A worker screenprints rubber sandals at a factory in Alam Super Market in the capital's Postogola. A pair costs around Tk 30 to make and sells for double that. The photo was taken on Saturday.

PHOTO: AMRAN HOSSAIN

Central banks walk inflation-recession tightrope

AFP, *Paris*

Central banks have ramped up their battle against runaway inflation, a necessary remedy that could have the adverse side effect of tipping countries into recession, analysts say.

Just this past week, the US Federal Reserve announced its biggest interest rate hike in almost 30 years, followed by the fifth straight increase by the Bank of England and the first in 15 years in Switzerland.

"This week was a first. The craziest in my experience," said Frederick Ducrozet, chief economist at Pictet Wealth Management.

The moves rattled stock markets as investors fear that while the rate increases are needed, they could put the brakes on economic growth if the tightening of monetary policy becomes too aggressive.

"Recessions are increasingly likely as central banks race to dramatically raise rates before inflation spirals out of control," said Craig Erlam, an analyst at online trading platform OANDA.

Capital Economics, a research group, said it does not anticipate a recession in the United States.

"But the Fed is deliberately tempering demand in order to reduce price pressures. This is a difficult line to tread and there is clearly a risk that it goes too far and the economy tips into recession," it said in a note.

Emerging countries could be collateral victims from rate hikes. The dollar rises when the US Fed raises its rates.

"A strong dollar will complicate (debt repayments) of countries with deficits, which borrow often in that currency," Ducrozet said.

Central banks had insisted last year that inflation was only "transitory" as prices were driven up by bottlenecks in supply chains after governments emerged from lockdowns.

But energy and food prices have soared in the wake of Russia's invasion of Ukraine, pushing inflation higher and prompting economists to lower the world's growth prospects for this year.

This has left central banks with no other choice but to move more aggressively than planned.

Australia's central bank raised rates more than expected earlier this month while Brazil last week lifted its benchmark rate for the 11th straight time. More hikes are looming in the United States and Europe.

But it is the Swiss National Bank that caused the biggest shock on Thursday when it announced a rate increase of 0.5 percentage points, the first since 2007.

The SNB had focused on keeping the Swiss franc from being too strong until now.

"The actions of the SNB are notable in that they mark a significant shift in policy (away) from a very dovish position," said Michael Hewson, chief market analyst at CMC Markets UK.

The European Central Bank has been slower to act than its peers. It is putting an end to its massive bond-buying scheme and will finally raise rates next month for the first time in a decade.

The eurozone faces another problem: The yields paid by its governments to borrow money have surged, with indebted countries such as Italy being charged a premium compared to Germany, a safer bet for investors.

This "spread" revived memories of the eurozone's debt crisis, prompting the ECB to hold an emergency meeting on Thursday after which it said it would design a tool to prevent further stress in the bond market.

The Bank of Japan bucked the global trend on Friday as it stood by its decision not to raise its rate, sending the yen close to the lowest level against the dollar since 1998.

But even the Bank of Japan could adjust its policy, said Stephen Innes, managing partner at SPI Asset Management. "BoJ members are considering public dissatisfaction with inflation and the rapid depreciation of the yen," Innes said.

"While they plan to maintain the current easing policy, they may look to make some tweaks to support the currency," he said.

Consumers will have to be patient before they see the rate hikes have an effect on prices.

Pran-RFL brings food delivery service

STAR BUSINESS DESK

Pran-RFL Group launched its new food delivery service "FOODANO" at the group's head office in Badda, Dhaka yesterday.

Kamruzzaman Kamal, director for marketing at Pran-RFL Group, and Choudhury Atiur Rasul, director for accounts, inaugurated the new venture of the group, a press release said.

"We have taken the initiative considering the demand of customers so that they can collect their favorite food items within the shortest possible time," Kamal said.

Russian institutions in rare public discord over economy

AFP, *Saint Petersburg*

Russia's economic authorities have clashed over inflation and growth forecasts in rare public displays of discord at a flagship forum in Saint Petersburg.

