Russia relaxes rules on forex buying

REUTERS

Russia will relax temporary capital control measures aimed at limiting a drop in the rouble by allowing individuals to buy cash foreign currency and will also scrap commission for buying forex through brokerages, the central bank said on Friday.

The rouble has rebounded on the Moscow Exchange from record lows in March to levels seen before February 24, when Russia started what it calls "a special military operation" in Ukraine, as capital control measures suffocated demand for forex. The swift rebound in the rouble raised concerns about its economic and financial impact as analysts have warned that the volatile and strong rouble could pose a threat to Russian revenues from selling commodities abroad for foreign currency.

The central bank said banks will be allowed to sell cash foreign currency to individuals from April 18 but only the notes they have received no earlier than on April 9.

The central bank is also scrapping its requirement for banks to limit the gap between prices at which they offer to buy and sell foreign exchange. But it recommended banks sell forex to import-focused companies at a rate of no more than two roubles above the market rate.

The central bank said individuals will be allowed to withdraw not only dollars but also euros from their accounts from April 11, but kept the maximum amount that can be withdrawn until September 9 at the equivalent of $10,000.

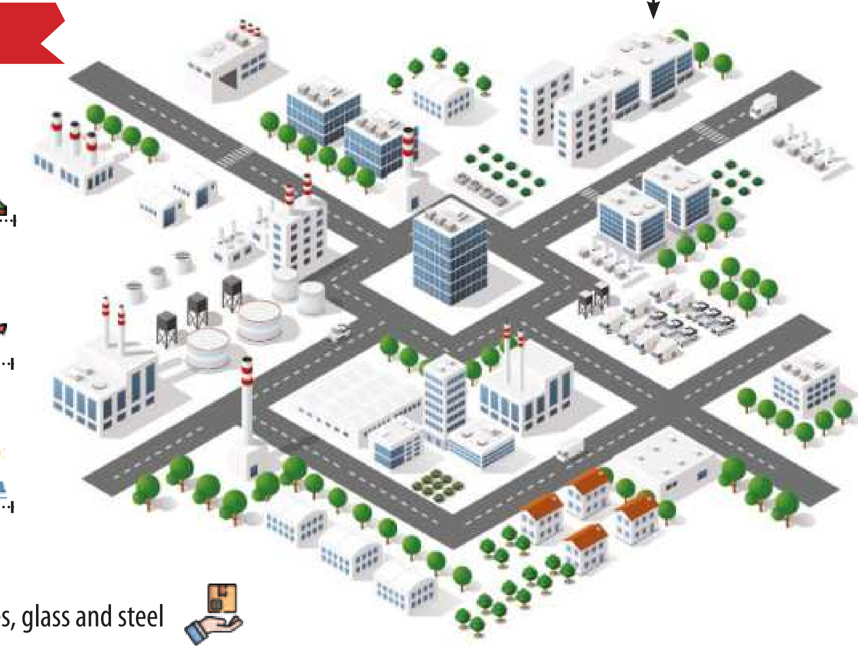
The rouble's rapid recovery has raised doubts about the durability of its gains. Anyone who tries to buy foreign currency online at a bank in Russia or, illegally, at a foreign exchange booth, or who buys goods and services online denominated in foreign currencies will find the actual rate considerably worse.

ECONOMIC ZONES OF MEGHNA GROUP

Meghna Economic Zone (Complete) | Meghna Industrial Economic Zone (Complete) | Cumilla Economic Zone (New)

CUMILLA ECONOMIC ZONE

- Total area : 350 acres
- Number of total industrial plots: 115
- Expected investment: $2b
- Jobs to be created: 50,000
- Operations expected within 2023
- It will be a green economic zone
- Foreign companies can also invest here
- Products to be made: garments, garment accessories, glass and steel



Meghna to set up economic zone in Cumilla

Will invest Tk 1,200cr

STAR BUSINESS REPORT

Meghna Group of Industries (MGI) is going to set up its third economic zone in the eastern district of Cumilla at a cost of around Tk 1,200 crore in a bid to develop an industrial area that will attract both foreign and local investment.

MGI, one of the leading business houses in Bangladesh, has already spent Tk 800 crore to purchase and develop 250 acres of land for the Cumilla Economic Zone (CEZ).

The company plans to invest the rest of the amount on preparing facilities so that factories in the CEZ can start production by 2024, according to Mostafa Kamal, chairman and managing director of MGI.

