

## BB rates Brac Bank as one of top 10 sustainable banks

STAR BUSINESS DESK

Brac Bank has been named one of the top 10 sustainable banks of Bangladesh based on its performance during the pandemic last year.

Bangladesh Bank's Sustainable Finance Department (SFD) prepared a list of top 10 sustainable banks and five non-bank financial institutions (NBFIs) based on their performances and published their names on its website based on a rating, said a press release.

This is the first time Bangladesh Bank published such a rating. "It is indeed an honour that we made it to the country's top 10 sustainable banks list. It has been possible because of the constant support of our regulator, board, and management in promoting the sustainability agenda in our organisation," said Selim RF Hussain, managing director and CEO of Brac Bank.

"The key to becoming sustainable is to ensure that a bank strategically contributes to green and sustainable financing, on top of its CSR programmes. Apart from that, transparency has to be ensured by flawless submission of regulatory reporting, effective environmental and social management system for risk mitigation, and appropriate implementation of regulatory directives throughout the year," he added.

Brac Bank has a well-defined policy and governance structure with a dedicated sustainable finance unit to oversee its sustainability.

"We shall continue to explore and expand our avenues in Green Climate Fund, bankable climate adaptation projects, Green Bonds, and the bank's contribution to SDGs in the future. Our diversified business model has laid a strong foundation for Brac Bank to become the number one sustainable bank in the country," Hussain said.

## Oil dips, little changed on week

REUTERS, New York

Oil prices dipped on Friday and ended the week little changed after weathering concerns from banks and the International Energy Agency that the spread of coronavirus variants is slowing oil demand.

Global oil benchmark Brent crude settled down 72 cents, or 1 per cent, at \$70.59 a barrel for the session. US West Intermediate crude settled down 65 cents at \$68.44.

For the week, Brent fell less than 1 per cent, after dropping 6 per cent last week, its largest week of losses in four months. Last week WTI slumped nearly 7 per cent in its biggest weekly decline in nine months. On Thursday, the IEA said demand for crude oil ground to a halt in July and was set to rise at a slower pace over the rest of the year because of surging infections from the Delta variant of the coronavirus.

Still, oil has remained supported by improved demand in the world's top consumer, the United States and other nations where the Covid-19 vaccination rate is higher.

"While the IEA's report was pretty dour on demand, in the near term, it's pretty clear that there's a supply deficit and that's likely to continue as we're seeing airline travel restrictions get lifted in the US," said John Kilduff, partner at Again Capital LLC in New York.

Major banks Goldman Sachs and JPM Commodities Research are less bullish on oil due to the rising infection rate.

Goldman cut its estimate for the global oil deficit to 1 million barrels per day from 2.3 million bpd in the short term, citing an expected decline in demand in August and September. However, Goldman expects the demand recovery to continue alongside rising vaccination rates.

"A recent flow of favorable US macroeconomic guidance also suggests further improvement

in petroleum demand once the Delta Variant subsides," said Jim Ritterbusch, president of Ritterbusch and Associates LLP in Galena, Illinois. JPM, meanwhile, said it now sees the "global demand recovery stalling this month" with demand remaining roughly in line with the 98 million bpd average for global consumption in July.

By contrast, the Organization of the Petroleum Exporting Countries (OPEC) on Thursday stuck to its forecast for a rebound in global oil demand this year and further growth in 2022, notwithstanding the rising concern over surges in Covid-19.

US energy firms added the most oil rigs in a week since April as the total rig count more than doubled from a record low a year ago, energy services firm Baker Hughes Co BKR.N said.

US oil rigs rose 10 to 397 this week, their highest since April 2020, and up from 172 a year ago, which was their lowest since 2005 before the shale boom boosted activity.

The combined oil and gas rig count, an early indicator of future output, rose by nine to 500 in the week to Aug. 13, which puts it up 105 per cent from a record low of 244 this time last year, according to Baker Hughes data going back to 1940.



A man holds a fuel pump at a gas station in Rio de Janeiro, Brazil on July 8.

