Guidelines for NBFIs to step up fight against money laundering

STAR BUSINESS REPORT

The Bangladesh Financial Intelligence Unit (BFIU) yesterday issued guidelines for non-bank financial institutions (NBFIs) to tackle money laundering and terrorist financing and asked them to draw up separate regulations.

Each NBFI will have to set up a central compliance unit comprising top officials and appoint a chief anti-money laundering compliance officer, whose position will not be below three posts of the managing director.

Officials with at least seven years of experience of working either at an NBFI or a bank could be considered for the job.

Each branch of a non-bank will have to appoint a branch anti-money laundering compliance officer (BAMLCO), according to the guidelines of the BFIU, the national body dedicated to monitoring and tackling money laundering and terrorist financing in Bangladesh.

The BAMLCO will arrange a meeting with other officials of a branch every three months and monitor suspicious transactions. NBFIs will have to select clients with utmost caution.

No clients will be allowed to open accounts anonymously and NBFIs will have to collect detailed information about each customer. If a suspicious transaction is settled in any branch of an NBFI, the BAMLCO will have to inform the BFIU.

Currently, there are 35 NBFIs in Bangladesh. Of them, two are fully government-owned, one is the subsidiary of a state-run commercial bank, 19 were initiated by private domestic initiative, and 13 were initiated by joint venture initiative.

The value addition is 60 per cent when local yarn and fabrics are used while it is 30 per cent for imported textile, according to local millers.

PHOTO: STAR/FILE

Buy yarn, fabrics from local mills

BTMA urges garment exporters

STAR BUSINESS REPORT

Textile millers in Bangladesh yesterday urged woven and knitwear exporters to buy a portion of their required yarn and fabrics from local markets so that they can overcome the current crisis situation and help save the country's foreign reserve.

The value addition is 60 per cent when local yarn and fabrics are used while it is 30 per cent for imported textile, according to local millers.

And with work orders from international retailers and brands having fallen by nearly 30 per cent, garment makers and exporters are still mainly using imported yarn and fabric.

As a result, the stockpiling of unsold yarn and fabric at local mills has been growing rapidly, pushing the $23 billion primary textile sector under threat.

Most of the yarn and fabrics for export-oriented garment factories in the country come from India and Pakistan, said Mohammad Ali Khokon, president of the Bangladesh Textile Mills Association (BTMA).

He was speaking at a press conference arranged by the BTMA at its office in Dhaka yesterday.

The BTMA held the press conference to explain the current crisis situation of the textile sector stemming from the US dollar crisis, gas crisis and stockpiling of unsold yarn at the mills.

Local weavers and knitters imported 2.75 lakh tonnes of yarn worth Tk 10,616 crore in the January-April period of the current calendar year.

During the same period of 2022, they imported 4.60 tonnes of yarn worth Tk 17,436 crore, as per BTMA data.

Khorshed Alam, chairman of Little Group, said he already shut down one of his units as sales have dropped due to the availability of illegally imported yarn and garment items from India and Pakistan.

Meanwhile, he is running another unit at only 30 per cent capacity because of low gas pressure.

"The millers are not getting gas with adequate pressure even though the government doubled the gas price last year," he added.

BTMA President Khokon also demanded the government increase the limit of funds available from the Export Development Fund (EDF) for each borrower as many are struggling to maintain their business amid the US dollar shortage.

At present, each borrower can avail $20 million from the EDF while it was $30million during the Covid-19 pandemic.

Besides, the National Board of Revenue should keep conducting frequent drives in areas like Narayanganj, Araihazar, Rupganj, Madhabdi, Baburhaat, Narsingdi, Belkuchi and Sirajganj, where illegally imported yarn is sold at cheaper rates.

The cost of production at textile mills has increased by a maximum of Tk 40 per kilogramme of yarn due to the gas price hike and US dollar shortage.

At the same time, millers are having to operate at 40 to 50 per cent capacity due to low gas pressure.

Khokon went on to say that because of the flood of garment items from Pakistan, the country's $3 billion market for women's apparel is now in trouble.

Most Pakistani garment items are imported through online orders though social media platforms such as Facebook, he said.

This deprives the government of huge sums of revenue as a section of traders are importing Pakistani garment items without paying the customs duty while violating other rules, Khokon added.

Stocks return to black

Turnover, however, fell by 16%

STAR BUSINESS REPORT

Key indices with the Dhaka Stock Exchange (DSE) returned to the black yesterday just after falling for a single session the previous day.

The DSEX, the benchmark index of the DSE, rose 13 points, or 0.20 per cent, to 6,345.

The DS30, the blue-chip index, advanced 0.18 per cent to 2,202 and the DSES, the shariah-compliant index, up 0.43 per cent to 1,375. However, turnover, an important indicator of the market, declined 16 per cent from the previous day to hit Tk 976 crore.

Of the traded securities, 93 advanced, 86 declined and 195 did not show any price movement.