The annual Saint Petersburg International Economic Forum (SPIEF), often dubbed the Russian Davos, is taking place against a background of Western sanctions on Moscow over Ukraine. "There's no question for the moment of a risk of deflation," Interfax news agency quoted Alexey Zabotkin, deputy governor of the Bank of Russia, as saying on Friday.

"For the moment, we have an increase in prices of 16.7 per cent year on year," he was quoted as saying, referring to annual inflation.

However, Minister of Economic Development Maxim Reshetnikov disagreed.

"We are seeing deflation for the fifth consecutive week," he said, adding it was "not necessary to measure inflation year on year".

Kremlin adviser Maxim Oreshkin also voiced disagreement with central bank chief Elvira Nabiullina over some issues

"We are really slipping into a deflationary spiral, we must take that seriously." Russia's central bank on the one hand, and the ministries of economic development or finance on the other, are some of the only Russian institutions to occasionally disagree publicly.

On Thursday, former economy minister and current Kremlin adviser Maxim Oreshkin had also voiced disagreement with central bank chief Elvira Nabiullina.

Oreshkin sharply took issue with what he sees as an excessively pessimistic growth forecast made in April by the head of the national audit office, showing GDP slumping by more than 10 per cent this year.

"I have the feeling that (those who make these forecasts) either want to harm the country, or don't believe in their own country, in its power," said Oreshkin, who only foresees a five-per cent contraction. "We are a strong country, we are a strong people, we can resolve the problems." Nabiullina hit back, saying: "To look for culprits among those who do forecasts is the last thing you should do."

Midland Bank strengthening

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National Payment Switch of Bangladesh (NPSB) since its inception. Under the platform, clients can transfer funds from one bank to another instantly.

"We introduced the banking application in 2014 soon after it had started its journey," he said.

Some 1.17 lakh clients are now using the app named "midland online".

The bank also set up customer care centre in the second half of 2014 to run digital banking in a full-fledged manner.

Client can now opt out of going to branches when depositing fund into their fixed deposit schemes (FDRs) and deposit pension schemes (DPS) as the digital platforms are now providing all types of support to clients to do so.

"We have partnerships with the country's three large mobile financial services – bKash, Rocket and Nagad – through which clients can send money to their accounts with Midland Bank," he said.

The central bank also gave the approval to run an Islamic banking window in 2020.

Clients are able to enjoy the Shariah-based banking, which runs a product named Mdland Bank Saalam, through any distribution point of the bank.

It comprises a wide range of deposit and investment products which are designed and ensured in such a way that they are in line with Shariah principles on Islamic banking.

The bank disbursed loans amounting to Tk 5,073 crore as of December 2021, up 12.55 per cent year-on-year when its deposit grew 13 per cent to Tk 4,269 crore.

The bank logged a net profit of Tk 51.41 crore in 2021, a decrease of 21.67 per cent from that a year ago.

The net profit of the bank decreased as its ratio of non-performing loans had increased to 3.17 per cent in 2021 in contrast to 1.16 per cent a year ago.

It is not unusual for any bank to face default loans and Midland Bank is no exception. But the bank has managed marketable securities against the loans on which clients have recently defaulted on making repayments.

But the bank has maintained a hefty amount of provisioning against its classified loans to absorb shocks, said Zaman who started his banking career at ANZ Grindlays Bank as a management trainee in 1982.

The lender did not take any deferral support from the central bank to keep provisioning in phases, he said.

It is also expanding its foreign exchange businesses steadily.

The bank imported goods and services for businesses worth Tk 1,177 crore last year, up 53.6 per cent year-on-year when exports increased 95 per cent to Tk 1,532 crore.

This has helped to manage a remarkable profit from the business segment, said Zaman, who also gained diversified banking experiences having worked at JPMorgan Chase Bank, Morgan Stanley and BNP Paribas.

The bank is set to start its journey in the capital market within this year as the central bank has already given permission to issue its initial public offering (IPO).

The bank is waiting for the final permission from the Bangladesh Securities and Exchange Commission.

Germany to take

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Russian forces launched an invasion in February.

