India GDP growth to slow to 7% on global headwinds

As per official estimates

AFP, *Mumbai*

India's economic growth will slow to 7.0 percent this financial year, according to official estimates released Friday, as weaker global demand and high inflation weigh on the world's fifth-largest economy.

The National Statistics Office forecast for the year ending March 31 still ranks India's economic outlook above every other major country but is down from the 8.7 percent growth recorded in 2021-22.

India bounced back strongly from the coronavirus pandemic but is now grappling with the same headwinds buffeting the global economy.

Rising petrol costs following Russia's invasion of Ukraine have had a ripple effect on prices for the country's 1.4 billion people.

The Reserve Bank of India (RBI) has hiked rates by 2.25 percentage points between May and December in an aggressive response to rising consumer inflation, which hit a high of 7.79 percent in April before moderating.

Higher commodity costs and a falling rupee have left India struggling with a deteriorating trade balance and its current account deficit hit a record high of $36.4 billion in the September 2022 quarter.

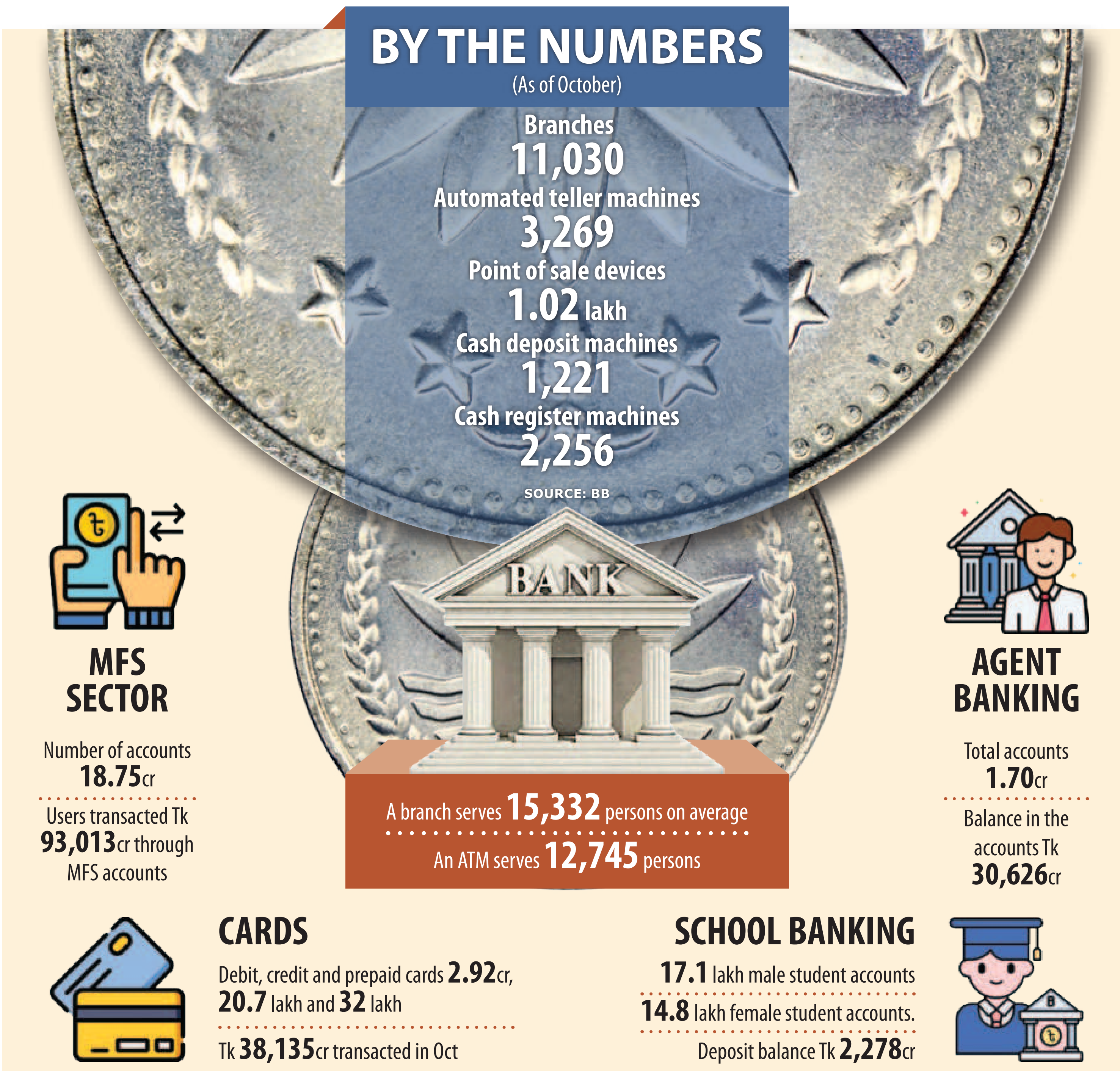
The Indian rupee hit record lows last year, plunging more than 11 percent against the US dollar as the greenback rallied on risk-averse market sentiment.

