

Russia may buy yuan, rupee, lira for rainy day fund

REUTERS, Moscow

Russia is considering buying the currencies of “friendly” countries such as China, India and Turkey to hold in its National Wealth Fund (NWF), having lost the ability to buy dollars or euros due to sanctions, the central bank said on Friday.

The bank said it was sticking to the policy of a free-floating rouble exchange rate but highlighted that it was important to reinstate a budget rule which diverts excess oil revenues into the country’s rainy day fund.

In a report on its monetary policy for 2023-2025, the central bank said various options on how to return to the fiscal rule and replenish the NWF are now being discussed, taking into account the Western sanctions against Russia over its actions in Ukraine.

“The Russian Ministry of Finance is working on the possibility of implementing an operational mechanism of the budget rule mechanism for the replenishment/spending of the NWF in currencies of friendly countries (yuan, rupees, Turkish lira and others),” the central bank said.

Russian central bank says the country is considering buying the currencies of “friendly” countries to hold in its National Wealth Fund, having lost the ability to buy dollars or euros due to sanctions

Experts have voiced concerns about insufficient liquidity in such currencies and about the possible risks. Inflation in Turkey, for example, jumped to nearly 80 per cent in June, a 24 year high.

Alexei Zabotkin, the central bank first deputy governor who presented the monetary policy report on Friday, said the parameters of the new budget rule were still under consideration. He pointed out that liquidity in yuan-rouble trading has approached the levels of the euro-rouble currency pair on the Moscow Exchange. In the first half of 2022, average daily trade turnover for the yuan rose more than 12-fold, according to the exchange.

Under the budget rule, Russia previously bought dollars and euros for the NWF, but not the other currencies. It stopped daily purchases of forex for the fund in early 2022 amid increased volatility in the rouble.

The NWF is managed by the finance ministry but is part of the central bank’s international reserves, which also include yuan. These totalled around \$640 billion as of February, of which nearly half was frozen under Western sanctions.

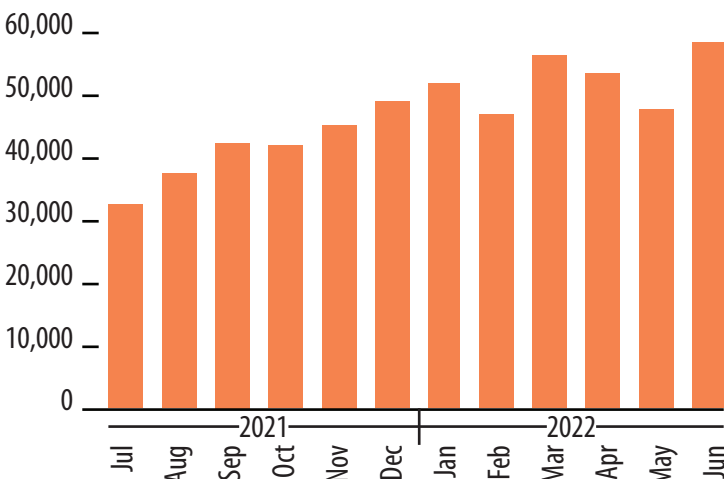
The Russian economy will return to growth in 2024 after two years of contraction, according to the central bank. “Economic contraction in Russia will bottom out in the first half of 2023,” Zabotkin said.

Inflation will slow to the 4 per cent target in 2024, allowing the central bank to bring the key rate down to the 5 per cent-6 per cent range in 2025, the bank said, compared with the current 8 per cent.

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MONTHLY TRANSACTIONS

In crore taka; SOURCE: BB



BY THE NUMBERS

(At the end of June 22)

- ▶ Total agents: **14,300**
- ▶ Outlets: **19,738**
- ▶ Male accounts: **7,980,217**
- ▶ Female accounts: **7,873,962**
- ▶ Other accounts: **219,782**

Agent banking accounts keep growing

AKANDA MUHAMMAD JAHID and AHSAN HABIB

Transactions through agent banking accounts rose 43 per cent year-on-year to Tk 5,64,844 crore in fiscal year 2021-22 as a growing number of people are now using the new banking window, showed Bangladesh Bank data.

In fiscal year 2020-21, the amount passing through these accounts, opened through agent banking services, stood at Tk 3,94,068 crore.

However, the growth of the transaction amount from what was in fiscal year 2019-20 to that in fiscal year 2020-21 was 106 per cent.

Agent banking was introduced in Bangladesh in 2013, with the central bank awarding 28 agent banking licences with an aim to provide a secure alternative delivery channel of banking services to the underprivileged and under-served population who live in remote locations.

Following the central bank’s guideline, Bank Asia introduced the country’s first agent banking services in January 2014. The number of agents across the country stood at 14,300 as of June 2022, which was 12,930 in the same month of the previous year. The number of agent banking outlets rose to 19,738 from 17,147 during the period.

Apart from the sharp growth in transactions, the number of agent banking accounts, meaning accounts opened by agents, has also increased year-on-year. The total number of agent banking accounts stood at 1.6 crore in June 2022, up by about 31 per cent from that in the same month a year back. However, there was a 54 per cent growth in the number of accounts in June 2021 from that in the same month of the previous year.

According to Bangladesh Bank data, 79.80 lakh males had opened agent

banking accounts as of June 2022, a year-on-year of about 20 per cent.

In case of females, it was an increase of 52 per cent year-on-year to 78.73 lakh as of June this year.

The agent banking sector saw a rapid growth as an alternative to the branch-based banking model in Bangladesh, especially in rural areas, where setting up full-fledged offices is not commercially viable because of their low business volume.