"We have already developed the land and work is ongoing to build internal roads," he said after the Bangladesh Economic Zones Authority (Beza) handed over the required license to MGI at an event at the InterContinental Dhaka.

The CEZ is the 12th private economic zone to be permitted for construction by Beza.

Once operational, the industrial area is expected to create employment opportunities for around 50,000 people and draw investment of $2 billion.

So far, 33 factories have been set up in the two other economic zones operated by MGI, and 12 of those companies are fully foreign owned.

"Being close to Dhaka, the CEZ will get a huge response from domestic and foreign entrepreneurs. There are plans to give at least 50 per cent of the land to foreign investors," said Shaikh Yusuf Harun, executive chairman of Beza. As such, this economic zone will become one of the centres of foreign investment, he added.

Beza has developed 15 economic zones under its own initiative through public-private partnerships and government-to-government contracts. The country's economic zones have so far received investment proposals of about $3.2 billion.

MGI earlier developed the Meghna Economic Zone and Meghna Industrial Economic Zone in Narayanganj.

The CEZ is situated in Meghna upazila of Cumilla district, close to the Dhaka-Chattogram highway. There will be a total of 115 industrial plots in the zone that will expand to 350-acres after completion of first phase.

According to the plan, factories and administrative buildings, warehouses, logistics areas, water and waste treatment plants, roads and other necessary facilities will be constructed to make the CEZ a self-sufficient industrial hub.

Lending leaping thru agent banking

AKM ZAMIR UDDIN

Banks had initially focused on using agent banking platforms to mobilise deposits from rural areas, for which lending took a back seat.

But lenders have recently reshaped this service of theirs which takes banking to the unbanked, ramping up lending operations through the branchless banking model.

Loan disbursement through the agent banking channel stood at Tk 5,347 crore in 2021, up 182 per cent year-on-year, according to data from Bangladesh Bank.

Agent banking has helped the country's banking sector run operations smoothly at the height of the coronavirus pandemic doing away with the need for a brick-and-mortar presence, which consequently augmented loan disbursements through the window.

Bankers said lending through the window would surpass corresponding deposits mobilised by the lenders in the quickest possible time as this mode of service helped banks count lower operational costs compared to branches.

In addition, farmers and micro-scale business entrepreneurs, who can hardly manage finance from banks, are now benefitting for the easy access to loans enabled by agent banking.

At present, the lenders are disbursing loans ranging from Tk 20,000 to Tk 200,000 to borrowers at an interest rate of 9 per cent through the channel.

The central bank issued an agent banking guideline in 2013 but the licensees did not start full-fledged operations until 2016.

Some 29 banks are now providing financial services to clients through this alternative mode of banking.

Brac Bank has secured the top position in terms of lending among the banks. It accounted for 63 per cent of the loans disbursed by 29 lenders through the channel.

Selim RF Hussain, managing director of Brac Bank, said they had laid emphasis on agent banking to disburse loans among cottage, micro, small and medium enterprises.

The bank will ramp up its loan disbursements through the channel in the near future as it is an easy method to reach the underprivileged enterprises, he said.

Md Arfan Ali, managing director of Bank Asia, said loan disbursements through the platform would increase manifolds within a year or two.

The volume of loans will exceed the amount of deposits soon as banks are now keen to use the platform for loan disbursement, he said.

The deposit balance stood at Tk 24,294 crore last year, an increase of 52 per cent from that the year before.

Bank Asia, which accounted for 15 per cent of the outstanding loans in the agent banking platform, now concentrates on eight to 10 districts to disburse loans, Ali said.

"But, we have planned to disburse loans among farmers and microenterprises of 64 districts within this year, which means credit volume of the bank will sharply rise," he said.

Agent banking will gain more popularity soon as each outlet acts almost like a bank branch as they offer major banking services such as enabling making cash deposits and withdrawals and receiving remittance, alongside lending.

Agents are also enthusiastically embracing agent banking as lenders provide hefty commissions and profits for operating the financial services, Ali said.

For instance, Bank Asia now offers 0.5 per cent on the amount of loan disbursed by agents as commission.

Similarly, the agents now get 2 per cent of the deposits they mobilise as commission.

There were 13,086 agents across the country as of the end of December, whereas it was 11,925 a year ago.