But India's currency has proven more resilient than its Asian peers, aided by regular central bank intervention.

The International Monetary Fund (IMF) forecasts 6.1 percent growth for India this year, down from 6.8 percent in 2022.

But the figure is still significantly higher than every other major world economy, with IMF deputy managing director Antoinette Sayeh attributing India's resilience to structural reforms and its hawkish approach to fighting inflation.

"India is a relatively bright spot in the world economy today, growing at rates significantly above its peer average," she told an event in New Delhi on Friday.



BANK BRANCHES go past 11,000 mark for first time

MD FAZLUR RAHMAN

Branches of banks in Bangladesh have gone past the 11,000-mark for the first time despite expanding digitalisation in the financial sector, central bank data showed.

Scheduled banks had 11,030 physical branches in October, according to the Bangladesh Bank review of e-banking and e-commerce statistics.

Scheduled banks facilitate financial transactions by opening branches and installing automated teller machines (ATMs), point of sale (POS) devices, cash deposit machines (CDMs), and cash register machines (CRMs) in urban and rural areas.

There were 13,269 ATMs, 1.02 lakh POS machines, 1,221 CDMs, and 2,256 CRMs in October.

The review showed a bank branch serves 15,332 persons on average while every 12,745 persons receive digital financial services using an ATM.

The BB monthly report made the calculation using the total population of 16.91 crore for the fiscal year of 2020-2021.

The use of mobile financial service (MFS) has kept expanding, according to the report.

Users transacted Tk 93,013 crore through MFS accounts in October, up more than 21 per cent year-on-year.

It was Tk 76,725 crore in the same month a year ago, data from the BB showed. October's transaction amount was the highest in four months.

In Bangladesh, there are 18.75 crore MFS accounts. Of them, 8.35 crore are in urban areas and 10.41 crore are in rural areas. Account-holders numbered 16.46 crore in the same month last year.

The float amount in the accounts was Tk 9,049 crore in October.

Agent banking outlets increased by 134 compared to the previous month. There were 1.70 crore agent banking accounts, up from 1.32 crore in September.

The ratio of agent banking accounts in urban and rural areas is about 14:86, and the balance in the accounts was Tk 30,626 crore in October.

The central bank introduced agent banking in 2013 in order to provide a secure alternative delivery channel of banking services to the underprivileged, under-served population who live in remote locations that are beyond the reach of the traditional banking network.

Currently, 31 scheduled banks are operating agent banking activities.

The number of issued debit, credit and prepaid cards stood at 2.92 crore, 20.7 lakh and 32 lakh, which was up 1.32 per cent, 1.47 per cent and 3.23 per cent a month earlier. Using the cards, Tk 381,35 crore was transacted in October.

In 2010, the central bank launched school banking to help children below 18 years develop savings habit and make them financially literate, with a view to widening financial inclusion.

As of October, there were 17.1 lakh male student accounts and 14.8 lakh female student accounts. The deposit balance totalled Tk 2,278 crore in the accounts, the review added.

How far can monetary policy help?

MAMUN RASHID

In the post-pandemic, Bangladesh recovered reasonably quickly and was seeing encouraging signs that the economy was well poised to return to the pre-Covid growth path.

However, a combination of global inflationary pressure and supply disruption owing to the Russia-Ukraine War, a rising US dollar, increasing international inflation rates, and emergence of recessionary fears in advanced economies has created a very hostile global economic environment.

