



Haque elected Mercantile Bank chairman

STAR BUSINESS DESK

Md Anwarul Haque has been elected as chairman of the executive committee of Mercantile Bank Ltd at the bank's 402nd board meeting in Dhaka recently.

Haque is also sponsor director of the bank, a press release said.

He is an eminent businessman and managing director of Living Plus Ltd.

He is involved in real estate, construction, export and import, insurance, financial services and many other businesses in the country.

China punishes officials for falsifying data

REUTERS, Beijing

China has punished a number of local officials with demotions or dismissal for falsifying economic data, the country's statistics bureau said on Friday, as part of an effort to curb data fraud as the economy falters.

The National Bureau of Statistics (NBS) found data violations in 2020 and 2021 after conducting inspections in several cities - Xingtai in Hebei province, Jiaozuo in Henan province, Biejie and Anshun in Guizhou province, the bureau said in a statement on its website.

Authorities in Hebei have punished 45 officials in Xingtai after finding some of its data on industrial output, fixed-asset investment, wholesale and retail sales were "seriously inaccurate", it said.

Authorities in Henan have taken disciplinary and organizational actions against 38 officials for data violations, it said.



A number of workers are unloading sand from a bulkhead trawler that would be used to prevent the erosion of the Sandha river bank in Mollikpur village of Nalchity upazila in Jhalakathi district under an initiative of the Barishal Water Development Board. A labourer earns Tk 500 a day toiling from 8:00am to 5:00pm. The photo was taken on Thursday.

PHOTO: TITU DAS

Russia being pushed towards default

AFP, Paris

Russia may escape defaulting on its debt on Friday, but the tightening noose of Western sanctions over its invasion of Ukraine is inexorably drawing the nation towards a default.

A \$71 million payment due Friday may have already been made before US authorities removed this week an exception that allowed Russia to pay its debts in dollars using currency it held outside US financial institutions.

But with other payments coming due, the world will likely soon have its first case of a country that unwillingly defaults because of international sanctions rather than not having the money to pay.

A country is considered in a payment default when it doesn't pay its financial obligations, either to another country, international financial institutions such as the IMF or World Bank, or investors who bought its bonds.

A default is considered partial when a country does not repay just a portion of its debt. A government can declare itself in default by announcing it will not repay its

debt, such as Sri Lanka did last month, and as Russia did in 1998 on its domestic debt.

A default can also be announced by a ratings agency after the end of an automatic 30-day grace period following the payment due date. However, in the case of Russia, the top three ratings agencies stopped covering the country to comply with Western sanctions.

The default could also be formalised by a private borrower announcing publicly that a country had not paid, or via the International Swaps and Derivatives Association (ISDA), whose determination of a default unlocks the payment of credit default swaps (CDS), a form of debt payment insurance.

Until this week an exception in US sanctions allowed Russia to repay bondholders in dollars, but the Biden administration allowed that to lapse.

Russia reiterated Wednesday that it is willing to repay all of its debts in rubles, but the terms on some bonds specify payment in dollars or other currencies.

A \$71 million interest payment is due on Friday, and according to Slim Souissi, a professor at the IAE Caen business

school, the terms of the bond "don't forsee payment in rubles, only in dollars, euros, pounds sterling and Swiss francs." A payment in rubles would be considered a default, said a specialist who works for the Fitch ratings agency.

But the payment may have already been made before the US sanctions exemption expired.

The Russian finance ministry said in a statement last week that it had already transferred the funds for distribution to bondholders.

"The payment obligation on Russian Federation bonds has been satisfied in full and in accordance with the issue documentation of the Eurobond by the Russian Finance Ministry," it stated.

It added a second payment of 26.5 million euros due on Friday had also been made, although that payment could be made in rubles under the terms of the bond.

Three other interest payments, totalling a little less than \$400 million, are due at the end of June, according to data compiled by Bloomberg. Certain of those bonds may only be paid in dollars.

Reforms needed

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He suggested the government negotiate bilateral free trade agreements and comprehensive economic partnership agreements with trade partners, taking into account that the country will lose duty-free market access following the LDC graduation.

Bangladesh is setting up economic zones with the hope of attracting a lot of foreign direct investments.

"Our labour force has to be equipped with the right set of skills so that they can meet the demand of the companies being built in the economic zones."

Rahman thinks domestic resources mobilisation is crucial for Bangladesh in order to lift the country's revenue-GDP ratio from the current 9 per cent.

"We have to pay attention to this area so that we can have fiscal space."

This is because, he argues, that if there is fiscal space when a country is on the receiving end of global and nature-induced shocks, it will be able to tackle the temporary challenges.

"But if an economy can't absorb the temporary shocks, it will not be able to wait for the good days. So, that resilience can be generated through higher domestic resources mobilisation."

Income distribution is also important for Bangladesh.

"If there is a better income distribution system, countries can better deal with shocks are a reality."

He added infrastructure projects have to be implemented ensuring good governance to avoid over-capitalisation, a problem that caused troubles for Sri Lanka.

As the country has become a middle-income nation, the cost of borrowing is going up. Bangladesh has already become a blend country from the IDA-only country.

As a blend country, Bangladesh enjoys both concessional and non-concessional loans, in comparison to concessional loans extended to the countries under the International Development Association (IDA) of the World Bank.

"So, our strategy has to be prepared, taking the transition in mind because the burden of market-based and conditional loans would pile up," said Rahman.

He says if infrastructures are not set up in a cost-effective manner, producers, consumers and exporters all will have to pay more to avail of the services.

"We have seen these in the countries that have fallen into the trap."

If there is major deviation and corruption and money siphoning, outcome will not meet the expectations although project costs and debt servicing will be there.

