

# Star BUSINESS

2022

Together, Let's Leave A Mark This Year!

Prime Bank



## ANALYSTS SAY...

- ▶ BB's relaxed policy helped inflate income
- ▶ The profit should be considered as "eyewash"
- ▶ Relaxation of rules will affect banks' health
- ▶ BB should force banks to keep more provisions

## BANKS' OPERATING PROFIT

(In crore taka)

SOURCE: RESPECTIVE BANKS

● 2020 ● 2021

Islami 2,350 2,430	Pubali 935 1,140	City 704 1,101	Eastern 870 1,050	Southeast 815 1,016	Bank Asia 736 1,002	Premier 680 881	EXIM 741 780	IFIC 317 775	Al-Arafah 680 750	Jamuna 637 750
Dhaka 521 723	Mercantile 411 722	Shahjalal 481 717	NCC 573 717	First Security 630 690	SIBL 460 504	NRBC 323 450	National 920 238	South Bangla 152 210	Midland 125 162	Meghna 73 105

## Businesses look to brighter 2022

REFAYET ULLAH MIRDHA and SUKANTA HALDER

Businesses in Bangladesh hope that 2022 would be better than the previous two years as their optimism grew thanks to the ongoing strong recovery from the coronavirus pandemic.

Only Omicron, the latest variant of Covid-19, could hand a serious blow to their optimism, a number of chief executive officers of the country's major corporate houses and companies admitted.

The decision to reopen the economy and factories, especially, the garment factories, in June 2020 just after closure for two months has given a special leverage to Bangladesh's apparel manufacturers as most of the garment producing nations were shut at that time owing to high-level of coronavirus caseloads.

As a result, other garment producing countries have been detached from the global supply chain and are still taking more time to make a comeback in a significant way. So, global retailers

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# Banks glowing with paper profit

AKM ZAMIR UDDIN

Banks clocked higher operating profit in 2021 mainly due to the Bangladesh Bank's relaxed policy that allowed them to count income from unrealised instalments of loans.

An analysis of operating profit of 22 banks showed all of the lenders except one posted higher profit in 2021 compared to a year ago.

The forbearance offered by the central bank helped the lenders enjoy the high operating profit but this would not bring any good for the banking sector as a whole, warned analysts.

Rather, it will weaken the financial health of banks in the long run, they said.

As per the central bank policy, banks were not allowed to treat borrowers as defaulters if they repaid only 15 per cent of their total instalments payable.

Besides, banks were permitted to transfer the unrealised interests on the 85 per cent of the loans instalments to their income book although the

sums were not paid. This helped banks register the hefty profit.

Of the banks, Islami Bank Bangladesh recorded the highest profit, at Tk 2,430 crore, last year in contrast to Tk 2,350 crore the year before.

IFIC Bank posted the highest growth in operating profit, which rose 144 per cent to Tk 775 crore.

Shah Md Moinuddin, deputy managing director of IFIC Bank, said the private lender had also posted a significant income from retail loans.

"We have managed a positive growth in terms of mobilisation of deposits and disbursement of loans," he said.

Salehuddin Ahmed, a former governor of the central bank,

said that the higher profits made by the banks had apparently given an indication that the financial health of lenders had improved.

"But, this is not an actual profit because they showed the amount by following an arithmetical calculation," he said.

"The method will not bring any good for the banking sector, rather it will put an adverse impact on the fundamental pillars of banks."

According to Ahmed, businesses, shareholders and directors of lenders would get higher returns. The relaxation will not give anything to depositors.

A managing director of a bank, on condition of anonymity, says that the directors, including the shareholders of

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STOCKS		Week-on-week	
DSEX ▲	CSCX ▼	0.29%	0.29%
22,277.97	22,277.97		

COMMODITIES		As of Friday	
Gold ▲	Oil ▲	\$1,815.77	\$75.35
(per ounce)	(per barrel)		

CURRENCIES					As on Thursday			
	USD	EUR	GBP	JPY	STANDARD CHARTERED BANK			
BUY TK	84.85	95.14	113.59	13.09				
SELL TK	85.85	98.94	117.39	13.76				

ASIAN MARKETS					Friday Closings			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI					
▲ 0.80%	▼ 0.40%	▼ 0.09%	▲ 0.57%					
58,253.82	28,791.71	3,123.68	3,639.78					

## Tax return deadline ends today

STAR BUSINESS REPORT

Today is the last day for submission of tax returns although the deadline was two days back on Friday, December 31, 2020, which being a weekend had prompted the National Board of Revenue to shift the cut-off day to a workday.

From tomorrow, taxpayers will be required to pay a fine for their late submissions.

Technically November 30 was the official deadline for furnishing income and wealth statements for financial year 2021-22. But the tax authorities deferred it by one month as the number of return submission was low.

The number of taxpayer identification numbers (TIN) has more than doubled to 62 lakh in financial year 2020-21 from the 28 lakh in financial year 2017-18.

However, the number of return submissions did not grow accordingly.

Taxpayers filed 24 lakh returns in financial year 2020-21, up 60 per cent from 15 lakh in financial year 2017-18.

Income tax is the second biggest source of revenue collection for the NBR after value added tax (VAT), the indirect tax paid by consumers.

