

New KFC outlets in Shewrapara, Narayanganj

STAR BUSINESS DESK

Fried chicken chain KFC has recently opened two new stores at Shewrapara and Narayanganj in Bangladesh.

It welcomed underprivileged children from Mojar School to the new stores and distributed signature meals among them.

In addition, 250 pieces of winter clothes were distributed among the children.

Amit Dev Thapa, chief executive officer of Transcom Foods, unveiled the outlets, says a press release.

"KFC is very delighted to serve their finger lickin' good chicken across the country while maintaining the international standard. Customers are now able to enjoy the world class fried chicken to taste at their nearest KFC store," he said.

Muradul Mustakin, head of marketing at the KFC, and Sheikh Zahir Ahmad, operations manager, were present.

The KFC now operates 26 stores across Bangladesh. By 2025, it is expected to have 50 outlets throughout the country. KFC Bangladesh first started its operations in the country with its flagship store in Gulshan 1 back in 2006 under the supervision of Transcom Group.



Amit Dev Thapa, chief executive officer of Transcom Foods, launches two new KFC outlets inviting underprivileged children from Mojar School at one of the new stores in Shewrapara, Dhaka recently.

China's top real estate regulator vows to tackle property delivery risks

REUTERS, Shanghai

China's top real estate regulator vowed to resolutely tackle risks stemming from overdue delivery of residential properties by some top developers in a bid to maintain social stability, the official Xinhua News Agency reported on Saturday.

Wang Menghui, head of the Ministry of Housing and Urban-Rural Development, also told Xinhua that China will keep its real estate policies consistent and stable, while strengthening coordination in areas including finance, and land and market supervision.

Chinese developers suffered liquidity stress this year as Beijing stepped up its deleverage campaign against the bloated sector, triggering defaults at heavily-indebted players such as China Evergrande Group.

Although Chinese regulators have marginally eased funding restrictions to avoid a hand-landing of the sector, Wang ruled out policy reversal. China will not use the property sector as a tool to stimulate the economy for short-term growth and will continue to crack down on speculative investment, Xinhua reported, citing Wang.

Instead, China will set up a mechanism to foster long-term development of the real estate industry, while maintaining stability in market expectations, as well as land and property prices.

Turkish lira caps historic week with big lift from Erdogan government

REUTERS, Ankara

Turkey's lira closed out its strongest week on record on Friday, spiking more than 50 per cent with the support of billions of dollars of state-backed market interventions and a promise that the government would cover FX losses on certain deposits.

Turks did not sell dollars on Monday and Tuesday, according to official data that suggested they had played little role in the sharpest market gains. The state interventions, meanwhile, cost the central bank more than \$8 billion this week, according to traders' calculations.

The currency gained for five straight days and touched mid-November levels; it stood at 10.7 versus the dollar at 1919 GMT.

The lira had plunged on Monday to an all-time low of 18.4 per dollar, after a months-long slide due to unorthodox interest rate cuts and fears of an inflationary spiral.

But late on Monday President Tayyip Erdogan unveiled a scheme in which the Treasury and central bank would reimburse losses on converted lira deposits against foreign currencies, sparking the currency's biggest intraday rally ever.

In an interview with broadcaster A Haber, Erdogan said Turks showed confidence in the local currency and lira deposits increased by 23.8 billion lira after the anti-dollarisation plan announcement.

But data from the BDDK banking watchdog showed that, after heavy accumulation of dollars last week, Turkish individual depositors held \$163.7 billion of hard currencies on Tuesday - virtually unchanged from Monday and Friday, when the total was \$163.8 billion.

Instead, the lira got a big boost from what traders and economists called backdoor dollar sales by state banks, supported by the central bank.

In the first three days of this week alone, the central bank's net foreign reserves dropped by \$8.5 billion, according to the calculations of three bankers who spoke to Reuters. The drop totalled nearly \$18 billion in December, they said.

"We suspect positioning and stealth

intervention will continue to dominate the price action," said Win Thin, global head of currency strategy at Brown Brothers Harriman.

"Even if the lira stabilizes, there are still strong inflationary impulses in the economy that will continue to erode the value of any local currency holdings."

After Reuters reported progress in talks over possible currency swap lines with Azerbaijan and the United Arab Emirates, Turkey's central bank governor, Sahap Kavcioglu, said the bank could sign two currency swap deals within two weeks.

Citing four sources familiar with the operations, including a senior Turkish official, Reuters reported on Thursday that state banks heavily sold dollars earlier this week on the heels of Erdogan's announcement.