The decision by Berlin marks a turnaround by the ruling coalition of Social Democrats, Greens and the liberal FDP, which has vowed to wind down its coal usage by 2030.

"It's bitter but indispensable for reducing gas consumption," economy and climate minister Robert Habeck said in a statement.

The measures announced Sunday also include an "auction" system for the sale of gas to manufacturers, which, according to the government, will help bring down consumption by the powerful sector.

So far, Berlin has managed to reduce the share of its natural gas supplied by Russia from 55 per cent before the invasion to 35 per cent – thanks to increased deliveries from countries like Norway and the Netherlands, and through liquefied natural gas contracts (LNG).

Firms in China

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hit dozens of cities from business hub Shanghai to the northern breadbasket province of Jilin.

An American Chamber of Commerce survey released this week showed that almost all respondents cut their revenue projections, while in a separate study 11 per cent of European firms said they would downsize their China operations because of Covid measures.

Domestic firms have also been tightening their purse strings.

Ride-hailing platform Caocao Chuxing has let go of staff, with Chinese media reports pegging the proportion at 40 per cent.

Some staff at e-commerce giant Alibaba were also reportedly asked to leave, according to state outlet Legal Daily.

The imposition of restrictions to stamp out Covid outbreaks this year has intensified pressure on firms already grappling with a slowdown in the economy and regulatory crackdowns on sectors including property and tech. Bai, 27, told AFP she was laid off by a US tech company that was preparing to end its business in China.

"In some ways, we saw it coming," she said, only giving her surname. "Its China operations have been losing money."

"It's not the first to leave the China market and won't be the last."

Beijing-based Bai said it was the second time she lost her job because of the pandemic.

In 2020, as the virus raged in China, she was let go by a cruise line operator over fears tied to her nationality, she said.

Andrea Zhang, 24, who handled events planning, said his employer shuttered its clothing shops in March and April when outbreaks flared this year.

"Our bosses wanted to understand the situation at various stores (across the country) but realised they could not due to quarantine requirements," said Zhang.

The company eventually closed its offline operations, and Zhang left.

Around 1.3 million entities cancelled their business registrations in China in March alone, a 24 per cent spike on-year, according to official numbers.

With President Xi Jinping repeatedly backing the government's zero-Covid strategy, observers do not expect authorities to pivot away from it even as the economy suffers.

But the restrictions have made life unbearable for some.

"Working from home, especially in an industry such as ours known for overtime practices, has made work-life boundaries even more blurred," said Ning, who works in marketing at a tech firm in Beijing and only gave his surname.

The 26-year-old typically left work around 11 pm.

But his hours stretched past midnight and into weekends after the capital ordered people in his district to stay home last month as Covid cases surged.

M Reazul Karim, managing director of Premier Bank, recently inaugurated the bank's Hajj booth at Hajj Camp in Ashkona, Dhaka. Md Saiful Islam, joint secretary of the ministry of religious affairs, Shamsuddin Chowdhury, deputy managing director of the bank, and Mohammad Jamil Hossain, senior executive vice-president, were present.

PHOTO: PREMIER BANK

Mohammad Iqbal, senior executive vice-president of Citizens Bank, and Md Rezaul Karim, executive vice-president of Dutch-Bangla Bank Ltd (DBBL), exchange signed documents of an agreement at the former's head office in Dhaka recently over sharing mobile financial services platform. Mohammad Masoom, managing director of Citizens Bank, and Md Shahadat Hossain, deputy managing director of DBBL, were present.

PHOTO: CITIZENS BANK

M Shahidul Islam, managing director of Shahjalal Islami Bank, inaugurates the bank's relocated branch at Gani Bhaban on NS Road in Kushtia Sadar yesterday. Nasir Uddin Mridha, former president of the Kushtia Chamber of Commerce and Industry, Md Abdur Rashid, managing director of Rashid Group, Md Robiul Islam, executive director of Desha NGO, and Ehsanul Haque Babu, proprietor of Natural Engineering Construction, were present.

PHOTO: SHAHJALAL ISLAMI BANK