The NBR targets to collect Tk 105,475 crore in income tax in financial year 2021-22.



Visitors entering the month-long Dhaka International Trade Fair, which opened at Bangabandhu Bangladesh-China Friendship Exhibition Centre in Purbachal yesterday.

PHOTO: ANISUR RAHMAN

# DITF kicks off in new venue

STAR BUSINESS REPORT

The month-long 26th Dhaka International Trade Fair (DITF) opened to visitors on its new premises at Bangabandhu Bangladesh-China Friendship Exhibition Centre in Purbachal yesterday showcasing goods from around the world.

Prime Minister Sheikh Hasina virtually inaugurated the fair where some 227 companies from 11 countries, including India, Pakistan, Turkey, Thailand and South Korea, are participating alongside ones in Bangladesh.

There are 23 pavilions, 27 mini pavilions and 162 stalls, said Commerce Minister Tipu Munshi at a press conference on the premises on Friday.

Visiting hours are from 10:00am to 9:00pm and will be extended by an hour on weekends, he said.

The entry fee for adults has been fixed at Tk 40 and minors Tk 20. No charge is applicable on freedom fighters, said a commerce ministry statement.

Some 30 buses are providing shuttle service between the DITF and Kuril Bishwa Road charging Tk 30 per person, said Munshi, adding that there were also 15 food shops.

As set by the EPB, foreign companies have to pay \$6,500 to hire a small stall and \$9,000 for a big one. In case of local companies, the lowest rent for a stall is Tk 1.55 lakh while the highest Tk 17 lakh.

The new venue houses the country's biggest multipurpose trade exhibition complex, constructed in cooperation with the Chinese government at a cost of Tk 817 crore.

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CRISL has upgraded credit rating of Lankan Alliance Finance Limited to



Ratings	2021	2020
Long Term	A+	A
Short Term	ST-3	ST-3
Based on Audited Financial Statement	31 December 2021	31 December 2020

Rated by CRISL & valid till 8 June 2022



## Selim elected ABB chairman

STAR BUSINESS DESK

Selim RF Hussain, managing director of Brac Bank, has been elected chairman of the Association of Bankers Bangladesh (ABB) for a two-year term (2022-23) effective from January 1, 2022.

The announcement came from the association's 24th annual general meeting held virtually on December 27, says a press release.

Hussain, a banker with over 35 years' experience in South Asian financial institutions, started off his career at ANZ Grindlays Bank and later served Standard Chartered Bank.

He moved to non-banking financial institution IDLC Finance as managing director in 2010. He also served as the chairman of IDLC Investment and IDLC Securities. Hussain obtained a BBA degree in accounting from the University of Dhaka and an MBA from the Institute of Business Administration.

## Pran's concern wins ICMAB award

STAR BUSINESS DESK

Agricultural Marketing Company, a concern of Pran-RFL Group, has received an Institute of Cost and Management Accountants of Bangladesh (ICMAB) Best Corporate Award 2020.

Choudhury Atiur Rasul, director for accounts at Pran-RFL Group, received a crest from Commerce Minister Tipu Munshi at a city hotel on Thursday, said a press release.

Shibli Rubayat-Ul-Islam, chairman of the Bangladesh Securities & Exchange Commission, and Kazi Akram Uddin Ahmed, chairman of Standard Bank, were present.



People get tested for Covid-19 at a testing site in Washington, DC on December 29, 2021.

PHOTO: AFP/FILE

# 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.

## China factory activity edges up in Dec

AFP, Beijing

Manufacturing activity in China edged up in December, official data showed Friday, beating expectations as the price of commodities eased and despite sporadic closures due to Covid outbreaks.

The Purchasing Managers' Index (PMI) – a key gauge of manufacturing activity – in the world's second-biggest economy rose to 50.3, remaining above the 50-point mark separating growth from contraction.

The data from the National Bureau of Statistics marks a slight increase from last month's reading of 50.1 and beats expectations from analysts who had broadly predicted a slight decline.

"With the intensification of efforts to stabilize the economy, such as securing supply and stabilizing prices... the prices of some commodities have fallen significantly, and the cost pressure on companies has eased," said NBS statistician Zhao Qinghe.

Factory activity returned to expansion in November after seven months of decline due to power shortages and high raw material prices.

The PMI reading contracted below 50 for two months in September and October as the power crunch hit business operations.

Meanwhile, the non-manufacturing business activity index was 52.7 per cent in December, an increase of 0.4 percentage points from the previous month.

The recovery was driven in part by the recuperating air transport sector and hospitality.

Analysts have warned that China's domestic coronavirus outbreaks will likely continue to weigh on the country's economy, with sporadic outbreaks – including the ongoing lockdown in the city of Xi'an – hitting consumer confidence and shutting businesses. The historic northern city of 13 million is a key destination for tourists.

A separate flare-up of cases in late October spread to 21 provinces and prompted sweeping travel restrictions and closures.

The NBS data also showed a 2.8 per cent decrease in the business activity index of the construction industry to 56.3 per cent, over Beijing's deleveraging crackdown on the bloated property sector.

## Turkey jacks up electricity, gas prices

REUTERS, Istanbul

Turkey sharply raised electricity prices by 50-100 per cent for households and companies on Saturday, and again increased monthly natural gas bills, adding to strains in an economy facing soaring overall inflation.

