IDLC, Direct FN sign deal for brokerage software

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IDLC Finance has signed an agreement with Direct FN on using a brokerage management software, enabling the former's customers to place real-time orders and for Magnus Corporation to be the latter's local distributing partner.

M Jamal Uddin, managing director of the non-bank financial institution, and Primal Silva, business head of Direct FN, signed the agreement at the former's corporate head office in Gulshan, Dhaka recently, said a press release.

Arman Ahmed, managing director of Magnus Corporation, Md Saifuddin, managing director of IDLC Securities, and Asif Saad Bin Shams, deputy managing director of IDLC Finance, and Mir Tariquzzaman, general manager, were present.

China keeps key lending rates unchanged

REUTERS, *Shanghai*

China stood pat on its benchmark lending rates for corporate and household loans, as expected, on Monday, with global central banks' rate increases making it tough for Beijing to stimulate a weak domestic economy by lowering rates.

Markets widely believe that Chinese policymakers are wary of risks that the yuan will depreciate and capital outflows will be triggered if they embark on further monetary easing to underpin a Covid-19-hit economy at a time when other major economies are tightening their rates policies.

Central banks across Europe raised interest rates last week, some by a level that shocked markets, in the wake of the Fed's 75 basis point hike to combat high inflation.

A carpenter carves designs on a headboard in Bastuhara area of Khulna city yesterday. Creating such patterns can take up to seven days, when each day's pay amounts to Tk 500 for the woodworker. While a whole bed can sell for Tk 25,000 to Tk 30,000, such impressions alone can cost an additional Tk 4,000 to Tk 10,000 depending on the intricacy. PHOTO: HABIBUR RAHMAN

Global bond investors calling for fast rate hikes

REUTERS, *New York*

A series of surprise actions by some of the world's largest central banks fretting about runaway inflation has left bond investors battered. Now, a growing chorus of investors is calling on policymakers to move fast to end the uncertainty.

Until central banks are able to bring down inflation, some investors said, markets will not have any certainty about rates. Their best way forward may be to get to neutral interest rates -- the level at which monetary policy is neither stimulating nor restricting the economy -- as fast as they can, the investors said.

"We're seeing these sort of rate hikes in an economy that is clearly slowing, and it creates this extraordinary uncertainty on how much will inflation come down and how much the Fed will have to go," said Rick Rieder, chief investment officer of global fixed income at BlackRock, the world's largest asset manager.

"Sometimes the markets can take some time to adjust to it, but in the long run it's a better way to go," Rieder told Reuters in an interview.

Both DoubleLine Capital Chief Executive Jeffrey Gundlach and billionaire investor Bill Ackman in recent days also have called for higher rates by the Federal Reserve.

Central banks, especially the Federal Reserve, have faced criticism that they acted too slowly in taming inflation. Investors said that has led to ugly surprises, such as the Fed's larger-than-anticipated rate rise on Wednesday in the wake of the highest US inflation reading in more than four decades.

"Playing catch-up is harder now as the central bank let ... the first best policy response slip through its fingers" last year, said Mohamed El Erian, chief economic adviser at Allianz and chair of Gramercy Fund Management.

Fed Chair Jerome Powell said last week that the US central bank's target was to bring inflation down without a sharp slowdown in economic growth or a steep rise in unemployment, acknowledging that the path was becoming more challenging.

The Federal Reserve hiked rates on Wednesday by 75 basis points -- its biggest raise in nearly three decades -- and committed to delivering more big moves. Central banks across Europe also raised rates, in some cases by amounts that shocked the markets.

The moves wreaked havoc in bond markets, already in the throes of their worst start to a year in history.

Ahead of the Fed's hike, two-year Treasuries hit their highest yield since the 2008 global financial crisis and benchmark 10-year yields -- an important barometer for mortgage rates and other financial instruments -- climbed to their highest level in over a decade.

In Europe, Germany's 10-year Bund yield hit an eight-year high, at 1.93 per cent, last week. In Switzerland, 10-year yields were set to end the week almost 50 basis points higher and set for their biggest weekly surge since March 2020.

