Pigeon fanciers from adjoining districts have been congregating every Friday at Nayabati Mor in Khalishpur of Khulna city for the past 18 to 20 years primarily to sell and acquire different breeds of the domesticated bird. Other birds are sold here as well. The photo was taken recently.
PHOTO: HABIBUR RAHMAN

# China quietly raises purchase of low-priced Russian oil

REUTERS, *Singapore*

China is quietly ramping up purchases of oil from Russia at bargain prices, according to shipping data and oil traders who spoke to Reuters, filling the vacuum left by Western buyers backing away from business with Russia after its invasion of Ukraine in February.

The move by the world's biggest oil importer comes a month after it initially cut back on Russian supplies, for fear of appearing to openly support Moscow and potentially expose its state oil giants to sanctions. China's seaborne Russian oil imports will jump to a near-record 1.1 million barrels per day (bpd) in May, up from 750,000 bpd in the first quarter and 800,000 bpd in 2021, according to an estimate by Vortexa Analytics.

Unipec, the trading arm of Asia's top refiner Sinopec Corp , is leading the purchases, along with Zhenhua Oil, a unit of China's defense conglomerate Norinco, according to shipping data, a shipbroker report seen by Reuters and five traders. Livna Shipping Ltd, a Hong Kong-registered firm, has also recently emerged as a major shipper of Russian oil into China, the traders said.

Sinopec declined comment. Zhenhua and Livna did not respond to requests for comment. The firms are filling the hole left by western buyers after Russia's invasion of Ukraine, which Russia calls a "special military operation." The United States, Britain and some other key oil buyers banned imports of Russian oil shortly after the invasion. The European Union is finalizing a further round of sanctions, including a ban on Russian oil purchases. Many European refiners have already stopped buying from Russia for fear of running afoul of sanctions or drawing negative publicity.

Vitol and Trafigura, two of the world's biggest commodity traders, phased out purchases from Rosneft, Russia's biggest oil producer, ahead of an EU rule that came into effect on May 15 barring purchases unless "strictly necessary" to secure the EU's energy needs.

"The situation began taking a drastic turn after the exit of Vitol and Trafigura that created a vacuum, which could only be filled by companies that can provide value and are trusted by their Russian counterparts," one Chinese trader, who asked not to be named, told Reuters.

The low price of Russia's oil spot differentials are about $29 less per barrel compared with before the invasion, according to traders - is a boon for China's refiners as they face shrinking margins in a slowing economy. The price is well below competing barrels from the Middle East, Africa, Europe and the United States.

China separately receives some 800,000 bpd of Russian oil via pipelines under government deals. That would bring May imports to nearly 2 million bpd, 15 per cent of China's overall demand. For Russia, oil sales are helping to cushion the blow to its economy from sanctions.

State-owned Chinese companies, led by Sinopec and Zhenhua, are set to buy two thirds of Russia's flagship Far Eastern export grade ESPO (Eastern SiberiaPacific Ocean oil pipeline) blend in May, up from a third before the invasion of Ukraine, traders who closely monitor the flows told Reuters. Russia exported about 24 million barrels in May, 6 per cent higher than April.

Sinopec alone is likely to buy at least 10 ESPO shipments in May, doubling its volume before the invasion, with some of the trades hitting a record discount of $20 a barrel below benchmark Dubai crude on FOB Kozmino basis, three of the traders said.

Sinopec, Zhenhua and Livna are moving more oil from both Russia's Baltic Sea ports in northwestern Europe and its Far East export hub Kozmino.

Zhenhua, the smallest state-owned Chinese oil trader, has chartered ships to move Russian oil, according to shipping data and traders with knowledge of the matter. North Petroleum International Co, a unit of Zhenhua, loaded two ESPO shipments in early May, and another two cargoes of Urals from Baltic Sea port Ust-Luga in late April and mid-May, according to data from Refinitiv and Vortexa, a shipbroker report and traders.

