STIMULUS

Tk 500cr rolled out for those who migrated to villages

STAR BUSINESS REPORT

The Bangladesh Bank yesterday rolled out a stimulus package of Tk 500 crore to support people who migrated back to their villages due to the ongoing economic hardship.

A good number of urban people who lost their jobs at the height of the coronavirus pandemic are now leading a difficult life without any employment in villages, according to a BB notice.

This will put an adverse impact on the rural economy, which is why the BB has decided to bring the people under the stimulus package titled Refinance Scheme for "Ghore Fera" (homecoming).

The returnees will be able to get funds at six per cent interest rate from the scheme.

Banks will get funds at 0.5 per cent interest rate from the central bank, meaning that they will enjoy an interest margin of 5.5 per cent for disbursement of the loans.

Borrowers who will avail up to Tk 2 lakh will be allowed to repay the loan by two years, which includes a grace period of three months.

The repayment tenure will be three years, including a six-month grace period, if the amount of loan ranges between Tk 2 lakh and Tk 5 lakh.

Clients will not need to provide any collateral.

The tenure of the refinance scheme will end on December 31, 2024. The loan recovery, however, will continue afterwards, according to the BB document.

The BB has selected eight sectors to provide the fund. The areas include local businesses with small capital; light engineering; fisheries and livestock; cultivation of vegetables and fruits; purchase of agriculture equipment; and building and repairing houses.

Coal barges are pictured as they queue to be pulled along Mahakam river in Samarinda, east Kalimantan province, Indonesia.

PHOTO: REUTERS/FILE

Indonesia's coal export ban rattles global market

REUTERS, *Jakarta*

Indonesian coal miners are seeking a quick resolution to a government coal export ban that is already causing fuel prices to rise and could disrupt the energy needs of some of the world's biggest economies.

The world's biggest exporter of thermal coal on Saturday banned the shipments because of concerns it could not meet its own power demand.

But the prohibition risks undermining the energy needs of global economic linchpins China, India, Japan, and South Korea, which together received 73 per cent of Indonesian coal exports in 2021, according to shiptracking data from Kpler.

Though key coal trading hubs such as Australia are closed on Monday, prices for coal to India's west coast have already climbed by as much as 500 rupees ($6.73) per tonne since the ban was announced, said Riya Vyas, a business analyst at iEnergy Natural Resources Limited.

But, she did not know of any exporters who had declared force majeure, which describes when companies cannot supply fuel because of events beyond their control. The ban follows a tumultuous year for global coal as prices surged amid a supply crunch in China, the world's biggest consumer. Prices of the most commonly exported grade of Indonesian coal rose to a record $158 per tonne in October thought it slipped $68 on December 29, according to data from Caixin.

Indonesia enacted the ban because low coal inventories at domestic power plants could lead to widespread blackouts, though the government plans to reevaluate the decision on Wednesday.

The world's biggest exporter of thermal coal on Saturday banned the shipments because of concerns it could not meet its own power demand

Ridwan Jamaludin, the director-general of minerals and coal at the Indonesian energy ministry, said at the weekend that without the ban almost 20 power plants would have to shut.

Under its so-called Domestic Market Obligation (DMO) policy coal miners must supply 25 per cent of their annual production to state utility Perusahaan Listrik Negara (PLN) at a maximum price of $70 per tonne, below current market prices. The Indonesian Coal Mining Association (ICMA) met trade ministry officials during the weekend to thrash out a solution, ICMA Chairman Pandu Sjahrir said on Monday.

"The main objective now is to avoid power outages. For the very short term, the solution is for ten of our biggest members to try to help with PLN's shortage," he said. The ICMA called for the ban to be revoked since it was "taken hastily without being discussed with business players".

Shares of Indonesia's coal miners fell early on Monday. Adaro Energy dropped 3.1 per cent, while Bukit Asam lost 3.3 per cent and Bumi Resources shed 2.9 per cent. However, Adaro shares later rebounded. Pandu said some miners are unable to sell to PLN since the company requires coal with a heating value of 4,200 kilocalories per kg or less, which is considered a low-grade form of the fuel.

A spokesperson for Adaro, one of Indonesia's biggest coal miners, said that in 2021 it sold about 27 per cent of its output domestically, more than required.

Analysts expect the miners' willingness to do whatever it takes to restore export flows would lead to a quick resolution, especially since they have abundant supply capacity.

Harness trade potential with Indonesia

FBCCI chief urges govt

STAR BUSINESS REPORT

The government should take initiative to harness the potential of bilateral trade with Indonesia, said Md Jashim Uddin, president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI).

He made the call in a courtesy call paid by Bangladesh Ambassador to Indonesia Air Vice Marshal Mohammad Mostafizur Rahman at the FBCCI office yesterday.

He also urged the envoy to take initiative so that Indonesia also invests in the economic zones of Bangladesh.

In the meeting, the ambassador said the Bangladeshi government is keen to be a sectoral dialogue partner of Indonesia.

As the tariff and tax structure in Indonesia is relatively simple, it will be easier for Bangladeshi exporters to capture the market, he said, adding that Indonesian entrepreneurs are interested to invest in Bangladesh through joint ventures in the pharmaceutical and SME sectors.