The state banks have not commented on the issue. The central bank, which was not immediately available for comment, had announced dollar-selling market interventions earlier this month but not this week.

Finance Minister Nureddin Nebati, discussing interventions on broadcaster NTV on Thursday, said Turkey is "using all the instruments at its disposal in a positive way."

As of December 17, the central bank's net foreign reserves tumbled to \$12.2 billion from \$21.2 billion a week earlier, to levels last hit in May in a reflection of the interventions.

Hakan Kara, former chief economist at Turkey's central bank, said on Twitter that the bank's FX sales amounted to \$17 billion-\$20 billion this month, including \$3 billion on Wednesday alone, though he said it was unclear specifically how they were used.

"State banks provided significant support to the forex balance but it's not only state banks that are selling dollars," said a bank trader who requested anonymity.

In 2019-2020, the central bank backed, via swaps, the sale of some \$128 billion via state banks to stabilise the lira, depleting Turkey's foreign reserves and drawing sharp criticism from the political opposition.



People shop at a fresh market in Istanbul, Turkey on December 20.

Japan prices rise for third straight month

AFP, Tokyo

Japan's core consumer prices rose 0.5 per cent year-on-year in November, the third monthly increase after two modest hikes of 0.1 per cent driven partly by higher fuel prices, government data showed Friday.

The advances follow 18 months of declines or stagnation during the depths of the pandemic, and Friday's reading beat economist expectations of a 0.4 per cent rise.

The core consumer price index, which

excludes volatile fresh food prices but includes fuel costs, was up 0.5 per cent in November, after edging up 0.1 per cent on-year in both October and September.

Excluding fuel costs, however, prices were down 0.6 per cent from a year earlier, according to the figures from the internal affairs ministry.

While many countries are battling higher inflation, Japan is still struggling to even approach its long-held two percent target, seen as key to turbo-charging the world's third-largest economy.

Omicron, inflation cloud 2022 US profit picture

REUTERS, New York

Profit growth for US corporations is expected to slow next year after a gangbuster 2021, with rising inflation and a rapidly spreading Covid-19 variant adding to uncertainty as investors try to justify stock prices trading near record highs.

The S&P 500 is on track to rise about 24 per cent this year, and the index's price-to-earnings ratio sits well above its long-term average, raising worries the market may be overbought.

S&P 500 earnings are seen up about 8 per cent in 2022 after an estimated 50 per cent jump this year, when companies rebounded from lockdowns and recession in the early stages of the pandemic, according to IBES data from Refinitiv.

Wall Street's 2022 consensus estimates have changed little in recent weeks even as stock indexes have lost ground amid worries over how quickly the Omicron variant is spreading.

"We are moving into an environment where we're likely to go from seeing multiple expansion to multiple compression," said Robert Phipps, a director at Per Stirling Capital Management in Austin, Texas, referring to a company's earnings rising but its share price not following suit, leaving investors with little reward.

The forward price-to-earnings ratio for the S&P 500 is at 21.5, compared with its long-term average of 15.5, according to Refinitiv DataStream.

A key factor helping to support valuations has been ultra low interest rates, which is likely to

change now that the Federal Reserve is becoming more hawkish with inflation worries rising, Phipps said.

Rising interest rates increase borrowing costs for businesses and consumers, while higher rates also can depress stock multiples, especially for technology and other growth stocks.

The tightening labor market and strengthening economy pushed the Fed last week to announce that it would end its pandemic-era bond purchases in March. That could open the door for three quarter-percentage-point interest rate increases by the end of 2022.

Fed policymakers also forecast that inflation would run at 2.6 per

cent next year, above the 2.2 per cent they projected in September.

At the same time, companies are still battling supply disruptions due to the pandemic, which appears to be entering a new, heightened phase as Omicron cases surge across the globe.

The possibility of faster spread and renewed restrictions loomed large in some countries ahead of the holidays. Since the start of the month, US Covid cases have risen 50 per cent, according to a Reuters tally.

"You do have a lot of things that can go wrong," said Christopher Harvey, head of US equity strategy at Wells Fargo Securities, which sees increased chances for a roughly 10

per cent market decline by next summer.

US companies this year managed to keep profit margins up because they have cut costs and passed along high prices to customers.

It is unclear, however, how much the latest risks will change 2022 earnings estimates and results.

Estimated 2022 S&P 500 earnings growth was at 8.3 per cent as of Friday, compared with 8.0 per cent at the start of December, according to Refinitiv data.

"Earnings estimates are actually going up in December, so Omicron is not even factored into the estimates at this point," said Nick Raich, CEO of independent research firm The Earnings Scout.