## Moody's cuts Ukraine debt rating, outlook negative

AFP, *Washington*

Moody's on Friday cut Ukraine's debt rating for the second time in three months and lowered the outlook to negative due to the growing risk the Russian invasion will affect the nation's debt sustainability.

The ratings agency cut the grade a notch to Caa3, after lowering it two notches from B3 in early March, saying the country could face "a more protracted military conflict than Moody's initially expected" following the invasion in late February.

That "increases the likelihood of a debt restructuring and losses being imposed on private-sector creditors," the statement said.

Despite large financial support from the international community to help with immediate needs, "the resulting significant rise in government debt is likely to prove unsustainable over the medium term" and could "impede further access to official financing."

The US Congress on Thursday approved a gargantuan $40-billion aid package for Ukraine to help fight Russia and keep the government operating, after a $14-billion package in March.

The International Monetary Fund in March approved a $1.4-billion aid package for the war-torn country, while the World Bank has approved a loan of $350 million as part of a total package of more than $700 million.

Ukrainian President Volodymyr Zelensky said his government needs $7 billion a month to keep its economy afloat, while Moody's estimates Ukraine faces financing needs of around $50 billion this year.

## China lifts ban on Canada canola imports

AFP, *Ottawa*

China has lifted a ban on Canadian canola imports, a Canadian official said Thursday, calling it "very good news" for producers that Ottawa argued had been caught up in a diplomatic row.

"We got the news yesterday from the Chinese authorities that our Canadian canola can go to China," Agriculture Minister Marie-Claude Bibeau said.

"We had two big companies who were suspended for a while, so it's very good news for our producers," she told reporters in Ottawa.

Beijing had imposed the ban on Viterra Inc. and Richardson International in March 2019 as tensions flared between Ottawa and Beijing, saying harmful organisms had been detected in their canola shipments.

Worth tens of billions of dollars, the oil seed crop is used to make cooking oil, animal feed and biodiesel fuel. Vexed Canadian officials at the time decried the ban, saying there were "no scientific reasons for this action," and took their concerns to the WTO.

Relations between Ottawa and Beijing had been thrown into crisis by the arrest three months earlier in Vancouver of Meng Wanzhou — the chief financial officer of telecoms giant Huawei — at the request of the United States.

# Exchange rate shall stabilise

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As a result, there has been a deficit in the overall balance of payment, creating pressure on the taka-dollar exchange rate.

The central bank continued to defend the value of the taka by selling nearly $6 billion in this fiscal year. As a result, the foreign exchange reserve has come down to about $42 billion which can still fetch about six months' imports. There is a limit to this defence against the erosion of the reserve. So, the Bangladesh Bank has wisely brought about a measured devaluation of the taka gradually.

However, the unofficial (Kerb) market of the foreign exchange accessed by the travellers going abroad for tourism or medical purposes or for sending money to their relatives in a small amount has become suddenly overtly volatile. This is, of course, a small market but attracts the most attention from the media.

The largest one is, of course, the interbank foreign exchange market, which is also facing some pressure. However, the Bangladesh Bank has been selling dollars to most banks, particularly the public banks, for opening and settling letters of credit for the import of energy, electricity production-related equipment and inputs, fertilizer and daily necessities.

It is also supporting all other banks through the import of raw materials and capital machinery for manufacturing units. It was heartening to hear from the governor of the Bangladesh Bank that the central bank will continue to intervene in the foreign exchange market and take appropriate measures to cool it. This forward guidance by the governor was needed and I hope the market got the right signal to take its position.

Given this perspective, let me suggest a few policy actions that may help stabilise the foreign exchange market. Certainly, this market is facing a mismatch in demand and supply of foreign exchange. So, we have to address both demand and supply-related issues in pragmatic ways if we really want to go to the root of the problem.

**HOW TO RESTRAIN DEMAND FOR FOREIGN EXCHANGE**

First, the trade gap ought to be reduced by restraining unnecessary imports. The import of luxury items, including fancy cars and electronic appliances, must be curbed more drastically.