The Energy Market Regulatory Authority said electricity prices were raised around 50 per cent for lower-demand households for 2022, while they were increased by more than 100 per cent for high-demand commercial users.

Natural gas prices jumped 25 per cent for residential use and 50 per cent for industrial use in January, national distributor BOTAS said separately.



Hassan O Rashid, managing director of Prime Bank, receives a letter of appreciation from Fazole Kabir, governor of the Bangladesh Bank, at the central bank headquarters in Dhaka recently. Prime Bank disbursed its designated portion of loans from the government's Covid-19 stimulus package for cottage, micro, small and medium enterprises in the first phase in fiscal year 2020-21.

PHOTO: PRIME BANK

# China to scrap subsidies for electric vehicles

AFP, Beijing

China will end subsidies for electric and hybrid cars at the end of the year, authorities have announced, saying the strength of sales in the sector meant state support was no longer needed.

In a statement published Friday, the Ministry of Finance said purchase subsidies would be reduced by 30 per cent from the beginning of 2022 before being scrapped completely by the end of the year.

"Given the growth of the industry for vehicles with new energy, the sales trends and the smooth transition of manufacturers, the subsidies... will end on December 31," the ministry said.

"Vehicles registered after December 31,

2022 will not be subsidised."

Sales of electric and hybrid cars have boomed in China, with increases of more than 100 per cent year-on-year in recent months.

The cars are set to represent 18 per cent of all vehicle sales in 2022, the China Association of Automobile Manufacturers (CAAM) estimated last week.

In 2019, they accounted for only five per cent.

Of the 27.5 million vehicles set to be sold this year, according to CAAM, five million will be electric and hybrids.

Overall growth in the world's largest market for vehicles will likely come in at 3.1 per cent for 2021, according to CAAM – the first year of sales growth since 2018.

# Euro marks 20 eventful years

AFP, Paris

The euro on Saturday marked 20 years since people began to use the single European currency, overcoming initial doubts, price concerns and a debt crisis to spread across the region.

European Commission chief Ursula von der Leyen called the euro "a true symbol for the strength of Europe" while European Central Bank President Christine Lagarde described it as "a beacon of stability and solidarity around the world".

Euro banknotes and coins came into circulation in 12 countries on January 1, 2002, greeted by a mix of enthusiasm and scepticism from citizens who had to trade in their Deutsche marks, French francs, pesetas and liras.

The euro is now used by 340 million people in 19 nations, from Ireland to Germany to Slovakia.

Bulgaria, Croatia and Romania are next in line to join the eurozone – though people are divided over the benefits of abandoning their national currencies.

European Council President Charles Michel argued it was necessary to leverage the euro to back up the EU's goals of fighting climate change and leading on digital innovation. He added that it was "vital" work on a banking union and a capital markets union be completed.

The idea of creating the euro first emerged in the 1970s as a way to deepen European integration, make trade simpler between member nations and give the continent a currency to compete with the mighty US dollar.

Officials credit the euro with helping Europe avoid economic catastrophe during the coronavirus pandemic.

"Clearly, Europe and the euro have become inseparable," Lagarde wrote in a blog post. "For young Europeans... it must be almost impossible to imagine Europe without it."

In the euro's initial days, consumers were concerned it caused prices to rise as countries converted to the new currency.

Though some products – such as coffee at cafes – slightly increased as businesses rounded up their conversions, official

statistics have shown that the euro has brought more stable inflation.

Dearer goods have not increased in price, and even dropped in some cases. Nevertheless, the belief that the euro has made everything more expensive persists.

The red, blue and orange banknotes were designed to look the same everywhere, with illustrations of generic Gothic, Romanesque and Renaissance architecture to ensure no country was represented over the others.

In December, the ECB said the bills were ready for a makeover, announcing a design and consultation process with help from the public. A decision is expected in 2024.

"After 20 years, it's time to review the look of our banknotes to make them more relatable to Europeans of all ages and backgrounds," Lagarde said.

Euro banknotes are "here to stay", she said, although the ECB is also considering creating a digital euro in step with other central banks around the globe.

While the dollar still reigns supreme across the globe, the euro is now the world's second most-used currency, accounting for 20 per cent of global foreign exchange reserves compared to 60 per cent for the US greenback. Von der Leyen, in a video statement, said: "We are the biggest player in the world trade and nearly half of this trade takes place in euros."

The eurozone faced an existential threat a decade ago when it was rocked by a debt crisis that began in Greece and spread to other countries.

Greece, Ireland, Portugal, Spain and Cyprus were saved through bailouts in return for austerity measures, and the euro stepped back from the brink.

Members of the Eurogroup of finance ministers said in a joint article they learned "valuable lessons" from that experience that enabled their euro-using nations to swiftly respond to fall-out from the coronavirus pandemic.



Euro coins and banknotes are displayed on an euro symbol.

PHOTO: AFP

## Germany shuts three nuclear power plants

REUTERS, Berlin

Germany has pulled the plug on three of its last six nuclear power stations as it moves towards completing its withdrawal from nuclear power as it turns its focus to renewables.

Under Germany's energy transition policy, the Gundremmingen, Brokdorf, and Grohnde nuclear power plants will be decommissioned on December 31, 2021.