A delegation led by Indonesia's industry minister or commerce minister is expected to visit Bangladesh this year to explore bilateral trade and investment prospects, said a press release of FBCCI.

Germany welcomes EU green energy plan on gas

REUTERS, *Berlin*

Germany on Sunday welcomed a plan by the European Union to label some natural gas energy projects as "green" investments, but stressed its opposition to a proposal to do the same for nuclear power projects.

Germany pulled the plug on three of its last six nuclear power stations on Friday as it moves towards completing a withdrawal from nuclear power that it sped up after the meltdown of a reactor in Fukushima, Japan, in 2011.

"For the German government, natural gas is an important bridging technology on the way to greenhouse gas neutrality against the background of the phase-out of nuclear energy and coal-fired power generation," a government spokesperson said. "The government's position on nuclear energy remains unchanged. The government remains convinced that nuclear power cannot be classified as sustainable."

While nuclear power produces very low CO2 emissions, the European Commission sought expert advice on whether the fuel should be deemed green given the potential environmental impact of radioactive waste disposal.

A draft of the Commission proposal, seen by Reuters on Saturday, 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.

Zafar Alam, managing director of Social Islami Bank Ltd, virtually inaugurates four sub-branches at Baburhat in Chandpur, Trishal in Mymensingh, Moilaputa in Khulna, and Horina Pipulbaria Bazar in Sirajganj, recently. Md Tajul Islam and Abu Reza Md Yeahia, additional managing directors of the bank, Abu Naser Chowdhury, Md Sirajul Hoque and Md Shamsul Hoque, deputy managing directors, and Abdul Hannan Khan, company secretary, were present.

PHOTO: SIBL

Challenges facing banks as pandemic persists

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The current account deficit may widen in the aftermath of remittance inflow fall.

The market was experiencing excess liquidity till like August or September and accordingly, the rates on fixed deposit nosedived (even to a level of 2 per cent), especially at most private commercial banks.

However, we have seen the BB coming up with circulars in August to give rates not below the inflation rate on fixed deposits of individuals and retirement funds.

The central bank also revived the Bangladesh Bill to mop up excess liquidity. As remittance got slowed down, the BB also required to sell USD in the market, which has helped mopping up some liquidity from the market.

New national savings certificate regulation discouraged the fresh sale, forcing the government to go for aggressive bank borrowing as revenue collection was not getting to the targeted level. It looks like borrowing would significantly exceed the limit set for the fiscal year of 2021-22.

The revenue shortfall could also be for the fact that businesses possibly are yet to get to full momentum. The high government borrowing is poised to aggravate the already tight liquidity conditions, which will ultimately hit the private sector. It would be an impediment to maintaining the lending rate cap. We have also seen the yield on Treasury bills and bonds showing upward trend.

Customers' demands and requirements have shifted to adaptation of digital products and services. Hence, banks' survival will be at risk if they fail to cope with these quick changes. Banks should focus on making rationalised profits after keeping adequate risks buffers.

Inflationary pressure is likely to impact common people. The government's prudence in managing the macro-economy will play a critical role. Regulatory consistency is another area where the regulators should focus in future.

It seems 2022 will be even more challenging in the pandexit era. Omicron, the new Covid-19 variant, started to show a grisly face, spreading all over the world quickly. France could soon have 100,000 cases per day. The World Health Organisation flagged this situation, saying "another storm is coming".

In such a looming situation, payment holiday may get stretched to 2022. However, the 2 per cent extra provision requirement could put pressure on the default-burden banks struggling with provision shortfall. Asset quality may deteriorate in the post-Covid situation when the policy relaxations will not be in place.

Since the exact extent and trajectory of Covid-19 is still uncertain, banks should devise forward-looking strategies to cope with this new normal situation.

The author is the managing director of Mutual Trust Bank.

Bitcoin faces uncertain 2022

AFP, *London*

The price of bitcoin hit record highs in 2021 thanks to support from traditional finance, but cryptocurrency specialists are struggling to predict next year's outcome for the volatile sector.

Having more than trebled in value to $60,000 between December 2020 and April, bitcoin has lost some shine to trade at under $50,000 heading into the new year.

"The current choppy and directionless price action with a possibility of further pressure to the downside has introduced a lot of uncertainty to the digital asset market," noted Loukas Lagoudis, executive director at cryptocurrency investment fund ARK36.

He added, however, that "sustained adoption of digital assets by institutional investors and their further integration into the legacy financial systems will be the main drivers of growth of the crypto space" during 2022.

Bitcoin's rise in 2021 coincided with Wall Street's growing appetite for cryptocurrency.

The record high in April occurred with the stock market debut of cryptocurrency exchange Coinbase.

October's peak above $66,000 followed the launch of a bitcoin futures exchange-traded fund on New York Stock Exchange.

PHOTO: ISPAHANI

Mirza Salman Ispahani, chairman of Ispahani Group, and Sufi Mizanur Rahman, chairman of PHP Group, release balloons to inaugurate a new academic building of Ispahani Public School and College on the institute premises in Chattogram on Sunday. The building was named after Mirza Mehedi Ispahani. Shereen Ispahani, director of Chattogram Grammar School, was the designer and architect of the building. Mirza Shakir Ispahani, managing director of Ispahani Group, was present.