years with global banks taught me one fact: loans usually go bad due to improper or weak need assessment, wrong structuring of the facilities, security or collateral shortfall, and weak internal cash generation in the business leading to recurring past dues.

Other factors include lending on the basis of names of the borrowers without looking into their business fundamentals or future potentials or even succession, ignorance about competition or emerging competition, and economic downturn or investment in the business segments other than the core ones having relevance to the future or the economy.

Added to these are, of course, weak loan appraisal, failure to understand foreign exchange risk where cross-border exposures are taken, corruption or failure of the lending officers, and weak or no approval condition or covenant compliance or monitoring.

A client may always be desperate to get the loan approved or disbursed. It is the job of the lending officer to make sure that he or she has recognised all risks associated with that portfolio or specific business and taken enough measures to mitigate those risks.

We have seen how a large textiles client went through recurring past dues due to the wrong repayment structure of the loan. While the trade cycle dictated that end-to-end transactions would take 105 days, the loans disbursed for 90 days period created all these troubles for both parties.

In the same way, we have seen how a large local bank had to provide a large sum of money due to the sudden demise of a large tannery client, having no identified succession.

The Chattogram branch of a foreign bank suffered a lot due to the 210-day bullet repayment facility granted to a ship-breaking client, whose sales proceed started to come in from 30 days but were diverted to other businesses, not deposited with the bank account.

A large borrower of a state-owned bank became a defaulter right after disbursement of the term loan as his project cost went through the roof for his failure to cover himself against the exchange rate fluctuation in German Mark in those days.

A large distributor of a global consumer goods company became a defaulter because all his money borrowed from the bank was invested in purchasing land, not in the consumer durables distribution business.

The lending officers often become captive to large clients due to their perceived "muscle power" or "business power" or at times even "emotional blackmailing". In most cases, these large clients dictate the terms.

If a client needs Tk 100 and we give them Tk 200, they are bound to divert the excess money out of business or become undisciplined with regard to timely repayment. No matter who the client is or what their business is, a loan officer must do an in-depth need assessment to find out how much the client needs to run their business and in what form.

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GLOBAL BUSINESS

ECB must tighten rules to counter inflation

Key policymaker says

REUTERS, *Berlin*

The European Central Bank must tighten monetary policy if it needs to counter inflationary pressures and cannot be put off from doing so by the financing costs of euro zone states, ECB policymaker Jens Weidmann told the Welt am Sonntag newspaper.

Euro zone countries have ramped up their borrowing to cope with the coronavirus pandemic, potentially leaving them exposed to increased debt servicing costs if the central bank tightens policy to counter upward pressure on prices.

"The ECB is not there to take care of the solvency protection of the states," said Weidmann, whose role as president of Germany's Bundesbank gives him a seat on the ECB's policymaking Governing Council.

German Bundesbank President Jens Weidmann attends the 29th Frankfurt European Banking Congress at the Old Opera house in Frankfurt, Germany. REUTERS/FILE

Should the inflation outlook rise sustainably, the ECB would have to act in line with its price stability objective, Weidmann said. "We have to make it clear again and again that we will tighten monetary policy if the price outlook calls for it. "We cannot then take into account the financing costs of the states," he added.

After its July 22 policy meeting, the ECB pledged to keep interest rates at record lows for even longer to boost sluggish inflation, and warned that the rapidly spreading Delta variant of the coronavirus posed a risk to the euro zone's recovery.

"I do not rule out higher inflation rates," the paper quoted Weidmann as saying. "In any case, I will insist on keeping a close eye on the risk of an excessively high inflation rate and not only on the risk of an excessively low inflation rate."

The euro zone economy grew faster than expected in the second quarter, pulling out of a pandemic-induced recession, while the easing of coronavirus curbs also helped inflation shoot past the ECB's 2 per cent target in July, hitting 2.2 per cent. When the ECB decides it is time to tighten policy, Weidmann expected the central bank would first end its PEPP emergency bond purchase programme before scaling back its APP purchase plan.

Bank bonuses rise as profits rebound

REUTERS, *London*

Europe's banks are stashing cash to pay bumper bonuses to top performers, amid a deal frenzy driven by pent up demand from the Covid-19 pandemic and rebounding bank profits.

Banks have added billions of dollars to bonus pools as they try to reassure restless staff they will be rewarded in 2021 after a lean 2020.

The planned payouts are more modest than the bonus bonanza on Wall Street, but European banks nonetheless risk a public backlash at a time when many businesses and individuals are still struggling in the pandemic, advocacy groups for fair pay said.