The Gundremmingen power plant still produces 10 billion kWh of power per year, though parts of it have already been shut down — enough to provide the entire Munich metropolitan region with electricity.

A target of protests by opposition to nuclear power in the 1980s, the Brokdorf plant will shut down at midnight on New Year's Eve, much to its overseers' disdain.

"The last few days have been accompanied by a fair amount of melancholy. We have operated the plant for 35 years. We looked after it, we kept it at the best technical level and we always operated it safely," revealed Guido Knott, chairman of the management board at the operating company PreussenElektra.

However, no melancholy or remorse was felt by Karsten Hinrichsen, a longtime anti-nuclear activist known as the "Brokdorf rebel".

"I am quietly but steadily rejoicing that the thing is now shut down. This is not euphoria. Some people ask me if this is a victory. No, it's not, it's taken far too long for that," Hinrichsen said.

By the end of 2022, Germany will have achieved its goal of completely phasing out nuclear power, set by Chancellor Angela Merkel on May 30, 2011. The plan represented a dramatic change of course by Merkel's ruling Conservatives, who just a few months earlier had agreed to extend the lifespan of Germany's oldest power stations.



After the initial shock of the pandemic, economic activities around the world began to intensify from the end of 2020, which caused a rise in goods transport through the Chattogram port. PHOTO: STAR/FILE

## Ctg port posts 13pc growth in container handling

DWAIPAYAN BARUA, Chattogram

Bangladesh's premier seaport in Chattogram handled record number of containers in 2021 and also posted over 13 per cent year-on-year growth in container handling.

The port handled 3,214,448 TEUs (twenty-foot equivalent units) of export, import and empty containers in the just concluded year, up from 2,839,977 TEUs in 2020.

The figure was prepared after including the number of containers loaded and unloaded at the main jetties of the port along with Pangaon Inland Container Terminal in Keraniganj and Kamalapur Inland Container Depot in Dhaka, said CPA Secretary Md Omar Faruk.

The number of containers handled by the port in a year crossed 3 million TEUs for the first time in 2019 when 3,088,187 TEUs of containers were handled, posting a 6.34 per cent year-on-year rise.

In 2020, the country's foreign trade marked a sharp 8 per cent fall in annual container handling, when the port handled 2,839,977 TEUs.

So, annual container throughput also saw a negative turn last year driving the port out of the "Three Million Club" in terms of container handling.

With the resumption of business

activities at home and abroad after the primary waves of Covid-19, the country's foreign trade gained momentum with a rise in container and goods transport through the port since the final quarter of last year.

Earlier, the port posted 8.88 per cent year-on-year growth in container handling in 2018 and 10.13 per cent in 2017. The port handled 29.04 lakh TEUs in 2018 while the figure was 26.67 lakh TEUs in 2017.

Different types of commercial items, machinery, commodity, chemical products and all sorts of industrial raw materials except cement and ceramics are imported through containers while export goods are solely carried through containers.

Cargo handling by the port also posted 13 per cent year-on-year growth in 2021.

The port handled a total of 11.66 crore tonnes of cargo in 2021, up from 10.32 crore tonnes in the previous year.

Vessel arrival at the port also rose in the same period.

A total of 4,209 vessels arrived in 2021 while the number was at 3,728 in 2020.

After the initial shock of the pandemic, economic activities around the world began to intensify from the end of 2020, which caused a rise in goods transport through the Chattogram port, said Mahbul Alam, president of Chittagong Chamber of Commerce and Industry

(CCCI). He thanked the port authority for keeping the port running round the clock.

The port did not face remarkable vessel congestion this year when many regional and global ports remained choked with congestion for many weeks, he said.

The port had limited manpower, but they managed keeping the port running 24/7, which helped the trading channel handle record number of containers in the year, CPA Chairman Rear Admiral M Shahjahan said.

He said the port management maintained personal supervision and closed monitoring over the port's operational activities as well as maintained coordination with all the stakeholders to avoid congestion over the period.

He thanked the port staffs and workers as well as all the stakeholders like berth operators, ship handling operators, importers, exporters, shipping agents, clearing and forwarding agents, freight forwarders, customs officials and others, who worked together in a coordinated way.

The number of gantry crane has been increased from 4 to 14 in the port while its storage capacity in the yards has been increased gradually, the chairman said, adding that these capacity enhancing measures helped the port grow its productivity.

## Govt to celebrate progress in LDC graduation

STAR BUSINESS REPORT

The government will organise a programme today to celebrate Bangladesh's achievement of qualifying for graduation from the least developed country (LDC) category.

On November 24, the United Nations General Assembly adopted a resolution for the south Asian nation to graduate to a developing country.

The Economic Relations Division (ERD) of the finance ministry will organise a commemoration ceremony at Bangabandhu International Conference Centre in Dhaka.

Finance Minister AHM Mustafa Kamal unveiled the schedule of the programmes at a virtual press briefing yesterday.

The minister said Bangladesh has achieved 188 per cent economic growth in the last 10 years before the Covid-19 pandemic.

For graduation, Bangladesh at a time fulfilled the requirements under three criteria — economic vulnerable index, per capita income and human asset index.