Higher prices are bruising consumers by eroding savings while higher rates increase borrowing costs. US housing finance giant Freddie Mac said last week the average contract rate on a 30-year fixed-rate mortgage rose by more than half a percentage point to 5.78 per cent, the greatest one-week jump in 35 years.

European delegation visits Idcol projects

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A high-level delegation led by Johannes Schneider, head of German development cooperation, visited three renewable energy projects financed by Infrastructure Development Company Ltd (Idcol) at Dhamrai, Savar recently.

Among the team members were representatives of Germany, Denmark, Sweden, Switzerland and Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ), said a press release.

"This initiative will allow us to better coordinate and consolidate our engagement in the green energy sector and strengthen our relationship with the Bangladesh government and the private sector," said Schneider.

Md Mostofa Kamal, additional secretary to renewable energy at Power Division, greeted the visiting team.

Alamgir Morshed, executive director of Idcol, and Golam Mustafa, additional secretary and member of administration at Sustainable and Renewable Energy Development Authority (Sreda), were present.

Ukrainian refugees could ease eurozone labour crisis: ECB

REUTERS, *Frankfurt*

The influx of Ukrainian refugees into the European Union could gradually ease labour shortages in the euro zone as some of those fleeing the war are likely to settle permanently, the European Central Bank said on Monday.

Around seven million people, mostly women and children, have fled Ukraine so far since Russia launched its invasion on February 24, and more are leaving each day, with many hoping to find durable employment opportunities in the 27-nation EU.

"Under all of the assumptions detailed thus far, back-of-an-envelope calculations point to a median increase of between 0.2 per cent and 0.8 per cent in the euro area labour force in the medium term," the ECB said in an Economic Bulletin article.

"This corresponds to an increase of between 0.3 and 1.3 million in the size of the euro area labour force as a result of the Ukrainian refugee crisis," it added.

With unemployment at a record low, the euro zone has been struggling with increasing labour shortages and the influx of refugees could "slightly ease" labour market tightness, the ECB said.

Still, getting people to work may prove difficult due to administrative barriers, the ECB added.

"Barriers to the labour market and other frictions remain significant impediments to refugees, making it difficult for them to integrate into host countries' labour markets, especially in the short term," it said.

Proposed tax cuts

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expense of those with fewer resources because the services that would likely get cut are beneficial to those in a lower-income bracket.

Proponents argue that if more money is put back into consumers' pockets, spending will increase. Hence, the economy will grow and wages will rise.

At the end of the day, the outcome depends on where the cuts are made.

Considering arguments from both schools of thought, we may consider some other prevalent issues of our current socioeconomic context.

First of all, is Bangladesh ready to compete with global competitors for attracting FDI? To place Bangladesh in a competitive stage, tax cuts alone will not help. We need to make our business environment competitive too.

We will be competitive only when we can make businesses free of bureaucratic hassles, economic zones are available, transportation systems are eased and have a robust physical infrastructure, uninterrupted energy supply and availability of skilled human resources. These developments will make the business environment stronger, attract foreign investments and augment domestic private sector investments.

To make all of these available, we need to invest in these areas. Only the government can do so. The government needs money to make the investments. But tax cuts will make the government weaker to invest in the developments.

Is it guaranteed that incremental profits from tax cuts will be invested in the economy? The answer is no. Particularly a country like Bangladesh, where tax avoidance is rampant and Tk 68,000 crore is laundered abroad annually through trade mis-invoicing, cannot expect that the incremental profits in business houses will be invested in the economy that will consequently generate jobs and tax buoyancy. We must stop the loopholes to prevent the siphoning off money first.

The second most important consideration for a corporate tax cut is that we are a net import country. Our business houses love to import more and sell than to manufacture. The export diversification strategy could not be implemented effectively in spite of huge government efforts, because of a lack of adequate innovative entrepreneurship.

On the other hand, many of the local businesses are only designed to make quick money by producing and selling unnecessary goods that are sucking money from low-income households by creating an environment that promotes cheap internationalism and rampant consumerism.