The Bangladesh Bank has taken macro-prudential measures like raising margins for such items up to 75 per cent. Raise it further to 100 per cent if you can. The import of some items like luxury cars can be postponed until the foreign exchange market stabilises.

Second, go deeper into trade financing where a lot of irregularities are embedded along with over-invoicing. Stop the loan against trust receipts even if temporarily.

Third, further consolidate the public expenditures for prestige projects that will not yield immediate outcomes. The honourable prime minister has already asked the relevant departments to be more prudent on this. Mind it, every taka expenditure has a dollar component in it.

Fourth, the austerity measures in terms of restricting foreign travel and conducting international conferences physically should be well-targeted. Much more can be done in this area.

Fifth, ensure staggered implementation of those larger projects with higher foreign exchange commitments, including those private projects that need sovereign guarantees to reduce foreign exchange commitments.

Sixth, restrain the supply of USD under the Export Development Fund temporarily to reduce the outflow of dollars from the reserve.

**HOW TO AUGMENT SUPPLY OF FOREIGN EXCHANGE**

First, give cash incentives to the remittance earners by raising another one to half a percentage point of cash incentives to them.

Second, an easing of the payment system is also an incentive. Make necessary arrangements for receipts of the earnings of the nearly a million outsourcing entrepreneurs spread around the country. This can be smartly done through mobile financial services and banks with proven records of handling remittances from abroad. The Bangladesh Bank can be more innovative on this score.

Third, let the non-resident Bangladeshis invest more in more lucrative investment and/or premium bonds digitally seamlessly. The existing ceiling limit of Tk 10 million may be withdrawn for these investors.

Fourth, let the NRBs, including regular remitters, open foreign exchange deposit accounts easily and digitally with an attractive fixed deposit rate.

Fifth, let the new skilled workers be provided half the air tickets as subsidies from the government provided they open bank accounts and commit formal transactions of their earnings.

Sixth, suspend the export retention quota for about six months and allow a part of the accumulated (say 50 per cent) ERQs, (if not needed to spend immediately) for a year with some cash incentives like that is given for remittances.

Seventh, encourage the Economic Relations Division and relevant departments or ministries to speed up project negotiations with international development agencies and release the committed foreign assistance from the pipeline, which is getting fatty every year.

Eighth, encourage relevant authorities to complete special economic zones as fast as possible to attract foreign direct investment.

Ninth, have a coordinated monitoring of mega projects to remain cost-efficient, avoiding cost overruns and delays in project completion.

I have only given a few ideas on how to improve the trade balance and reduce the current account deficit by realigning the demand and supply of foreign exchange. We have seen in the past that it is possible.

With extra vigilance and coordinated actions between the Bangladesh Bank, the non-resident Bangladeshis and relevant ministries, we can bring some sanity and balance to the foreign exchange market. Along with this, the taka-dollar exchange rate will surely realign and stabilise at some point in time. As the governor said there is no need to panic. We can do it. And let's do it.