Prime Minister Sheikh Hasina, Speaker of the Parliament Shirin Sharmin Chaudhury and Finance Minister AHM Mustafa Kamal will also share their thoughts at the programme, ERD Secretary Fatima Yasmin said at the briefing.

A cultural programme will be held there also, Yasmin said, adding that they will also organise different programmes at district and divisional levels.

## EU drafts plan to label gas, nuclear investments as green

REUTERS

The European Union has drawn up plans to label some natural gas and nuclear energy projects as "green" investments after a year-long battle between governments over which investments are truly climate friendly.

The European Commission is expected to propose rules in January deciding whether gas and nuclear projects will be included in the EU "sustainable finance taxonomy".

This is a list of economic activities and the environmental criteria they must meet to be labelled as green investments. By restricting the "green" label to truly climate friendly projects, the system aims to make those investments more attractive to private capital, and stop "greenwashing", where companies or investors overstate their eco-friendly credentials.

Brussels has also made moves to apply the taxonomy to some EU funding, meaning the rules could decide which projects are eligible for certain public finance.

A draft of the Commission's proposal, seen by Reuters, would label nuclear power plant investments as green if the project has a plan, funds and a site to safely dispose of radioactive waste. To be deemed green, new nuclear plants must receive construction permits before 2045.

Investments in natural gas power plants would also be deemed green if they produce emissions below 270g of CO2 equivalent per kilowatt hour, replace a more polluting fossil fuel plant, and receive a construction permit by December 31 2030.

## Businesses look to brighter 2022

FROM PAGE B1

and brands are coming to Bangladesh with more than expected work orders.

"We have to maintain a stable business environment so that we can execute the orders. I am hopeful that 2022 will be better for us than 2021 as prospects are brighter," said M A Jabbar, managing director of DBL Group, a leading garment exporter.

"We have already proved our resilience and Bangladesh has already become a global champion by maintaining a strong supply chain even during the peak of Covid-19."

AK Azad, chairman and chief executive officer of Ha-Meem Group, a top garment exporter, echoed Jabbar.

"For pandemic-related situations, some businesses have shifted to Bangladesh from other countries such as including China and Vietnam. Local investment has also increased."

"We will see the results in 2023-24," Azad said.

He, however, says the impacts of Omicron have slowed businesses in the European markets. US customers are also in a slow lane.

"They are observing the situation. The coronavirus situation will decide the course of next investments," said Azad, also a former president

of the Federation of Bangladesh Chambers of Commerce and Industry.

"If the pandemic situation does not worsen, we will do better in 2022," said K M Rezaul Hasanat, chairman and CEO of Viyellatex Group, another major industrial conglomerate.

According to the entrepreneur, mindset is very important.

"The confidence level of people is growing. The confidence level of our business people has increased manifold, and this will help boost our economy."

"We have a lot of challenges and we have also success stories. Many major countries also now count Bangladesh as our economy is growing."

Sabbir Hasan Nasir, executive director of ACI Logistics, the parent company of Shwapno, the largest retail chain in Bangladesh, sees huge opportunities in online business segment.

He says the flow of investment to the healthcare sector is rising. "Pharmaceuticals and agri-businesses are growing as well."

He cited non-availability of raw materials and high prices as two major challenges facing businesses now.

Naser Ezaz Bijoy, CEO of Standard Chartered

Bangladesh, said 2022 would be a good year if the nation can face the upcoming Omicron challenges.

"In the last two years, many investors have not invested because of uncertainty. If you can execute the under process reforms, including one-stop services, the new year will be a good one."

Mostafa Kamal, chairman and managing director of Meghna Group of Industries, plans to set up five new factories this year after their launch was delayed by the pandemic last year.

"Every disaster creates new opportunities for investment. I found an opportunity in the shipping industry," he said.

Ahsan Khan Chowdhury, chairman and CEO of Pran-RFL Group, thinks export will increase tremendously in 2022 because there is a surge in demand in the developed economies.

"We are finding a lot more opportunities in the UK, Europe and the US," he said.

He says domestic demand in Bangladesh is also rising because people have better jobs and are spending more.

"Due to Covid-19, many things were stagnant in the country. There are a lot of celebrations now. Activities are picking up."

## DITF kicks off in new venue

FROM PAGE B1

Sitting on more than 26 acres, the two-storey complex has 33,000 square metres of floor space, of which 24,370 square metres are meant to be used for exhibitions. There are also 800 booths for displaying products.

Besides, the facility has 7,912 square metres of parking space capable of accommodating 1,000 cars.

The centre also has a multifunctional hall room with a seating capacity of 473 people alongside a 50-seat conference room. In addition, there are six negotiation rooms, a large cafeteria, an open space for children to play and various amenities.

Customarily inaugurated by the prime minister, the annual fair was cancelled last year for the Covid-19 fallout.

The commerce ministry and EPB have been jointly organising the fair since 1995 in the city's Agargaon area.

However, the venue was shifted to Purbachal due to the previous one in Agargaon having gradually turned out to be too small to accommodate the ever-growing number of participants and visitors.

## Banks glowing with paper profit

FROM PAGE B1

the lenders, were supposed to manage a good amount dividend last year, but this would ultimately weaken the banks.

A major portion of the profits did not derive from the loan instalments of borrowers. Banks calculated the amount by anticipating that the fund would be realised in 2022.