Many of the big businesses are destroying our traditions too. Some are destroying micro-entrepreneurs by producing cookies, packet spices, chips and puffed rice. Should we provide them with a wholesale tax cut or be judicious in providing tax breaks? Should we not be industry-specific?

Our economy is still agriculture-based. More than half of the employment opportunity is created by the sector. Our country is rich in agricultural produce.

In addition to staples, fisheries, dairies and poultries, we produce the tastiest fruits in the world. But food-processing industries have not flourished yet. Instead of using locally available raw materials, we are manufacturing goods by importing them from other countries.

A large portion of the population is unemployed while we are producing goods that are employing a tiny fraction of the employable population. Instead of providing wholesale tax breaks to all of the business houses, our policy should be designed to give a boost to agriculture-based industries and essential import-substitute industries, not fancy and luxurious items.

The author is the lead consultant of Dhaka Consulting Ltd.

Russia now China's

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other buyers avoiding Russian energy imports.

Although demand in China remains muted, there has been some improvement in the past month as cities began to loosen virus restrictions after the country's worst Covid outbreak since the early days of the pandemic.

This has allowed some supply chain problems to ease and industrial production to pick up, official data showed.

China's latest purchases of Russian oil marked a record amount, according to Bloomberg News.

Beijing -- which has repeatedly refused to condemn Moscow's bloody invasion of Ukraine -- has also been accused of providing diplomatic cover for Russia by blasting Western sanctions and arms sales to Kyiv.

Once bitter Cold War enemies, Beijing and Moscow have stepped up cooperation in recent years as a counterbalance to what they see as US global dominance.

The pair have drawn closer in the political, trade and military spheres as part of what they call a "no limits" relationship.

Earlier this month they unveiled the first road bridge linking the two countries, connecting the far eastern Russian city of Blagoveshchensk with the northern Chinese city of Heihe.

Last week, President Xi Jinping assured President Vladimir Putin of China's support on Russian "sovereignty and security" on a call between the two leaders.

The Kremlin said the pair had agreed to ramp up economic cooperation in the face of "unlawful" Western sanctions.

Germany resorts

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government, will help bring down consumption by the powerful sector.

A procedure similar to a tender process will see the state offer a remuneration to companies promising the biggest energy savings.

The mechanical engineering industry group VDMA welcomed the move.

"That allows you to direct the reduction at the place where the damage is less significant," it said in a statement.

Funding will also be released to finance the filling up of tanks before winter.

Habeck stressed that the increased use of coal was only "provisional" in the face of the "worsening" situation in the gas market.

Gazprom has said that exports to countries that did not belong to the former Soviet Union were down 28.9 per cent between January 1 and June 15 compared to the same period last year.

After cutting daily gas supplies to Germany and Italy, Gazprom CEO Alexei Miller said last week that Moscow will play by its own rules.

Shams Abdullah Muhaimin, deputy managing director of Prime Bank Ltd, and Mohsin Ali, executive director of Wave Foundation, exchange signed documents of an agreement at the bank's office in Gulshan, Dhaka recently on disbursing remittance of different international exchange companies. Syed Faisal Omar, head of financial institutions at the bank, and Anwar Hossain, deputy executive director of the foundation, were present. PHOTO: PRIME BANK

Eddie Bearnot, managing director of Care Nutrition, and Hindol Roy, chief operating officer of its local franchisee, launched three products at a function in Dhaka recently. Tanvir Ali, chief financial officer, and Monwarul Islam, manager for accounts and finance, were present. PHOTO: CARE NUTRITION

Mohsina Yasmin, executive member of Bangladesh Investment Development Authority, Hayakawa Yuho, chief representative of Japan International Cooperation Agency, and Nakayo, senior vice-president, cut a ribbon to inaugurate Ship International Hospital in Dhaka recently. Iqbal Arslan, president of Swadhinata Chikitshak Parishad, Ito Naoki, ambassador of Japan to Bangladesh, Kobayashi Hiroyuki, chairman of the hospital, Kojima Hideo, deputy chairman, and Moazzem Hossain, managing director, were present. PHOTO: SHIP INTERNATIONAL HOSPITAL