As a result, Bangladesh has been facing some serious macroeconomic challenges reflected in high inflation, balance of payments' pressure causing the loss of reserves and foreign currency shortage, and fiscal pressures indicated by a severe revenue constraint and rising fiscal deficits.

When it comes to influencing macroeconomic outcomes, governments have typically relied on one of two primary courses of action: monetary policy or fiscal policy. Central banks use monetary policy tools to keep economic growth in check and stimulate economies out of periods of distress.

While central banks can be effective, there could be negative long-term consequences that stem from the short-term fixes enacted in the present. If monetary policy is not coordinated with a fiscal policy enacted by governments, it can undermine efforts as well.

We, therefore, felt that addressing the current macroeconomic issues in Bangladesh requires the use of different policy instruments that best relate to each of these areas: monetary policy instruments to ease the inflationary pressure; exchange rate policy to ease the balance of payments pressure; and tax or expenditure policy measures to ease the budgetary pressure. Their combined use as a coordinated set of policy actions can help avoid the bluntness of any single instrument and reinforce the effectiveness of each of the policy reforms.

Our central bank is formulating the monetary policy for the second half of FY23 promising emphasis on liquidity supply to the manufacturing and agricultural sectors and reducing the gap in dollar rates for export proceeds and remittance.

Earlier, policymakers introduced a new financial instrument for the Shariah-compliant banks in the country to aid their liquidity management and strengthen their financial system. It was meant for supporting liquidity management and deepening the financial system overall.

However, the policy came in the wake of reports of some big cash-outs through shady lending. This raised questions on the credibility and effectiveness of the decision and even the independent decision-making ability of the central bank.

On the matter of the cap on interest rates, speculations persist regarding who is benefitting the most from this? Such a cap is supposed to help small businesses, small and medium entrepreneurs (SMEs), and the rural economy but, the beneficiaries are the already wealthy big business owners and those who are taking undeserved and unfair advantage of low-cost funds from commercial banks.

In broad terms, the goal of macroeconomic policy reform is to provide a stable economic environment that is conducive to fostering strong and sustainable economic growth, on which the creation of jobs, wealth and improved living standards depend. Authorities need to be very wary of falling into the trap of policy myopia where, to address the short-term issues, they lose sight of the longer-term solutions.

The writer is an economic analyst.

Pakistan struggles to finance imports

Forex reserves hit 8-year low

AFP, *Karachi*

Pakistan's central bank forex reserves have plunged to an eight-year low of $5.6 billion, posing a serious challenge for the country in financing imports.

Coupled with another $5.8 billion held by commercial banks, the nation has $11.4 billion in reserves -- enough to pay for just three weeks of imports, traders and economists say.

"This is a very grave situation. If things get worse, Pakistan will need to have its loans restructured," said Mohammad Sohail, the head of economic watchdog Topline Securities in Karachi, alluding to a possible default.

Pakistan's economy has crumbled alongside a simmering political crisis, with the rupee plummeting and inflation at decades-high levels, but devastating floods and a global energy crisis have piled on further pressure.

The latest data from the central bank released overnight -- for the week ending December 30 -- show the country has half the foreign exchange reserves it held a year ago.

Servicing foreign debt and paying for crucial commodities such as medicine, food and energy are among the chief concerns.

Thousands of shipping containers are held up at a Karachi port because banks have been unable to guarantee foreign exchange payments.

Cargo includes perishable foodstuffs and medical equipment worth tens of millions of dollars.

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Shopkeepers fix the price tags of rice at a market in Karachi on Friday. Pakistan's forex reserves have plunged to an eight-year low of $5.6 billion.

PHOTO: AFP

Samsung says profits to plunge to 8-year low

AFP, *Seoul*

Samsung Electronics said Friday it expected its fourth-quarter operating profits to plunge 69 percent to an eight-year low as the global downturn hammers demand for memory chips and smartphones.

The South Korean tech giant said operating profits for the October-December period had likely slumped to 4.3 trillion won ($3.4 billion), a stinging year-on-year drop from 13.87 trillion won.

It would be the company's worst decline in quarterly profits since the third quarter of 2014.

In a statement, Samsung said fourth-quarter profits were "well below current market expectations", blaming the performance on macroeconomic issues, spurred by central banks around the world raising interest rates.

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