Banks provide dividend based on the net profit, a majority of which come from the operating profit. But as there has not been actual profit this time for many lenders, the gap will have to be met by the cash available that largely come from depositors.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, said that the high operating profit logged by the banks was just an inflated figure, which should be treated as "eyewash".

This has camouflaged the actual state of the banking sector as the majority of banks have registered the profit by using the central bank's relaxed policy, he said.

The former official of the International Monetary Fund pointed out that a good number of loans, which have been used to show the profit, may slip into the default zone category this year.

"So, the central bank should compel banks to

improve their provision and capital base."

The central bank has asked banks to preserve an additional 2 per cent provision along with the required 1 per cent against the loans under the relaxed policy.

The central bank should not extend the forbearance as the strength of banks has already eroded due to the business slowdown stemming from the coronavirus pandemic, Mansur said.

The relaxation has also encouraged the habitual defaulters as they have been able to avoid the default zone by giving a small amount in instalments than they would have to be paid otherwise.

"The banks that have not set aside required provisions but transferred income to their profit will only see their health deteriorate," said Mansur.

Syed Mahbubur Rahman, managing director of Mutual Trust Bank, said that banks should be careful in calculating the profit because Omicron, the highly mutant Covid-19 variant, was spreading at a faster clip.

"Banks should place more importance in strengthening the provision base rather than calculating profit as we don't know what lies ahead."

Emranul Huq, managing director of Dhaka Bank, credited the default loan recovery programme of his bank for the robust profit last year.

The lender also made a magnificent profit from the businesses of exports and imports, he said.

Profit in Dhaka Bank stood at Tk 723 crore last year, up 39 per cent year-on-year.

Kamal Hossain, managing director of Southeast Bank, said that his bank faced lower classified loans in 2021 than the previous year due to the BB classification policy. It has also managed a good income from foreign exchange-related businesses. The operating profit of Southeast Bank was Tk 1,016 crore, an increase of 25 per cent year-on-year.

The profit at National Bank, however, nosedived to Tk 238 crore compared to Tk 920 crore, the only lender among the 22 that saw lower profit last year than the previous year.

MD Mehmood Husain, managing director of National Bank, said that the central bank imposed an embargo on the disbursement of new loans last year, leading to a decline in profit.

"In addition, default loans went up. And this has forced us to preserve more provision to keep the financial health stable."

## Global stocks end strong year with losses

AFP, New York

Global stock markets closed lower Friday, the final trading session of 2021 — a year of strong gains overall as economies recovered despite ongoing restrictions caused by the coronavirus pandemic.

On Wall Street, the broad-based S&P 500 had its best December in over a decade, and scored a third straight year of double-digit gains with a 27.1 per cent jump. The index notched records 70 times this year, "second only to 1954," said analyst Sam Stovall.

"2021 was a very good year. "The benchmark Dow Jones Industrial Average won 18.7 per cent, while high-flying tech stocks pushed the Nasdaq up 21.4 per cent. London's benchmark FTSE 100 index fell 0.3 per cent in a shortened trading session ahead of the New Year, posting an increase of 14 per cent for the year.

The Paris CAC 40 index rocketed almost 29 per cent this year, its best showing for more than 20 years. Germany's DAX had ended its year Thursday, having surged nearly 16 per cent in 2021.

While markets soared in 2021, they seasawed in recent months as investors worried about resurging inflation, the prospect of an end to central bank largesse and the ongoing coronavirus pandemic.

# Brac Bank on a roll

## Goes from strength to strength riding on socially responsible banking

### BY THE NUMBERS

As of June 30, 2021

Loan and advances:

Tk 28,244cr

Deposits:

Tk 27,684cr

Net profit in 2020:

Tk 454cr

Non-performing loans:

3.65%

Number of customers:

12 lakh

Number of employees:

7,479

Number of branches:

187

SOURCE: BRAC BANK

AKM ZAMIR UDDIN

Brac Bank is a private commercial lender, but it put the unbanked population and sustainable banking at the heart of its activities from the word go instead of making hefty profits because of its deep conviction that it can serve the society and clients well, profits will automatically pour in.

The bank has proven right. Today, Brac Bank is one of the most profitable lenders in Bangladesh.

"Our objective is different from others. We have had a strong development focus since the inception and we want to add value to our clients and society," said Brac Bank Managing Director Selim RF Hussain in an interview with The Daily Star recently.

When the bank was set up in 2001, the lender emphasised SME loans although extending finances to the segment was not a popular proposition at the time. Conventional banks had their maximum focus on corporate banking as they saw

when Hussain joined Brac Bank in November 2015 as its managing director after leading IDLC Finance, one of the top non-bank financial institutions, in the same position.

He says disbursing loans among small enterprises is expensive as funds have to be distributed to a lot of borrowers. For this reason, the fund is termed as intensive supervisory credit.

The bank's cost-income ratio in the SME segment is nearly 85-90 per cent. This means the returns from the SME loans is low.

"Still, we are trying to expand the volume of SME loans as this is our mandate," Hussain said.

The cost-income ratio of the SME business surged to 170 per cent just after the central bank capped the lending rate at 9 per cent in April 2020.