*The author is an economist and a former governor of Bangladesh Bank*

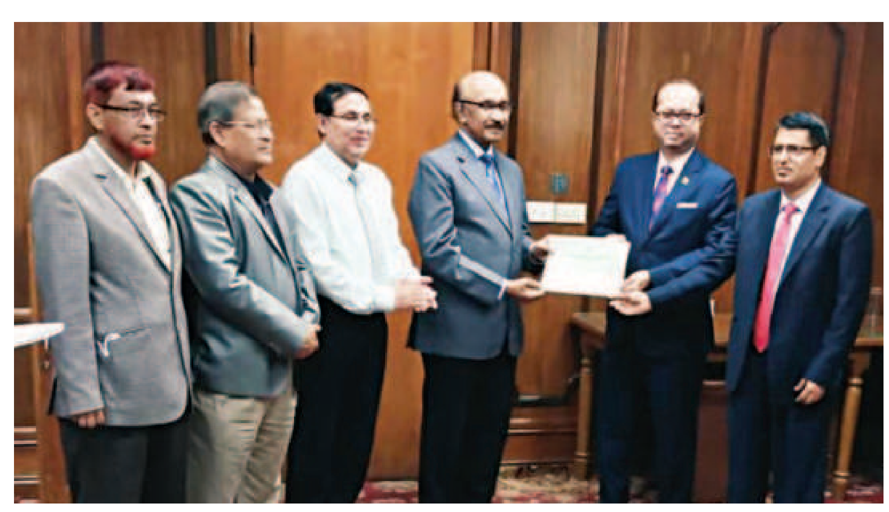
## Japan's inflation

FROM PAGE B4

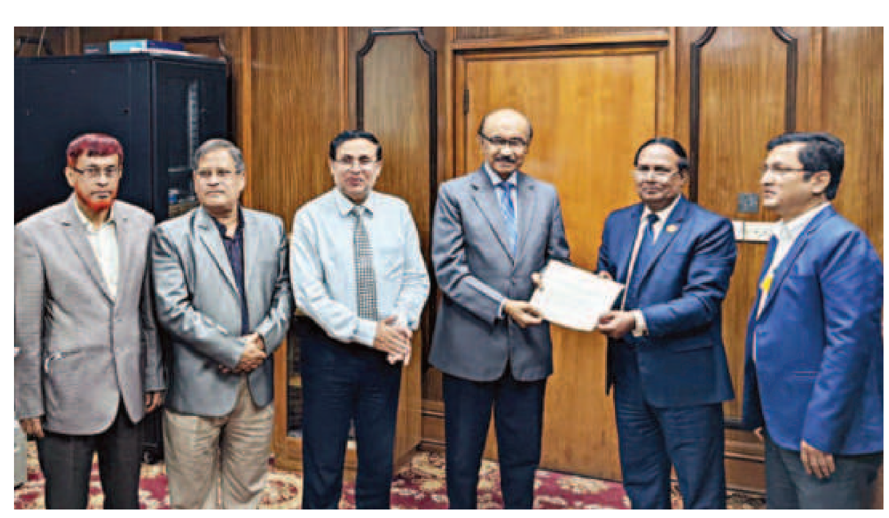
That was the first positive figure since July 2020, underpinning the impact of skyrocketing energy costs which have been magnified by higher import prices.

After years of price stagnation, some manufacturers and stores in Japan who rely on imported resources have begun to raise prices.

Last month, the Bank of Japan hiked its full-year inflation forecast but cautioned that it sees rising prices, driven by a surge in commodity costs partly caused by the Ukraine war, as a temporary and volatile trend.



Mohammed Monirul Moula, managing director of Islami Bank Bangladesh, received a certificate of appreciation from Fazle Kabir, governor of Bangladesh Bank (BB), on the central bank premises in Dhaka recently for disbursing the highest amount of investment loans under a government incentive scheme for the agriculture sector. AKM Sajedur Rahman Khan, deputy governor of the central bank, Md Awlad Hossain Chowdhury, executive director, and Abdul Hakim, general manager, and Md Ruhul Amin, head of agriculture investment division at Islami Bank Bangladesh, were present.
PHOTO: ISLAMI BANK BANGLADESH



Md Ismail Hossain, managing director of Bangladesh Krishi Bank (BKB), received a certificate of appreciation from Fazle Kabir, governor of Bangladesh Bank, on the central bank premises in Dhaka recently for achieving a loan disbursement target of a special refinance scheme under a Covid-19 stimulus package of Tk 5,000 crore. Kazi Sayedur Rahman, deputy governor of the central bank, Md Awlad Hossain Chowdhury, executive director, Md Abdul Hakim, observer of the board of directors at the BKB, and Mohammad Moinul Islam, deputy general manager of credit department, were present.
PHOTO: BANGLADESH KRISHI BANK