German growth to fall to 1.5pc: minister

REUTERS, *Berlin*

Germany's economic growth could fall to 1.4 per cent-1.5 per cent this year, from 2.7 per cent in 2021, with an average of around 590,000 people on reduced-hours lay-off schemes over the course of the year, Labour Minister Hubertus Heil said in an interview with Bild am Sonntag.

"We will still be growing," Heil said. "But this all subject to the proviso that the war does not spread further and that energy supply remains in place," he added.

Maiden commodities exchange

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reality owing to complexities over warehouses and the lack adequate eligible traders, said AB Mirza Azizul Islam, the then finance adviser to the caretaker government.

"The country also lacked necessary infrastructure of warehouses," he told The Daily Star yesterday.

The CSE, which got the preliminary nod to establish the exchange from the BSEC last year, is hopeful of rolling out the exchange within the current year. The BSEC expects to preliminarily include gold, industrial raw materials such as iron ore, and agricultural products, namely tea to the exchange.

The exchange will facilitate the participation of farmers alongside financing for them while the producers will have to avail of insurance.

BSEC Commissioner Ahmed said there was a global demand for some of the country's agricultural products such as tea and jute, and the use of the exchange, even for the export of the products, would enable producers to secure fair prices.

"Some of our crucial products are imported by a few enterprises, so the prices and quality are wholly determined by their actions," he said.

"The exchange would help break up the syndicate, subject to efficient handling," he added.

Bangladesh's demand and import of commodities are of such a huge volume that it sometimes goes on to affect product prices at the Chicago Board of Trade (CBOT), he said. The CBOT is the world's largest commodities exchange established in 1848.

As with any developing country, Bangladesh needed such an exchange in its formative years to have an efficient commodities market in place.

Among the neighbouring countries, India and Nepal have a number of commodities exchanges.

The earliest recognised futures trading exchange is the Dojima Rice Exchange, established in Japan in 1730 for the purpose of trading rice futures.

Pakistan and Nepal established the commodity exchange in 2007 and 2009, respectively.

Among the African nations, Ethiopia initiated the commodity exchange market in April 2008 followed by Kenya.

The African commodity exchanges trade only agricultural produces, while the Indian commodity exchanges are trading many goods, including cash crops, food grains, plantations, spices, oil seeds and metals.

Pakistan's commodity exchange market trades gold, cotton, yarn, sugar, rice and wheat, while Nepal allows trading of cash crops, food grains, vegetables, spices, oil seeds, metals and bullion.

Bangladesh imports a huge amount of commodities, so the commodities exchange will safeguard against price fluctuations, said Sadeq Zaman, associate director of PwC Bangladesh.

"Instead of a set price, it would work for establishing a competitive price."

"As the MCX has a lot of experience and with economic conditions being similar, their inclusion will hugely benefit us," he said.

However, it will take time to reap the benefits as the exchange is just coming into existence, he added.

The market's objective is to reduce the price gap between the consumers' end and producers' end, said Md Ghulam Faruque, acting managing director of the CSE.

It will also help discover a future price, so producers will be able to realise the future price of a product. "So, once agricultural products are included in the exchange, our farmers will be benefitted."

In the first phase, the target is to trade gold, cotton and crude oil.

"The team of the MCX will work finding which goods would be feasible for our market. Then we will decide on the final products," said Faruque.

The market will run on a non-delivery cash settlement system, so warehouse infrastructure is preliminarily not necessary, he said, adding that the CSE would mainly need IT infrastructure to operate the exchange.

"People have little knowledge about it so the technical know-how is also necessary. We will provide training to our stakeholders with the help of the MCX."

RMG exports

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Only seven Russian banks have been brought under the purview of the SWIFT ban and the country's buyers are making payments to Bangladeshi sellers through other lenders.

Besides, most of the liaison offices of major retailers and brands in Russia are making payments from their offices in Hong Kong, China, and Turkey.

"We are sending goods to Russia as we booked the orders before the war. We have also received some payments in advance," said an exporter, asking not to be named.

"However, the goods are being sent via different routes. China and Hong Kong are our new routes," he said, adding that Russian buyers are paying him through alternative channels like a telegraphic transfer.

The exporter has shipped goods worth $1.2 million. His buyer is yet to pay him $0.35 million. Still, he has continued shipping woven shirts and tops of ladies.

"A new opportunity has opened up for Bangladeshi garment items in the Russian market," he said.