Brac Bank had lent at 16 per cent before the cap. But as the rate declined to the single-digit overnight, it brought in a large amount of losses for the bank.

"But, we have turned around by improving

ratio of 8.12 per cent in the industry.

In keeping with the changing times, the bank has intensified efforts to make its digital banking vibrant.

Around 22 per cent of its total transactions were settled through online platforms in January 2020. Currently, the ratio is 57 per cent.

"This means we have progressed a lot in the digital segment in the last two years," said the top executive.

The pandemic has also helped accelerate the digital banking programme, because it has changed customers' behaviour on how they communicate, work, study, carry out financial transactions, and get entertained.

However, implementing digital tools across the board within the next couple of years will not be possible as Bangladesh is a cash-based economy.

So, there is a strong requirement to ensure coordination between digital and physical banking in order to provide financial services to people from all walks of life, he said.

In 2021, the bank rolled out a banking application named "Asta" (confidence), which has drawn attention from clients. The app is helping clients carry out banking efficiently from the convenience of their home.

"Brac Bank will invest to upgrade its online platform in a consistent manner as a cashless society will be established in Bangladesh in the future."

The bank has also won the confidence of both local and foreign investors.

The rate of foreign shareholding in Brac Bank is around 38 per cent, whereas no other bank in the country has more than 5 per cent of external shareholding.

Hussain heaps praises on the board that has never intervened in the running of the day-to-day operations of Brac Bank.

Among the local lenders, Brac Bank has secured top-notch credit rating from S&P and Moody's, the two leading credit rating agencies in the world.

Recently, Hussain has got extension to continue in the same position for about five years. And he has set his sights on increasing the bank's market shares in all segments of businesses - SME, retail and corporate.

"Technology along with skilled human resources will help achieve the goals," he said.

Hussain says the economy greatly benefited in 2020 from the rolling out of the lending cap as it reinvigorated the private sector credit. But phasing out of the cap should be reconsidered.

The International Monetary Fund has also urged the government to do away with the lending ceiling gradually.

"The interest rate cap can be revisited initially for the SME and retail sectors," Hussain added.

# Huawei revenues down 29pc

AFP, Beijing

Chinese telecom giant Huawei said on Friday its annual revenue had fallen by nearly a third from the previous year, as it continued to be weighed down by US sanctions that have hit its smartphone sales.

Huawei has been caught in the crossfire of a US-China trade and technology rivalry after the administration of former president Donald Trump moved to cripple the company over concerns it could pose a cybersecurity and espionage threat.

The firm's revenue for this year fell by 29 percent year-on-year to 634 billion yuan (\$99.5 billion), said rotating chairman Guo Ping in an annual new year message.

"In 2021, despite all the trials and tribulations, we worked hard to create tangible value for our customers and local communities," Guo said.

"We enhanced the quality and efficiency of our operations, and expect to round off the year with a total revenue of 634 billion yuan.

"He added that the telecom carrier segment had "remained stable" and "overall performance was in line with our forecasts.

"Huawei's revenue has fallen in 2021 due in part to the offloading of its budget phone brand Honor, which was sold late last year. Huawei is not publicly listed, and the message did not give any other financial specifics.

Guo said the company was on a "bumpy, but rewarding" road, adding that 2022 will come with "its fair share of challenges.

"Huawei's travails have forced it to quickly pivot into new business lines including enterprise computing, wearables and health tech, technology for intelligent vehicles, and software.

The United States has barred Huawei from acquiring crucial components such as microchips and forced it to create its own operating system by cutting it off from using Google's Android operating system.

This month, the company launched a new foldable phone and said 220 million Huawei devices were running its HarmonyOS system.

The group is the world's biggest supplier of telecom network gear and was once a top-three smartphone producer along with Apple and Samsung. But it has fallen well down the smartphone ranks owing to US pressure.

In October, the group said its January-September sales volume had fallen 32 per cent.

But a major complication for the company was solved this year with the return to China of chief financial officer Meng Wanzhou, the daughter of Huawei founder Ren Zhengfei.

**Huawei's travails have forced it to quickly pivot into new business lines including enterprise computing, wearables and health tech, technology for intelligent vehicles, and software**



SME loans were very risky and were not commercially viable.

"But disbursing Tk 100 crore among 10,000 SME clients instead of one big borrower has a great impact on the society and economy," said Hussain, who has recently been elected as the president of the Association of Bankers, Bangladesh, the platform of the chief executives in the banking industry.

Micro, small, and medium-sized enterprises (MSMEs) are critical to economic growth, covering 99.97 per cent of all enterprises. They absorb around 86 per cent of the labour force.

Keeping this in mind, the bank has disbursed 53 per cent of its outstanding loans to the tune of Tk 28,244 crore in the SME sector.

The ratio of SME loans was 39 per cent

different processes, including upgradation of technology and rolling out of new products."

The bank registered a net profit of Tk 284 crore in the first half of 2021.

Hussain praises SME entrepreneurs as resilient and compliant. The bank faced only 3 per cent default loans in the SME segment.

Brac Bank disbursed 17 per cent loans in the retail sector and 30 per cent in the corporate segment.

Under the retail banking, the bank's credit card has received tremendous popularity, becoming one of the top players in the card business.