A trader works on the trading floor on the last day of trading before Christmas at the New York Stock Exchange in Manhattan.

Budget outlay to see marginal cut

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The subsidy in the power sector is set to increase after the government raised the price of diesel and furnace oil, used in generating electricity, in the first week of November.

Besides, the expenditure may increase in various sectors, including vaccine purchase and the acceleration of the ADP implementation in the later part of the year.

The council's meeting also gave an outline about the budget for the next fiscal year.

According to the outline, the size of the budget would be Tk 675,139 crore. The government will shell out Tk 250,000 crore to implement development projects.

Revenue collection goal will be set at Tk 433,000 crore, with the NBR to get a task of generating Tk 370,000 crore.

Towfiqul Islam Khan, senior research fellow of the Centre for Policy Dialogue, praised the government for initiating the move to revise the budget much earlier than usually seen.

"Now, the government should work in a detailed manner about the development projects that will see priority and that will see a cut in allocation."

Since the prices of fuel oil have gone up in Bangladesh and the price of fertilizer in the international market has been on an elevated level, the subsidy management of the government should be better taking into account the condition of the poor, he said.

Stock fluctuations normal

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To make the SME market of the stock exchanges vibrant, people who have investments of at least Tk 10 lakh should be allowed to trade there, said Sayadur Rahman, president of Bangladesh Merchant Bankers Association.

Investors with a minimum of Tk 50 lakh investment in the stock market are allowed to trade shares of companies on the SME platforms, according to the BSEC rules.

On the other hand, listed companies in the SME board should not be imposed the condition that they have to provide dividends in the first two years, he added.

SME Foundation Chairperson Prof Masudur Rahman, BSEC Executive Director Mohammad Rezaul Karim, DSE Managing Director Tarique Amin Bhuiyan and Capital Market Journalists Forum President Hasan Imam Rubel also spoke at the event.

More people opting for home loans

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Saleken sees huge potential for home loan products of the lenders as the number of loan seekers has been increasing along with the development of the real estate sector with increasing spending capacity of the people.

Sujit Saha, business development manager at Standard Chartered Bank, said clients with a minimum monthly income of Tk 78,000 could avail home loans of up to Tk 2 crore for a maximum of 25 years.

The bank, like others, provides 70 per cent of the asset's value as loan, he said.

Saha said they provided home loans at 9 per cent interest rate but were offering a 1.5 per cent cash back marking the fair.

He said the number of home loan clients have increased continuously and significantly for the past five years.

Saha said mortgage loans posed less risks as proposals were approved through proper assessment of clients' incomes.

Mohammad Didar Hossain, senior executive-loans at Delta Brac Housing Finance Corporation, said they were giving spot approvals to loan proposals of buyers of flats. He said they were getting a number of queries from clients.

They also reduced the interest rate to 7.5 per cent from 7.99 per cent marking the fair and was also providing a 50 per cent discount in processing fees.

According to him, they can provide a maximum of Tk 6 crore depending on the portfolio of the client.

Md Kamruzzaman, officer for the retail banking division of Mutual Trust Bank, said they were providing loans at a 7.5 per cent interest to clients whose permanent income was at least Tk 40,000.

They were a bit different, giving loans to clients aged up to 70 years. However, it also depended on financial conditions. Almost all banks and NBF consider an age limit of 65 years to give out loans.

Govt's bank borrowing surges for lower sales of savings tools

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Credit growth accelerated to 9.44 per cent in October, the highest in 13 months, overcoming sluggishness it had faced right after the virus arrived on the shores of the country in March last year as demand plunged.

One of the factors for the higher government borrowing might be the acceleration of implementation of major development projects, which had come to a standstill after the pandemic hit Bangladesh, said Emranul Huq, managing director of Dhaka Bank.

However, the banking sector is still not facing any discomfort due to the higher government borrowing. This is because the demand for term loans, whose repayment tenure is more than one year, is yet to gain

the expected momentum, he said.

The post-import financing, a short-term credit facility available to importers, is on the rise as the settlement of letters of credit has increased to a large extent as the economy recovers.

Between July and October, import payments stood at \$23.90 billion, up 51.4 per cent from a year ago.

According to Huq, liquidity pressure at banks would intensify if exports earnings and remittance flow don't move higher.

Exports surged in November as it raked in \$4.04 billion, reflecting the strong demand for apparel from Bangladesh. But the flow of remittance fell 25 per cent to \$1.55 billion in the month, the lowest since June 2020.