REUTERS/FILE

## Singapore's Olam picks London to float ingredients arm

AFP, London

Olam International, the Singapore-based agricultural trading house, said Friday that it plans to list its food ingredients business on the London stock market next year.

Tapping into rising global demand for healthier eating, Olam said in a statement that it intends on having a primary listing in London for Olam Food Ingredients (OFI) -- a boost for the capital's key financial market facing pressure from European rivals following Brexit. A secondary stock market listing is planned for Singapore, the statement added.

"The primary listing... will give us access to London's large and diverse investor base, with its deep and liquid capital markets, and enable us to benefit from its strong understanding of and research coverage across the food and beverage sector," said OFI chief executive A. Shekhar.

"The concurrent listing in Singapore will also enable us to retain our strong local shareholder base and further tap into growing investor appetite in Asia.

## Some Indian buyers cutting imports of costly spot LNG

REUTERS, New Delhi

India's largest gas importer Petronet LNG said on Saturday that some of its customers have postponed spot liquefied natural gas (LNG) imports due to high prices. They have provided long term supplies with more attractive term contracts.

"Some people are cutting back on purchases and rescheduling cargoes," AK Singh, chief executive of Petronet LNG said at a news conference.

High spot LNG prices are unsustainable and India "certainly" will sign long-term deals, he said.

Petronet has an agreement to purchase 7.5 million tons per year (mtpa) of LNG from Qatar and 1.44 million tons per year from the Exxon Gorgon project in Australia.

Asian spot LNG prices hover around \$ 16 per million British thermal units, while supplies under long-term deals cost around \$ 10 / mmBtu, he said.

He said the Indian energy sector cuts LNG intakes if prices rise by around \$ 10 / mmBtu.

India aims to increase the share of natural gas in its energy mix to 15 per cent by 2030 from the current 6.2 per cent to reduce its carbon footprint. The country also plans to use hydrogen in some sectors.

Singh said hydrogen use will not impact LNG demand in the short term.

"Today, the cost of hydrogen production is very high and transportation and distribution are also a challenge. It is an emerging fuel while LNG is an established fuel," he said.

India allowed the use of supercooled gas in transportation to reduce the use of diesel.

Singh, whose company aims to create 1,000 LNG dispensing stations in 4-5 years, hoped India would be able to emulate the Chinese model, where its vast fleet of trucks is migrating to LNG from diesel.

## China tightens scrutiny over IPO price-setting

REUTERS, Shanghai

China's securities regulators punished 19 institutional investors as authorities tighten scrutiny over price-setting behaviours under a more liberalised listing system.

China launched the tech-focused STAR Market in Shanghai in mid-2019, along with the introduction of a US-style, registration-based initial public offering (IPO) system in that market.

The Securities Association of China (SAC) said late on Friday that a joint probe recently with the Shanghai Stock Exchange over STAR IPOs had exposed issues with 19 institutional investors. The problems included weak internal controls, inadequate rationale for price-settings, non-compliance with stipulated procedures and improper storage of working papers, the SAC said in a statement, without identifying the companies.

One insurer has been temporarily banned from participating in the institutional portion of IPO subscriptions, while eight fund houses and one asset manager have been barred from the share placement market for a month, according to the statement.

SAC said regulators will strengthen supervision and step up penalties against misbehaviour to maintain order for IPO price-setting and protect investors.

## Punish rogue e-commerce firms

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We must acknowledge that the amount of these liabilities is significant."

He demanded immediate actions from regulators.

The platforms whose operations have come into question must not be allowed to operate, and bank accounts of these companies and their principals should be frozen, he said.

Tapan Kanti Ghosh, commerce secretary, said the government did not want to impose strong regulations on the sector so that small entrepreneurs could come onboard easily. "We introduced the escrow system for compliance, but the number of transactions fell."

Escrow uses a third party, which holds an asset or funds before they are transferred from one party to another. The third party holds the funds until both parties have fulfilled their contractual requirements.

Ghosh said consumers should not be greedy or discount hunters.

Khondoker Tasfin Alam, chief operating officer at Daraz Bangladesh, said the e-commerce sector had been made synonymous with discounts, but it was not sustainable for long-term growth.