"This is the formula for the debt trap. In order to avoid that, we need good governance," said Rahman.

According to the analyst, the importance of data and evidence-based policy-making is growing.

"If we are complacent and our decision-making is not evidence and data-driven, our macroeconomic management quality will suffer."

"Bangladesh is a \$425 billion economy. It is not easy to manage it," he said, urging the government to build institutional capacity and use digital technologies to manage the economy.

Rahman says about 15 economic zones should have been up and running by this time.

"We are in such a competitive environment that if we make delays, investors will go to other destinations such as Indonesia, Vietnam, and India."

India's Q1

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A separate Reuters survey last month estimated average growth for 2021/22 at 8.7 per cent, lower than the official second advance estimate of 8.9 per cent released on February 28.

The Reserve Bank of India, which had long been focusing on growth over its inflation mandate, only recently changed course and hiked its repo rate off record lows in an unscheduled May meeting, with more hikes to follow in a bid to control price pressures.

Most economists warned sticky inflation and high interest rates could dent consumer spending, which would eventually dampen India's primarily consumption driven economy.

Agent banking a blessing

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"We have already helped 15,000 farmers in Rangpur and disbursed around Tk 38 crore as agriculture loans among them since 2018," he added.

Contacted, Shahnaz Akter Shahin, head of the Agricultural Credit Department of Bank Asia, said they have so far disbursed agricultural loans of Tk 168.1 crore to 43,102 farmers through their countrywide agent banking network.

"These include crop production, fisheries, poultry rearing, dairy production and cow fattening, and agricultural machinery purchase loans," Shahin added.

Bank Asia introduced agent banking services in Bangladesh in 2014 to provide a large portion of the country's unbanked official banking services.

Contacted, Md Arfan Ali, president and managing director of Bank Asia Ltd, said they want to reach out to the rural, marginalised people in each corner of the country to support them through banking services.

"As the pioneer of agent banking in Bangladesh, we have already connected with 80,000 rural people in Rangpur and Dinajpur, and 15,000 farmers have directly taken agricultural loans," Ali said.

"We have a goal to set up a financial kiosk in every village of the country by expanding the agent banking network to open bank accounts for every person," he added.



Chowdhury Akhtar Asif, additional managing director of Mutual Trust Bank, recently handed over a cheque to MA Matin, senior vice-president of Bangladesh Thalassaemia Samity Hospital, at the latter's office in Dhaka as a part of its corporate social responsibility. Sayed Didder Bakth, adviser of the hospital, Md Zahidul Islam, general secretary, and Tahmina Zaman Khan, head of sustainability and risk governance functions of the bank, were present.

PHOTO: MUTUAL TRUST BANK



The winners of HSBC-IBA Business Case Competition 2022 pose for photographs with the guests and organisers of the programme at Sheraton Dhaka hotel in Banani, Dhaka on Friday.

PHOTO: HSBC

3 teams win HSBC-IBA Business Case Competition 2022

STAR BUSINESS REPORT

Three teams from Bangladesh were selected as the champion, runners-up and second runner-up winners in HSBC-IBA Business Case Competition 2022.

The Hongkong and Shanghai Banking Corporation (HSBC) in Bangladesh in partnership with the Institute of Business Administration (IBA) of Dhaka University recently organised the finale and award-giving ceremony of the competition.

The winning teams -- Team Ramen of IBA, Team Extra Drill of IBA, and

3 Toyota models to be available from June 4

STAR BUSINESS DESK

For the first time, Navana Ltd-Toyota will launch three new models of two different categories on the same platform on June 4.

The range of vehicles that will be on display are the all new Veloz, Raize and 3rd generation Avanza, a press release said.

Of them, Avanza -- known to be a compact MPV (Multi Purpose Vehicle) -- has been on the deck for the last 15 years and arrived with a bold and sleeker outlook.

Veloz is considered as Toyota's New MPV, that combines confident stylish looks with features and performance that are perfect for adventures.

Raize is considered as an urban sport utility vehicle (SUV) designed for the hyped customers who desires to drive around with a high ground clearance that redefines the versatility of an SUV.

Hungary eyes Russian oil ban exemption

AFP, Budapest

With EU leaders set to meet Monday to try to seal a sixth Russia sanctions package that includes an oil embargo, Hungarian Prime Minister Viktor Orban has mounted his latest show of defiance.

The package proposed earlier this month by the European Commission, the bloc's executive arm, requires unanimous backing from all 27 EU member states.

But the combative Orban, elected for a fourth straight term last month, has described an embargo as "a red line" and an "atomic bomb" that would destroy the central European country's economy.

Budapest -- which under Orban sought close ties to Moscow until the invasion of Ukraine -- insists a ban would spark recession, shortages and rocketing prices, and undermine Hungary's energy security.

In a letter last week, Orban told EU chief Charles Michel that bringing up the embargo at the leaders' summit would be pointless.

"Solutions must come before sanctions," said Orban, who has often been the odd-man-out in EU decision-making and currently is at loggerheads with the bloc over rule-of-law issues.

Orban has dismissed the EU's compromise offer of a short exemption of a few years, and insists that the package exempts imports through pipelines like the "Druzhba" (Friendship) which delivers the Urals crude brand that meets around 65 percent of landlocked Hungary's oil demand.

Alternatively it wants a longer exemption and transition period of at least three and half to four years, and at least 800 million euros (\$860 million) in EU funds to re-tool refineries for non-Russian crude oil processing and boost the capacity of a pipeline to neighbouring Croatia.

Faced with the stand-off, voices abroad, including German economy minister Robert Habeck, have called for the EU to launch the embargo regardless.