The outstanding loans in the credit card segment stand at Tk 850 crore, of which less than 4 per cent have turned sour.

The overall ratio of default loans at Brac Bank stood at 3.5 per cent as of September last year, way lower than the average NPL

# Omicron spoils US holiday economic comeback

AFP, Washington

Holiday events have been scrapped in droves, thousands of flights canceled, cruises are now off limits: the Omicron variant has wreaked havoc in the United States, and the new year could see more issues exacerbating the worker shortage and price increases.

"We are starting to see some initial signs that Omicron is having an impact on the economy, mainly in the sectors where face to face interactions are most important," in particular service sector businesses like bars and restaurants, Oren Klachkin of Oxford Economics told AFP in an interview.

The world's largest economy had been poised to put Covid in the rearview mirror, but on the eve of the new year, the virus is once again playing the spoiler. The highly contagious Omicron variant, which appeared a month ago, is causing the number of new cases to skyrocket to record levels during the holiday travel season.

After 5,013 cases were reported in US territorial waters between December 15 and 29, compared to just 162 in the prior two weeks, health authorities warned Americans to avoid cruise travel, even for the fully vaccinated. The cruise industry called the decision by the US Centers for Disease Control and Prevention disappointing.

The warning was "particularly perplexing considering that cases identified on cruise ships consistently

make up a very slim minority of the total population onboard - far fewer than on land - and the majority of those cases are asymptomatic or mild in nature," the Cruise Lines International Association said in a statement.

Economists say it is difficult to quantify the economic consequences of this new variant. Moody's analysts lowered their growth forecast for the first quarter because of Omicron, cutting it to around two percent rather than the five percent previously expected.

The fear of contagion that is causing events to be canceled and the decline in restaurant reservations "are only part of the equation," Grant Thornton economist Diane Swonk warned in a tweet, noting that employers face worsening manpower issues due to the rise in infections.

"This is not new, just magnified by Omicron," she said. Rising case counts mean more workers in quarantine due to a positive Covid-19 test or contact with an infected person, and the resulting personnel shortage could paralyze a large part of the economy.

"We have already seen the beginning of what I - and clearly the CDC fears - will be a surge in those out sick and unable to keep even vital services going," Swonk said.

The most visible impact was the thousands of flights canceled over the Christmas holiday as airlines struggled to get enough flight crews on planes.

In an effort to ease the strain of long quarantine requirements, President Joe Biden's administration on Monday cut the recommended isolation period in half to five days for infections without symptoms.

Even before the latest strain appeared, businesses nationwide had been struggling to fill open positions, amid a wave of retirements and growing reluctance to return to in-person work amid the pandemic.



A Tesla vehicle is on display at a showroom in the Aventura Mall of Miami, Florida.

PHOTO: AFP/FILE

# Tesla recalls 675,000 cars in US, China

AFP, Paris

Tesla has recalled 675,000 cars in the United States and China over issues with the trunk and front hood of two models, raising new questions about the safety of the popular electric vehicle.

Chinese regulators announced the recall of almost 200,000 cars on Friday, hours after some 475,000 Tesla vehicles were flagged in the United States. The problems with the trunk and hood increase the risk of crashes, according to US and Chinese regulators.

Authorities said the repeated opening and closing of the trunk of the Model 3 can damage a cable for the rearview camera.

An issue with the latch assembly for the front hood of the Model S could cause it to open without warning and obstruct the driver's visibility, according to the US National Highway Traffic Safety Administration (NHTSA).

Tesla estimates that the problems affect one percent of Model 3 vehicles and 14 per cent of the Model S recalled in the United States, without causing any accidents so far.

Mass recalls are not rare in the auto industry. Volkswagen had to take 8.5 million cars out of circulation in 2015 due to the Dieselgate scandal, in which the German company admitted tampering with millions of diesel vehicles to dupe emissions tests. At least 100 million vehicles were recalled by car companies across the world in recent years due to a defect with airbags made by bankrupt Japanese group Takata. Tesla's recall represents a quarter of the number of cars Elon Musk's young company has produced so far.

"It is a reality wake-up call for Tesla though, with a slap in the face welcome to the automotive world that is perhaps more complex than the smartphone industry that many like to compare it to," said German auto analyst Matthias Schmidt.

# Indonesia bans coal exports

REUTERS, Jakarta

Indonesia has banned coal exports in January due to concerns that low supplies at domestic power plants could lead to widespread blackouts, a senior official at the energy ministry said on Saturday.

The Southeast Asian country is the world's biggest exporter of thermal coal, exporting around 400 million tonnes in 2020. Its biggest customers are China, India, Japan and South Korea.

Indonesia has a so-called Domestic Market Obligation (DMO) policy whereby coal miners must supply 25 per cent of annual production to state utility Perusahaan Listrik Negara (PLN) at a maximum price of \$70 per tonne, well below current market prices.

In the letter cited by local media Kumparan, the ministry instructed that all coal at harbours should be stored to supply power plants and independent power producers (IPP).

"The export ban will be evaluated and reexamined based on the stock realisation of coal for PLN's power plants and IPP," the letter said.

Ahmad Zuhdi Dwi Kusuma, an industry analyst at Bank Mandiri, said the ban would push global coal prices higher in coming weeks as stockpiles decrease.