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As of June 2022, out of total of 19,738 agent banking outlets, 17,005 were in rural areas while the rest in urban areas while 12,115 agents out of total 14,300 were in the rural areas, showed data from the central bank.

In case of the number of transactions, more than Tk 1.85 crore out of total 2.25 crore transactions took place in rural areas.

Usually, basic banking services such as cash deposits, cash withdrawals, and receipt of remittances are provided through agent banking. Apart from that, banks have also started disbursing loans through their agents.

As per the BB data, the deposit balance was Tk 27,754 crore as of June 2022, up from Tk 20,218 crore in the same month of 2021.

Banks disbursed Tk 671 crore in loans through the agent banking system until June this year, up from Tk 456 crore in the same period last year.

Until June 2022, Tk 155 crore was paid

TOTAL TRANSACTIONS

FY2020: Tk **191,225**cr
FY2021: Tk **394,068**cr
FY2022: Tk **564,844**cr

Breakthrough in tax collection unlikely without automation

Says former NBR chief

SOHEL PARVEZ

The National Board of Revenue (NBR) is unlikely to make any major breakthrough in tax collection without automation and reforms in the revenue administration, said its former chairman Nasiruddin Ahmed.

“The whole tax administration suffers from problems. A lot of reforms are required along with full automation of the tax system and there should be no compromise,” he said in an interview recently.

His observations came as the NBR crossed Tk 300,000 crore mark in revenue collection for the first time in the fiscal year of 2021-22.

In the year, the tax collector posted a 15 per cent year-on-year growth but missed its target by nearly Tk 30,000 crore. This was the tenth year in a row the NBR failed to attain the target set

by the government. Ahmed, who headed the NBR for three years until 2012, calls the crossing of the Tk 300,000-crore collection mark commendable amid challenges.

“But it is not something to celebrate because the collection is behind the target and Bangladesh’s tax-GDP ratio is still one of the lowest in the world,” he said.

Revenue generation has remained at a lower-than-expected level as the latest value-added tax (VAT) law, which became effective in July 2019, has not been able to bring in desired results in indirect tax collection.

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Oil price falls 2pc US Gulf supply disruption will ease

REUTERS, New York

Oil prices plunged around 2 per cent on Friday, on expectations that supply disruptions in the US Gulf of Mexico would be short-term, while recession fears clouded the demand outlook.

Futures, however, were still on track for a weekly gain.

Brent crude futures fell \$1.45, or 1.5 per cent, to settle at \$98.15 a barrel, while US West Texas Intermediate (WTI) crude fell \$2.25, or 2.4 per cent, to settle at \$92.09 a barrel. Both contracts gained more than 2 per cent on Thursday.

“We are pulling back a little bit after the big run up yesterday,” said Phil Flynn, an analyst at Price Futures group.

Brent gained 3.4 per cent this week after last week’s 14 per cent tumble on fears that rising inflation and interest rates will hit economic growth and demand for fuel. WTI rose 3.5 per cent.

Crews were expected to replace a damaged oil pipeline piece by the end of the day on Friday, a Louisiana port official said, allowing for the resumption of production at seven offshore US Gulf of Mexico oil platforms.

On Thursday, top US Gulf of Mexico oil producer Shell said it halted production at three deepwater platforms in the region. The three platforms are designed to produce up to 410,000 barrels of oil per day combined.

The Amberjack pipeline, one of two stopped by the leak, has restarted at reduced capacity, Shell spokesperson Cindy Babski said. The Mars pipeline remained offline but is expected to resume operation later on Friday, she said.

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US says India hid Russian origin of fuel shipped to US

REUTERS, New Delhi

The United States has expressed concern to India that it was being used to export fuel made from Russian crude, through high-seas transfers to hide its origin, to New York in violation of US sanctions, a top Indian central banker said on Saturday.

The US Treasury Department told India that an Indian ship picked up oil from a Russian tanker on the high seas and brought it to a port in Gujarat on the west coast, where it was refined and shipped on, said Reserve Bank of India Deputy Governor Michael Patra.

US sanctions on Moscow for its February invasion of Ukraine prohibit the import to the United States of Russian-origin energy products including crude oil, refined fuels, distillates, coal and gas.

“The refined output was put back on that ship and it set sail without a destination. In the mid-seas it received the destination so it reached at its course, went to New York,” Patra said at an event to celebrate 75 years of India’s independence.

The US embassy in New Delhi said it had no immediate comment.

Patra’s comments are India’s first official public reference to such US concerns. Delhi has not joined the sanctions against Russia or condemned what Moscow calls a “special military operation” in its neighbour.

Patra said he was told the Russian crude was processed and converted into a distillate used for making single-use

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People queue outside an H&M clothing store, which opened the final sales before shutting down its business operations in Russia, at the Metropolis shopping centre in Moscow on August 3.

PHOTO: AFP

Russia economy shrinks as sanctions bite

AFP, Moscow

Russia’s economy contracted by four per cent year-on-year in the second quarter, the national statistics agency said Friday, as Western sanctions take their toll in the wake of Moscow’s military offensive in Ukraine.

In the period from April to June, gross domestic product “amounted to 96 per cent of the level attained in the same period of 2021, preliminary estimates show”, Rosstat said in a statement.

It was the first full quarterly growth data to be published since Moscow sent troops into its pro-Western neighbour in late February and western countries slapped stinging economic sanctions on Russia in response.

After Russian GDP expanded by 3.5 per cent

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