"We have invested Tk 500 crore in developing logistics countrywide. We could get short-term gain in customer acquisition if we could provide hefty discounts with the money. But that growth is not sustainable." Rizwan Rahman, president of the DCCI, said despite some recent challenges,

sustainable development would come to the sector with the intervention of the government, regulators and stakeholders.

According to an estimate, transactions in the e-commerce sector were about \$2 billion in 2020, which may go up to \$2.5 billion in 2021. Transactions in the f-commerce segment totalled about Tk 320 crore in 2020.

Rahman said the 15 per cent value-added tax imposed on the e-commerce sector might hamper the growth of small investors.

If international e-commerce behemoths such as Amazon enter Bangladesh, it may create opportunities for the local cottage, micro, small and medium-sized traders and manufacturers, he said.

AK Enamul Haque, a professor at the economics department of East West University, said regulating e-commerce should be done with more caution.

"We can't impose strict regulations only because of Evals as it may hinder the growth of other entities. If you want to book Evals, do it with other laws."

"Too many regulations may push up the cost of doing business, and it will discourage small investors from entering the sector. Let them grow."

Ashish Chakraborty, chief operating officer at Nagad, Md Abdul Wahed Tomal, general secretary of the e-Commerce Association of Bangladesh, and Khorshed Anowar, deputy managing director of Eastern Bank Ltd, also spoke.

## RMG exports rise from the rubble

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However, the pandemic almost stalled the export growth to these promising Asian markets.

For instance, garment exports to China declined to \$271.28 million last fiscal year from \$329.96 million in the previous fiscal year, said the data.

Bangladesh was significantly utilising a benevolent Chinese tariff benefit for 97 per cent of its products before the pandemic, as the country exported \$506.51 million worth of goods in fiscal year 2018-19, said the data.

Similarly, garment shipments to India, one of the most promising markets, was performing well before the pandemic.

However, the shipment was only \$421.86 million last fiscal year, which was \$420.76 million in the previous fiscal year.

Before the pandemic, the amount was almost \$500 million to Indian markets, where Bangladesh enjoys duty-free facility but faces a 12.50 per cent countervailing duty.

Among the Latin American countries, Brazil and Chile have been showing promise for garment export. Last fiscal year, local exporters shipped \$70.73 million worth of goods to Brazil and \$82.56 million to Chile.

In both of these destinations, the amount of garment shipment was more than \$103 million in fiscal year 2019-20.

Bangladesh has been performing strong in Australia even in the time of this pandemic.

For instance, last fiscal year's earnings from garment shipment to Australia was \$731.13 million, a rise from \$601.14 million in fiscal year 2019-20.

The amount was \$719.78 million in fiscal year 2018-19, said the BGMEA data.

Turkey, once a very promising garment export destination where the amount was almost \$1 billion, is drying up now because of the imposition of high tariff at more than 17 per cent on Bangladeshi garment items aimed to protect its own apparel industry.

Last financial year the earnings from apparel shipments to Turkey were only \$117.15 million, said the data. Fazlul Hoque, managing director of Narayanganj-based Plummy Fashions, said the local exporters were performing very strong in the non-traditional markets in the pre-pandemic time.

However, the fallouts of the pandemic slowed down the growth of the earnings from the emerging markets, he said.

But shipments to those markets is being revived now and it is expected that the trend will continue, Hoque also said.

The local exporters were busy with their own business, factories and the traditional markets and they did not notice the shipments to the

non-traditional markets, he said.

Japan is the most promising market for Bangladesh among the Asian markets. "I hope we can export more to Japan as the market is reviving from the fallouts of the Covid-19," said Hoque, who also exports to Japan.

Faruque Hassan, president of the BGMEA, said he was planning to hold a road show in Dubai in December this year to grab a bigger share of the Middle Eastern markets.

Moreover, the BGMEA has been exploring the Russian and South African markets to grab more market shares.

However, in Russia and South Africa, high rates of tariff is a challenge for Bangladeshi garment exporters, he said.

