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Forex volatility persists despite BB intervention

AKM ZAMIR UDDIN

Volatility continued to prevail in the country's foreign exchange market, with the price of every dollar hitting a record Tk 119 in the open market yesterday from Tk 115 on Monday.

Meanwhile, pressure on importers over clearing bills slightly eased amid worries among bankers following the Bangladesh Bank's action against treasury chiefs of six private banks.

The BB also injected a fresh $114 million into banks helping the market to reduce the pressure.

Treasury chiefs of six private banks were directed to be transferred to human resources departments over their alleged involvement in destabilising the market.

The central bank found that the six banks had gained hefty profits by taking advantage of the ongoing volatility.

With yesterday's supply, the BB injected a total of $1.63 billion between July 1 and August 10 this fiscal year to counter a 12 per cent depreciation of the taka in the inter-bank platform in a year.

"We will continue our support until the market turns stable," said BB Spokesperson Md Serajul Islam.

Bangladesh Bank injected a record of $7.62 billion into banks in fiscal 2021-22 to keep the market stable.

But the efforts are yet to yield results in both the interbank and kerb market as the country's overall imports last fiscal year far exceeded earnings from exports and remittances.

Meanwhile, foreign exchange reserves stood at $39.60 billion as of August 9 whereas it was $48 billion a year ago.

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Global tech giants asked to share ad revenue info

MAHMUDUL HASAN

The telecom regulator in Bangladesh yesterday directed global social media platforms to furnish it with information about their revenues earned from digital advertisements in 2021.

In a letter, the Bangladesh Telecommunication Regulatory Commission (BTRC) said it noticed that digital ads are running on social media platforms such as Google, WhatsApp, Yahoo, Amazon, YouTube, Facebook, and Imo.

The platforms have been given 10 days to provide information on their advertisement revenue from January to December of 2021.

"We are collecting the information to ensure a proper revenue collection for the government," Subrata Roy Maitra, vice-chairman of the commission, told The Daily Star.

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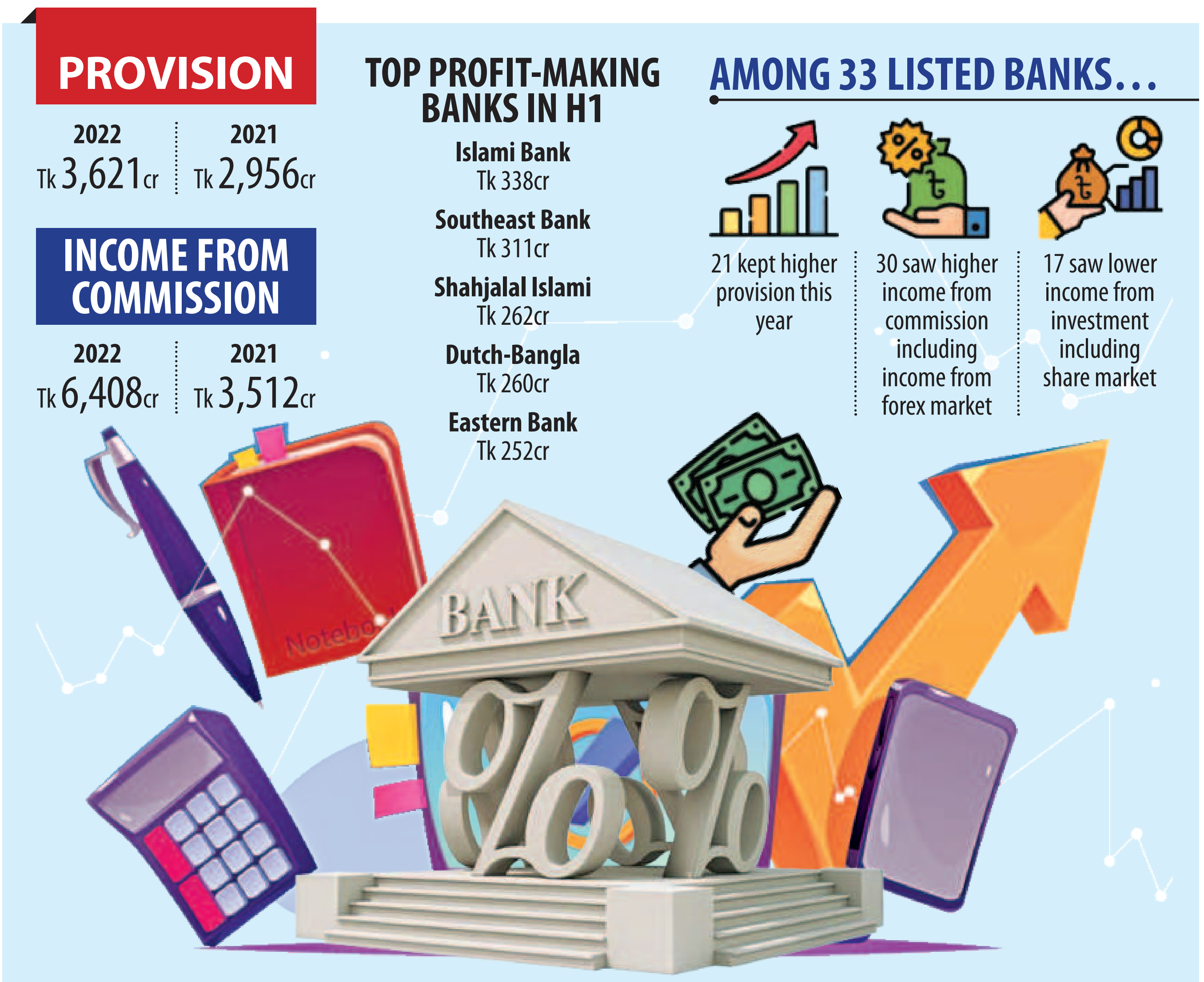