Asif Ashraf, managing director of Urmi Group, says he does not send goods to Russia directly. The products are rather shipped through some international buyers.

A payment of nearly $1 million is on hold as buyers are taking time to make the payment, he said. "If the buyers agree, I may send goods to Russia in the future."

Shahidul Islam, managing director of Rupa Group, has received a payment of $30,000 recently and is waiting to get another $1.5 lakh from a Russian buyer by April 15.

"The shipments of garments to Russia are not fully shut," said Mohammad Hatem, executive president of the Bangladesh Knitwear Manufacturers and Exporters Association.

Many exporters are sending goods to Russia as they have a warm relationship with the buyers, he said.

"Many Russian banks are not facing the SWIFT ban, so buyers are paying directly to the local exporters through banking channels."

Officially, Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association, doesn't suggest local garment exporters ship products to Russia.

He also urged the suppliers to be careful so that payment does not get stuck. "Although Russia is a very promising market for us, the payment is a big challenge because of the SWIFT ban."

Nearly 150 suppliers export garment items to Russia.

Apparel shipment fetched $600 million last fiscal year, up 36 per cent. The export value may go up to $1 billion in the current fiscal year ending in June.

Export receipts from garment shipments to the country registered 35.30 per cent year-on-year growth at $481.23 million during the July-February period, the latest for which data from the Export Promotion Bureau is available.

Commodity exchange need

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commodity ecosystem in the country.

"It will establish an automated market linkage between big groups of stakeholders, including producers and end-users, to affirm a structural governance practice," he added.

Commodity exchanges also play an important role in developing the ecosystem for physical market trading in emerging countries like Bangladesh.

The benefits of establishing a vibrant commodity derivative and spot markets in Bangladesh are manifold.

It will help the government effectively monitor the movement of essential commodity prices and lubricate the supply chain, bringing competitiveness and efficiency to the market mechanism by setting up modern commodity ecosystem infrastructures.

Commodity exchanges are important market infrastructure institutions that improve the competitiveness of commodity ecosystem participants by fulfilling two important functions of price risk management and price discovery.

In addition, it facilitates an enabling policy environment, such as warehouses, collateral management services, cold storages and quality testing centres, which further contribute to establishing rural infrastructure and increasing post-harvest credit flow in agriculture.

"This promotes the discovery of referenceable national prices, and price transparency," Ibrahim said.

Through the innovative application of emerging information and communication technologies, commodity exchanges can catalyse the integration of small producers with supply chains.

For an emerging economy like Bangladesh, the commodity market will result in the reduction of post-harvest losses through price stability, improvement in commodity price risk in both locally produced and imported supplies and credit risk management, provision of a transparent and competitive price discovery mechanism, reduction in transaction and marketing costs.

About the challenges of the exchange, Ibrahim said engaging many authorities such as regulatory bodies while also involving different third parties might cause delays in the approval processes.

The absence of a structured spot exchange in Bangladesh might make setting reference prices an intricate process.

"For futures trading, we need market structures like warehouses but such facilities are yet to be established. This includes the lack of enough third-party service providers, such as vault services, to affirm a harmonious delivery mechanism."

Since automated and structured commodity trading is a fresh idea for Bangladesh, raising market awareness and enlightening stakeholders through training and other measures might be a huge task.

"However, the issue can't be avoided as providing producers and end-users with the tools to participate in the commodity exchange is vital for successful contract executions," said Ibrahim, also a former president of the Dhaka Chamber of Commerce and Industry.

Still though, implementing a new asset class and integrating its system will require massive hardware upgrades and system customisation.

In its quest for a suitable knowledge sharing partner, the CSE explored numerous international commodity markets and sovereign consultants, such as NSE India, Multi Commodity Exchange (MCX) India, Bursa Malaysia, Indonesian Stock Exchange, PwC, the UAE's Pride Group, and Russian Investment Group.

Considering the financial aspect, previous relationship, practical implications in the execution phase and solid cultural integration, the CSE approached MCX India for institution-to-institution cooperation and/or consultancy.

Regarding the investment required to establish a commodity exchange, the CSE chairman said proportionately typical expenses are incurred in two segments.

The first is primary expenses for system development, such as software, while the secondary expenses are for physical or structural development.

"But most of the expenses apart from system development are hypothetical as they can only be gauged through phase-by-phase development of the project," said Ibrahim, a former chairperson of the Business Initiative Leading Development.