Fed to raise rates aggressively

Say economists

REUTERS, *Bengaluru*

The Federal Reserve is expected to deliver two back-to-back half-point interest rate hikes in May and June to tackle runaway inflation, according to economists polled by Reuters who also say the probability of a recession next year is 40 per cent.

With the unemployment rate near a record low, inflation the highest in four decades and a surge in global commodity prices set to persist, most analysts say the Fed needs to move quickly to keep price pressures under control.

The latest April 4-8 Reuters poll of more than 100 economists forecast two half-point rate rises this year, the first such move since 1994, taking the federal funds rate to 1.25 per cent-1.50 per cent by the June meeting.

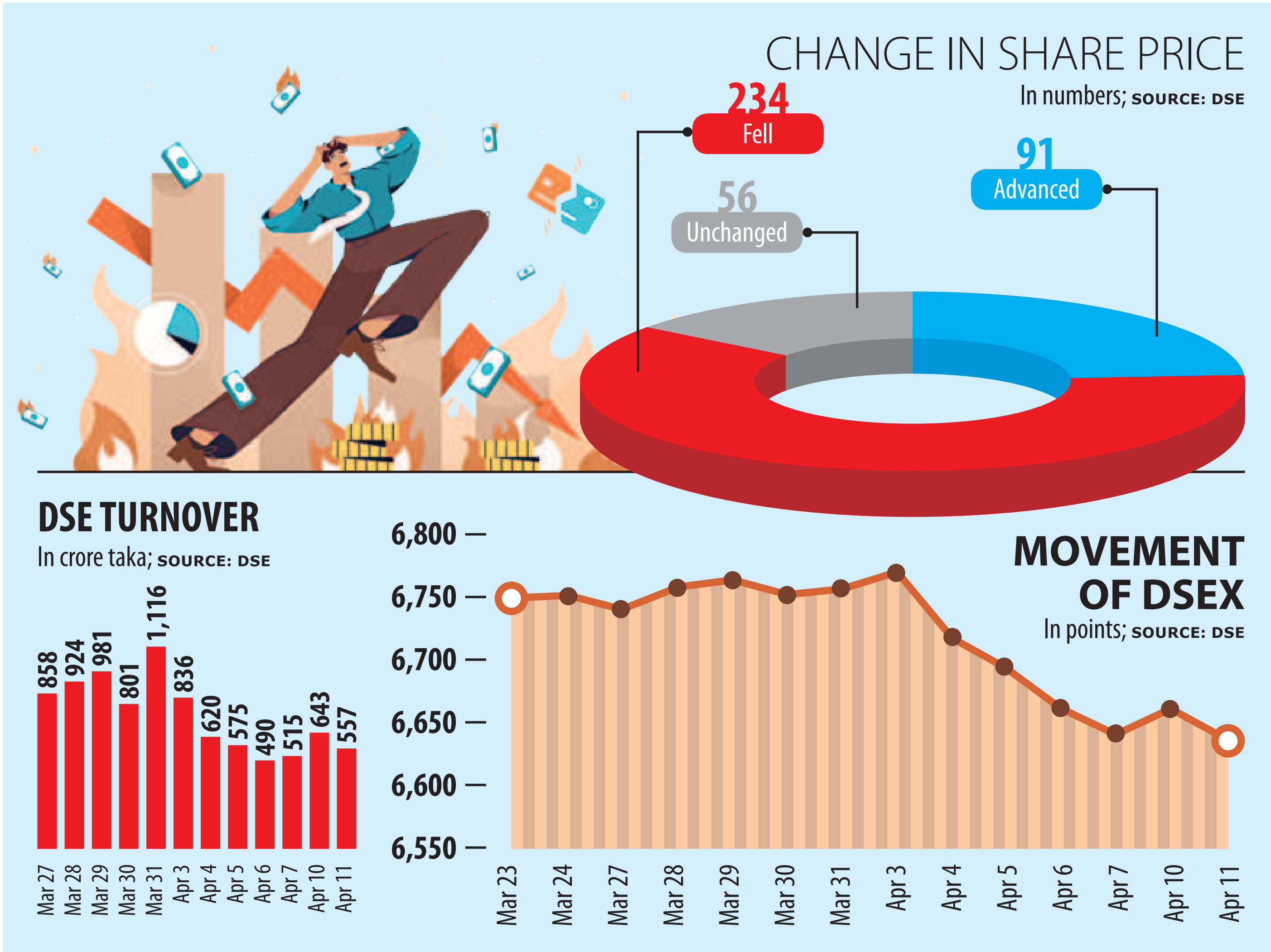
That brings the end-year prediction from the March Reuters poll at least three months forward, and more in line with interest rate futures pricing.