Huge bad loans force banks to keep higher provision

AHSAN HABIB

Most of the listed banks in Bangladesh had to keep higher provisions in the first half of 2022 owing to the bearish trend in the share market and the removal of the relaxed loan classification policy that sent bad loans higher.

The lenders collectively made a 7 per cent higher profit at Tk 4,899 crore between January and June, their financial reports showed. It was Tk 4,583 crore during the same six-month period a year ago. Twenty-one banks logged higher profits, year-on-year.

But their revenue stream was hurt by the lower income from banks' investment in the capital market amid persisting uncertainty caused by the macroeconomy instability and the volatility in the financial sector owing to the Russia-Ukraine war and the dragging coronavirus pandemic.

Profits from their foreign exchange market operation saved the day for them.

According to the financial reports, 21 banks needed to keep higher provisions during the January to June period compared to the identical period in 2021.

Provisions are balance sheet items representing funds set aside as assets to pay for anticipated future losses.

In Bangladesh, banks have to earmark 0.50 per cent to 5 per cent of their operating profit in provisioning against general category loans, 20 per cent against classified loans of substandard category, and 50 per cent against classified loans of doubtful category.

They have to set aside 100 per cent of classified loans of bad or loss category from the profits as provisioning.

Provisions totalled Tk 3,621 crore in the first half, up 22.50 per cent from Tk 2,956 crore a year ago.

"As the classified loans surged, the provision amount surged as well," said Syed Mahbubur Rahman, managing director of Mutual Trust Bank.

Default loans rose 19.3 per cent year-on-year to Tk 116,288 crore in the first quarter of 2022, the latest for which data from the Bangladesh Bank were available.

It was up 9.84 per cent in March from a quarter ago. The ratio of default loans accounted for 8.53 per cent of the outstanding debts as of March, against 8.07 per cent a year earlier.

The classified loans in the banking industry rose though there was a moratorium in 2020 and 2021.

In order to counter the impacts of the coronavirus pandemic on the economy and businesses, the central bank maintained payment holiday for borrowers. As a result, banks did not have to reclassify the credit status of borrowers, which drove the non-performing loans down.

In June this year, the BB re-introduced a flexible loan repayment facility. Borrowers in large industries would be able to avoid falling into the defaulted loan category by repaying half of the loans payable for the April-June period.

The borrowers must clear 60 per cent of their unpaid loans in the July-September quarter and 80 per cent in the fourth quarter of 2022 if they don't want to be classified as defaulters.

Mohammad Habibur Rahman Chowdhury, a deputy managing director and chief financial officer of Prime Bank, says when banks experience an unrealised loss in their stock market investment, they have to keep provisions too.

"Though Prime Bank had to keep a lower provision this year, many banks had to set aside a significant amount owing to the ailing stocks and higher default loans."

Of the listed banks, 17 saw lower income from their investment in stocks and bonds.