Britain-based Barclays increased its bonus pool by 46 per cent to 1.1 billion pounds ($1.5 billion), up from 749 million pounds a year earlier, while HSBC topped up its bonus pool by $900 million in the first half.

Standard Chartered said a "normalisation of performance-related pay" during the first half drove an 8 per cent jump in costs, to $5.1 billion.

Senior bank executives and recruiters said the market is the most competitive they have seen in a decade, as rebounding economies worldwide, pent-up demand and the fad for investing via Special Purpose Acquisition Companies (SPACs) drives dealmaking activity.

REUTERS/FILE

HSBC topped up its bonus pool by $900 million in the first half.

Swiss bank UBS boosted pay for its financial advisers by $242 million in the second quarter after booking higher revenues, while Deutsche Bank upped pay and benefits in its investment bank by 6 per cent compared with the same period a year ago.

Bonuses and pay increases are likely to continue to build in the second half of the year, said Sophie Scholes, head of the UK financial services practice at headhunters Heidrick & Struggles.

"Banks are anticipating that the next bonus round will be one where they need to pay out, driven by two factors," she said.

"One is the sheer competition for talent, and that means retaining good people, and two is that because of all the market activity people have a good pipeline and some good wins behind them, and banks are trying to prepare for that."

The trend is global, Scholes said, with banks in Europe and Asia playing catch-up to the United States.

Goldman Sachs has increased its compensation by $3.5 billion on the prior year, while JPMorgan has added $2.5 billion.

Goldman has also raised base pay for juniors to $110,000 after rivals such as Morgan Stanley and JPMorgan increased first-year pay.

This is prompting European rivals to follow suit, with HSBC this week telling staff it would pay newly hired analysts in its US investment bank $100,000 a year.

"The US is extraordinary in terms of activity, which comes from their economic recovery being seen as more robust, and it has always been a highly acquisitive market in terms of talent," Scholes said.

While big payouts are back, in Britain rules that cap payouts at twice the level of base pay and concerns about public perception of banker bonuses during a global crisis mean lenders are showing some restraint.

"Paying out huge bonuses at a time when businesses and households are struggling and the economic outlook remains so uncertain is not only morally dubious but financially irresponsible," said Simon Youel, head of policy and advocacy at Positive Money.

Saudi Aramco profit soars on demand recovery

AFP, *Riyadh*

Energy giant Saudi Aramco's second quarter profits for 2021 have bounced back to pre-pandemic levels due to higher oil prices, nearly quadrupling compared to the same period last year.

The company's success comes after its debts climbed last year, when Saudi Arabia was hammered by the double whammy of low prices and sharp cuts in production triggered by the coronavirus pandemic.

Aramco said on Sunday its net profit rose to $25.5 billion in the second quarter of the year, compared to $6.6 billion in the same quarter of 2020, owing to a stronger oil market and higher refining and chemicals margins, and with the easing of Covid-19 restrictions.

In the second quarter of 2019, before global economies were hit hard by Covid-19 restrictions, the company posted a net profit of $24.7 billion.

"Our second quarter results (for 2021) reflect a strong rebound in worldwide energy demand, and we are heading into the second half of 2021 more resilient and more flexible, as the global recovery gains momentum," Aramco chief executive Amin Nasser said in a statement.

Aramco -- like other global oil giants, including ExxonMobil, Royal Dutch Shell and TotalEnergies -- has reported stronger profits this year, riding a wave of higher prices amid recovering demand.

It reported "a 288 percent increase in net income from the same quarter of last year to $25.5 billion and declaring a dividend of $18.8 billion", according to the statement.

Sunday's announcement comes approximately two months after the company said it raised $6 billion from its first dollar-denominated Islamic bond sale, posting earlier this year a 30 per cent jump in first quarter profits.

Aramco -- the kingdom's cash cow -- said in May that its net profit rose to $21.7 billion in the first three months of the year.

Exxon suspended from climate advocacy group it helped form

REUTERS

Exxon Mobil Corp was suspended from advocacy group Climate Leadership Council (CLC) that looks to make policies to address climate change, the CLC said on Friday.

The move comes a little over a month after an Exxon lobbyist said the company supports a carbon tax publicly because the plan to curb climate change would never gain enough political support to be adopted. Exxon Chief Executive Officer Darren Woods had condemned the comments.

"After careful consideration, we have decided to suspend ExxonMobil's membership in both the Council and Americans for Carbon Dividends, our advocacy arm," CLC CEO Greg Bertelsen said in a statement.

Exxon was a founding member of the group along with ConocoPhillips, BP, Shell and Total.

The CLC's decision marks a u-turn after it supported the oil major in June after the lobbyist's comments.

Exxon said in a statement the CLC's decision was "disappointing and counterproductive."