Currently, apart from 1 per cent cash incentive for all the markets, the local exporters receive a 4 per cent cash incentive on garment export earnings in a year.

So, the exporters feel encouraged to export to the non-traditional markets when they receive the cash incentive.

Garment export to the non-traditional markets reached to more than \$5 billion from only \$500 million in fiscal year 2007-08.

However, garment export to emerging markets started taking a giant step when the government introduced cash incentives for those markets in 2009.

## BSEC spurs loans despite criticism

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"In general, I don't advise to invest in the equity market by taking loan. Moreover, if anyone has liquid assets, only one-third should be invested in stock market," said Mirza Azizul Islam, former adviser to a caretaker government.

The rest one-third should be invested in fixed income tools and real estate or gold, he said.

About the margin loan facility extension, Islam, a former BSEC chairman, said many stocks were still underpriced and overall price-earnings ratio was also not that high, so the extension was okay.

However, the regulator should monitor whether the market is going to see another bubble like that of 2010. If there is any possibility, it could be reduced further, he added.

A top official of a stock brokerage firm, preferring anonymity, said the high amount of margin loan provided by merchant banks to buy stocks was a big reason for the market bubble of 2010.

So, the BSEC's decision was not wise, he said. Still many merchant banks are suffering from the loss of margin loans as stock prices nosedived and the government discouraged lenders to sell shares amid a bearish market, he said.

Such a decision by the BSEC will ultimately encourage the purchase of stocks with loans, which is not a good sign for the market, he added. The BSEC's decision may be a counter to a central bank decision, said Prof Mohammed Helal Uddin, director (research) of the Centre on Integrated Rural Development for Asia and the Pacific (Cirdap).

Bangladesh Bank sent a letter last week to scheduled banks to submit their investment ledger daily.

It was not new but the BB's letter was just for creating awareness among people, he said, adding that the central bank and stock market regulator should maintain good cooperation.

Overall, the share market was not overvalued so there was no concern on allowing higher credit facility, Uddin said.

Stock price bubble was seen in the insurance sector but many other sectors are still at a low position, he clarified.

However, policy decisions should be backed by factual and analysis-based reason, so it should not change suddenly, said Uddin, who is a professor of the economics department of the University of Dhaka.

The decision of margin loan extension came

when the DSEX reached 6,699 points last Thursday, which is its highest level since its inception in 2013.

Investors were panicked thinking they will need to sell shares to adjust margin loans if the index cross 7,000 points, so the BSEC gave them assurance with the directive that they do not need to sell shares.

The BSEC should give a clarification on whether investors need to adjust shares by selling shares if the index crosses the threshold or whether they will not get further loans at the previous rate after the index crosses the threshold, he added.

He also said lenders always want to give margin loans because it was quite liquid and easy to provide as the loan was backed by liquid shares. But investors face huge risks if shares they bought face a price drop, he said.

Md Moniruzzaman, managing director of IDLC Investments, said margin loans were a double-edged sword.

If someone can use it appropriately, he/she can increase returns. Otherwise, someone can get wiped out entirely, he said.

So, new entrants in the market should avoid loans, he added.

## No entertainment allowance for online training

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According to an official of the finance ministry, the government has taken the decision to stop the misuse of money in this sector as most of the training was being held virtually.

Usually, training allowances vary based on the type of training, he said.

Meanwhile, due to a lack of training during the pandemic, the government has Tk 1,633 crore unspent from the allocation in one year.

Due to the low number of training during the Covid-19, the expenditure on training in 2019-20 financial year was about 12 per cent less than that of the previous year. The government spent Tk 2,326 crore

for training in financial year 2019-2020 which was Tk 2,656 crore in FY 2018-19, according to the finance ministry.

The allocation for training was Tk 4,059 crore in fiscal 2019-20.

In the last financial year, the initial allocation in this sector was Tk 3,947 crore which was later revised to Tk 2,833 crore as the training cost has been reduced.

The ministry official said most of the allocated money would remain unused as most of the training was being held online.

He said in FY 2019-20, the in-house training cost was Tk 52 crore and there was no allocation in this sector in FY 2020-21 as in-house training was suspended last year.