A strong majority, or 85 of 102 economists, forecast 50 basis points in May, and a still-solid majority of 56 said the Fed would follow up with 50 basis points as well in June.

"Given the shift in official commentary and with inflation pressures visible throughout the economy, we believe the Fed will deliver half-point interest rate increases at the May, June and July policy meetings," said James Knightley, chief international economist at ING.

While the central bank, chaired by Jerome Powell, is likely to gear down to quarter-point moves in the second half of this year, the federal funds rate is now expected to end 2022 at 2.00 per cent-2.25 per cent, 50 basis points higher than the median forecast in a poll taken last month.

Moving so quickly with interest rates, especially in an economy that has become used to very low borrowing costs for many years, comes with risks.



Stocks return to losses

Turnover plunges 13pc to Tk 557cr

STAR BUSINESS REPORT

The key index of the Dhaka Stock Exchange (DSE) declined yesterday after rising for just a day while turnover also dropped.

The DSEX, the benchmark index of the premier bourse of the country, fell 23 points, or 0.35 per cent, to 6,662 at the end of the day.

Turnover, an important indicator of the market, decreased by 13 per cent to Tk 557 crore yesterday.

The stocks slipped to the red after a single-day break as the investors mostly adopted a cautious stance lacking clear direction, said International Leasing Securities in its daily market review.

Investors preferred to hold onto cash ahead of upcoming Eid-ul-Fitr, for which fund flows to the market was stymied.

They also reduced their participation in the market which caused the turnover to decrease.

However, a stock broker said investors had embarked on a selling spree apprehending that the market would fall further.

Though the country's economy is bouncing back through an increased inflow of remittance and higher export earnings, it might not translate into positive gains for the index, he said.

This apprehension percolated among investors, impacting the market, he added.

On the other hand, the stock market always remains sluggish before Eid celebrations as people encash stocks for Eid shopping, added the stock broker.

A merchant banker, preferring anonymity, said the participation of institutional investors remained low while some big players were active with some stocks, which were the sole ones showcasing big movements.

Other stocks remained almost unmoved, so general investors are unhappy and their participation fell, he said, adding that a lack of confidence was one of the main reasons for the fall of the index.

To boost the confidence, the regulator should work on solving issues for the long term, he added.

At the end of the day, the DS30, the blue-chip index, and the DSES, the Shariah-based index, lost 6.60 points and 5.05 points respectively.

Among the sectors, paper and printing rose 2.3 per cent, jute 0.8 per cent and food and allied 0.6 per cent. Services and real estate dropped 1.4 per cent, IT 1.4 per cent and textile 1 per cent.

Investors' attention, as per the turnover, was mainly concentrated on financial institutions (16.7 per cent), engineering (12.1 per cent) and IT (8.8 per cent).

At the DSE, 91 stocks advanced, 234 declined and 56 remained the same.

JMI Hospital Requisite Manufacturing topped the gainers' list with a 10 per cent rise. Prime Insurance Company, Oimex Electrodes, Northern Islami Insurance and Mercantile Insurance Company also saw major gains.

Dragon Sweater and Spinning shed the most, dropping 4 per cent. Renwick Jasneswar and Company, Takaful Islami Insurnace, Savar Refractories and Genex Infosys were among those suffering heavy losses.