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Riders feel the pinch of fuel price hike

MAHMUDUL HASAN

Ride-sharing service users in Bangladesh could not escape from the impact of the recent fuel price increase as Pathao has already announced new fares while Uber is set to follow suit.

The local ride-sharing platform has raised the fare for riding two-wheelers (motorbikes) by 16-18 per cent on average.

On Saturday, the government revised up the price of diesel and kerosene by 42.5 per cent and petrol and octane by 51.1 per cent and 51.7 per cent respectively, to help state-run Bangladesh Petroleum Corporation cut losses amid higher fuel import bills.

A day later, the authorities increased the bus fare up to 22 per cent.

In a press release, Fahim Ahmed, managing director of Pathao, said: "The operating cost for our riders has increased with the rise in fuel prices."

"The operating cost for our riders has increased with the rise in fuel prices," said Fahim Ahmed, managing director of Pathao

"Accordingly, we have adjusted the fares to ensure the seamless availability of rides for users on our platform."

As per the new pricing, the fare in Dhaka has been increased by 25 per cent to Tk 15 per kilometre from Tk 12 earlier. The minimum fare surged 66 per cent to Tk 50 a kilometre from Tk 30 earlier.

The base fare of Tk 25, the per minute charge of Tk 0.50, and the insurance fee of Tk 1 have remained unchanged.

In Chattogram, the fare has gone up by 25 per cent to Tk 12.50 from Tk 10, while the minimum fare rose 33 per cent to Tk 40 from to Tk 30. The other fees have remained unchanged.

In Sylhet, the ride-sharing service hiked the per kilometre fare and the minimum fare.

The increased fare for Pathao bike-users came into effect on Sunday.

The fare of Pathao's car-sharing service did not see any revision.

Armanur Rahman, head of Bangladesh and East India at Uber, said: "We are constantly observing the market and assessing the impact of the recent price hikes on our riders and customers. After that, we will make a decision on the pricing."

"We are working with our stakeholders in this regard."

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STOCKS

DSEX ▼	CSCX ▼
1.24%	1.11%
6,180.90	18,232.76

COMMODITIES

Gold ▲	Oil ▼
$1,800.59	$87.85
(per ounce)	(per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.06%	▼ 0.65%	▲ 0.47%	▼ 0.54%
58,817.29	27,819.33	3,286.33	3,230.02

Migrant workers are seen outside Hazrat Shahjalal International Airport. Inflow of remittance sent by Bangladeshi workers abroad decreased 15 per cent year-on-year to $21.03 billion in the fiscal year of 2021-22, the first decline in six years, as per data from the Bangladesh Bank.

PHOTO: STAR/FILE

Banks' remittance service rules relaxed

STAR BUSINESS REPORT

Bangladesh Bank (BB) yesterday relaxed existing rules applicable on banks' remittance services in an attempt to increase the inflow of foreign currency and curtail volatility centring the foreign exchange market.

From now, banks do not need to seek the central bank's approval for inking agreements with foreign exchange houses to mobilise remittance from abroad, according to a central bank notice.

However, once the agreements are signed, the lenders will have to provide information in detail regarding the arrangements to the BB.

The BB also did away with the requirement of letters of references about the exchange houses from the Bangladesh embassy or high commission in the respective countries.

Still, banks must act with due diligence and determine whether they are satisfied with licences of the exchange houses issued by competent authorities.

A BB official said the revisions to the rules would make it easy for banks to sign the agreements and facilitate bringing in remittances.

Remittance inflow decreased 15 per cent year-on-year to $21.03 billion in fiscal year 2021-22 for the first time in six fiscal years, as per data from Bangladesh Bank.

However, it went up 14 per cent month-on-month to $2.09 billion last month.

The country's import payment also escalated to $82.49 billion in FY22 in contrast to $60.68 billion the year before.

Against this backdrop, foreign exchanges reserves stood at $39.66 billion as of August 9, whereas it was over $48 billion a year ago.

Patent law needs to be amended

Say experts

STAR BUSINESS REPORT

Just over four months past being passed in parliament, Bangladesh Patent Law 2022 is deemed by experts to be in need of amendments.

Addressing a seminar yesterday, they highlighted upcoming challenges for the local pharmaceutical industry once Bangladesh makes the United Nations status graduation from a least developed to a developing country in 2026.

They also called for close collaboration between the government agencies concerned and the private sector in the amendment process.

"Bangladesh should engage lobbyist firms in World Trade Organization (WTO) for the continuation of Trade-Related Aspects of Intellectual Property

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