IPDC Finance became the stock to be traded the most, with shares worth Tk 64 crore changing hands followed by Beximco, Sonali Paper and Board Mills, LafargeHolcim Bangladesh and Genex Infosys.

Chittagong Stock Exchange (CSE) also fell yesterday. The CASPI, the main index of the CSE, edged down 49 points, or 0.25 per cent, to close the day at 19,495.

Of the 279 stocks to undergo trade, 82 rose, 159 fell and 38 did not see any price movement.

BSTI starts issuing halal certificates

STAR BUSINESS REPORT

The Bangladesh Standards and Testing Institution (BSTI) has started issuing halal certificates for food and other products.

The standards agency provided halal certificates for nine products of three companies of Olympic Industries yesterday, according to a press release.

However, the BSTI is the second organisation in Bangladesh to award halal certification for locally made products, mainly food.

The Islamic Foundation Bangladesh has been issuing such certificates since 2007 to support the shipment of processed foods to international markets, mainly the Middle East.

Addressing yesterday's certificate awarding ceremony, BSTI Director General Md Nazrul Anwar said Bangladesh has adopted three international standards related to halal certification.

He said the BSTI has started the formal process of issuing halal certificates in favour of products following the appropriate process.

BSTI has taken the initiative as a member of the Standards and Metrology Institute for Islamic Countries (SMIC) -- the halal certification body of OIC member countries -- to expand the export of domestic products, Anwar said.

As a result of issuing the halal certificate from BSTI, traders will now get the quality certificates and halal certificates of their products from a single platform.

Earlier in September last year, the BSTI added the provision of halal certification to the BSTI Regulations, 1989.

It said it would issue halal certification marks for processed goods, cosmetics, medicines and other processes or services in line with Islamic laws to facilitate exports of processed foods to the Middle East and other Muslim-majority countries.

Meanwhile, BSTI issued a notification last year saying that the certificate or renewal fee for small industries is Tk 1,000, Tk 3,000 for medium-sized industries and Tk 5,000 for large industries.

The certificate is given for three years, after which the companies can apply for renewal, as per the notification.

According to Islamic Foundation, there is over a trillion-dollar market for halal items globally, and the foundation has issued halal certificates to 130 companies for more than 700 products as of September last year.

More than 40 companies are exporting products to at least 35 countries after securing the halal certificates, it said.

Consumption of rice

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feed ingredients including soybean meal and corn, the feed industry will use rice as a supplement to other ingredients," it said.

The agency forecasts that milled rice production would increase 1.3 per cent year-on-year to 3.63 crore tonnes in MY 2022-23 on expectations of an increase in harvesting area.

The USDA said imports might slump in MY 2022-23 to 7 lakh tonnes, with the expectation of a bumper Boro harvest during the current harvesting season.

The agency did not take into account damage of crops for ongoing flash floods in haor areas in the northeast.

It estimates rice imports to amount to 13.5 lakh tonnes in the current MY 2021-22 ending this month because of good harvest of rain-fed crop Aman harvested in November and December of last year.

The government has also slapped a 62.5 per cent tariff to discourage imports to protect the interests of local rice farmers.

The USDA also predicted increased wheat imports by public and private agencies.

It said grain import may grow 1.3 per cent to 76 lakh tonnes in the July-June period of the year 2022-23, assuming an increasing and diversified use of wheat-based products for both the domestic and export market.

"Despite higher international wheat prices, Bangladesh is continuing to import to meet substantial domestic demand," it said.

India has been the preferred source, since Bangladesh started procuring wheat from the neighbouring country in significant volumes since 2020.

Shorter shipment times, low freight cost, and geographic proximity make India one of the preferred sources of wheat for Bangladesh. Indian wheat is transported to Bangladesh via road and rail, it added.

The USDA said India supplied 26 per cent of the total wheat import, followed by Russia, Canada and Ukraine in MY 2020-21.

In the first seven months of MY 2021-22, India supplied approximately 2.8 million tonnes of wheat to Bangladesh and captured 66 per cent of the market share, followed by Ukraine and Russia, said the agency.

As of January 2022, Russia and Ukraine combined supplied approximately 9 lakh tonnes of wheat, down 40 per cent year-on-year.

Banks asked to curb

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The widening of the trade gap has intensified pressures on the exchange rate of the taka against the US dollar, which will ultimately reduce the foreign exchange reserves as well.

The exchange rate stands at Tk 86.20 per US dollar from Tk 84.80 a year ago.

The foreign exchange reserves, which surpassed $48 billion in August last year, declined to $44.24 billion on April 6, enough to cover import payments for five months.

The reserves are dwindling because of the higher imports against lower-than-expected exports and remittance flow.

Between July and February, export receipts from merchandise shipments grew 30.86 per cent to $33.84 billion, while the country received $15.30 billion in remittances as of March of FY22, a fall of 21.56 per cent.

Scams, higher expenses

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the government should protect the banks from the political intervention."

Appointment of skilled directors at the state lenders is essential to improve their financial health, the economist said, adding that the central bank should pay special heed to the banks.

Bengal Commercial Bank, which started its operation last year, suffered a net loss of Tk 18.8 crore in the year. Md Jashim Uddin, chairman of the bank, says that the bank has just commenced its business and is still opening new branches.

"As we are expanding, the net loss is not unusual."

AIG may cut insurance for Russia, Ukraine

REUTERS, *London*

AIG, one of the world's biggest commercial insurers, is considering cutting cover for Russia and Ukraine, to shield itself from the risk of hefty claims as sanctions ratchet up and the war drags on, an insurance broker and a source familiar with the matter said.

AIG is looking at adding exclusion clauses to policies for businesses operating in the region across a range of policies, according to the two sources who declined to be identified.

Other major insurers are also looking to exclude Russia, Ukraine and even Belarus from a range of policies, citing some insurers and policyholders. Reuters could not determine if the potential reduction in cover would apply across all AIG policies in the countries. The insurer declined to comment.

"What we are now seeing are the underwriters starting to introduce Russia, Ukraine wording into their policies," said Meredith Schnur, managing director, US and Canada cyber brokerage leader at insurance broker Marsh, declining to name the insurers.

Brokers such as Marsh act as intermediaries between corporate customers and insurers, and sometimes get involved in drawing up policies.

A customer buys vegetables at a stall inside a morning market in Beijing on January 14. PHOTO: REUTERS/FILE

China's inflation tops forecasts as supply pressures worsen

REUTERS, *Beijing*

China's factory-gate and consumer prices rose faster than expected in March as Russia's invasion of Ukraine, persistent supply chain bottlenecks and production snags caused by local Covid flare-ups added to commodity cost pressures.

The surge in raw materials costs is hobbling economies worldwide and in China has raised questions among some analysts about just how much its central bank will be able to ease monetary policy.

China's producer price index (PPI) increased 8.3 per cent year-on-year, data from the National Bureau of Statistics (NBS) showed on Monday. While that was slower than the 8.8 per cent seen in February, it beat a forecast for a 7.9 per cent rise in a Reuters poll.

Upstream pressures pushed up consumer prices, which rose 1.5 per cent year-on-year, the fastest in three months, speeding up from 0.9 per cent in February and beating expectations of 1.2 per cent.

Nomura analysts said possible delays in crop planting caused by new Covid-19 outbreaks in the country and the Ukraine conflict could create new food price pressures in the second half of the year.

"Rising food and energy price inflation limits the space for the (People's Bank of China) to cut interest rates, despite the rapidly worsening economy," Nomura said in a note. While the year-on-year PPI rise was the slowest since April 2021, this was mostly due to the lower comparisons from late 2020 and early 2021 seen in the previous months.

The monthly increase of 1.1 per cent, meanwhile, was the fastest in five months, driven by surging prices of domestic oil and non-ferrous metals due to geopolitical factors, an NBS statement said.

The world's second-largest economy came under downward pressure in March with renewed Covid-19 outbreaks and the manufacturing and service sectors reporting declines in activity.