Alif Industries increased mostly by gaining 9.98 per cent followed by Meghna Pet Industries that rose 9.97 per cent, Legacy Footwear 9.95 per cent, Navana Pharmaceuticals 9.93 per cent and Imam Button 9.92 per cent.

Trust Bank topped the list of losers by shedding more than 9.16 per cent. Desh General Insurance, Agrani Insurance, Dhaka Insurance, and Continental Insurance suffered substantial losses as well.

Lafarge-Holcim Bangladesh was the most-traded stock on the day with its shares worth Tk 46 crore transacted. Stocks of Intraco Refueling Station, Navana Pharmaceuticals, Unique Hotel, and Rupali Life Insurance also traded significantly.

The stocks on the Chittagong Stock Exchange also rose yesterday. The Caspi, the all-share price index of the bourse in the port city, rose 39 points, or 0.21 per cent to close at 18,721.

Of the issues, 72 rose, 59 retreated and 108 did not see any price movement. The Chattogram bourse's turnover, however, edged up 14 per cent to Tk 16.16 crore from the previous day's Tk 14.15 crore.

UK shop price inflation strikes new record high

REUTERS, London

British shop price inflation picked up this month to reach its highest rate since industry records began in 2005, although growth in food prices cooled slightly, a survey showed on Tuesday.

The British Retail Consortium said prices in supermarkets and retail chains rose 9.0 per cent in the year to May, after an 8.8 per cent increase in April.

Food price inflation as measured by the BRC slowed, however, to 15.4 per cent from 15.7 per cent.

"While overall shop price inflation rose slightly in May, households will welcome food inflation beginning to fall," said BRC chief executive Helen Dickinson. "The slow in (food) inflation was largely driven by lower energy and commodity costs starting to filter through to lower prices of some staples including butter, milk, fruit and fish," she added.

The figures follow official data last week that showed annual consumer price inflation - which includes services and non-shop goods like energy - slowed in April, but by less than expected, to 8.7 per cent from 10.1 per cent.

Official food price inflation, which earlier this year rose to its highest rate since 1977, slowed only marginally to 19.1 per cent from 19.2 per cent.

"While there is reason to believe that food inflation might be peaking, it is vital that government does not hamper this early progress by piling more costs onto retailers and forcing up the cost of goods even further," Dickinson said.

"The biggest risk comes from policies such as the incoming border checks and reforms to packaging recycling fees."

The BRC data was based on prices collected between May 1 and May 7.

Indian rupee drops

REUTERS, Mumbai

The Indian rupee inched lower on Tuesday, tracking the Chinese yuan-led decline on most Asian currencies, although losses were capped by portfolio inflows.

The rupee was at 82.68 to the US dollar by 10:46 am IST, compared to 82.6250 on Monday. It had opened at 82.65 and has been in a near-4 paisa range so far.

Oil price falls 2% on debt deal struggles

REUTERS, London

Oil fell by nearly 2 per cent on Tuesday as concerns about the US debt ceiling pact cooled the market's risk-on sentiment and mixed messages from major producers clouded the supply outlook ahead of their meeting this weekend.

Brent crude futures fell $1.36, or 1.8 per cent, to $75.71 a barrel by 0859 GMT. US West Texas Intermediate (WTI) crude was down $1.19, or 1.6 per cent, from Friday's close, to $71.48 a barrel. There was no settlement on Monday because of a US public holiday.

Some hard-right Republican lawmakers said on Monday they might oppose a deal that would raise the debt ceiling in the US, the world's biggest oil user, while Democratic President Joe Biden and Republican House of Representatives Speaker Kevin McCarthy remained optimistic the deal would pass.

Biden and McCarthy forged an agreement over the weekend and it must pass a divided US Congress before June 5, the day the Treasury Department says the country will not be able to meet its financial obligations, which could disrupt financial markets.

"A potential default would have catastrophic economic repercussions domestically as well as globally, which would have an adverse impact on oil demand," PVM Oil's Tamas Varga said.

The debt deadline nearly coincides with the June 4 meeting of the Organization of the Petroleum Exporting Countries (Opec) and allies including Russia, known as Opec+, and the uncertainty over whether they will increase their output cuts amid a recent slump in prices is also weighing on the market. Saudi Arabian Energy Minister Abdulaziz bin Salman last week warned short-sellers betting that oil prices will fall to "watch out" in a possible signal that Opec+ may cut output.

India's lack of jobs threatens its young

REUTERS, Mumbai

On a hot summer afternoon, 23-year old Nizamudin Abdul Rahim Khan is playing cricket on a muddy, unpaved road in the Rafiq Nagar slum in India's financial capital, Mumbai.

Here, there is scant evidence of India's fast-growing economy. Bordering what was once Asia largest garbage dumping ground, Rafiq Nagar and surrounding areas are home to an estimated 800,000 people, most living in tiny rooms across narrow, dark alleys.

The young men and women in the area struggle to find jobs or work, and they mostly dawdle the day away, said Naseem Jafar Ali, who works with an NGO in the area.

India's urban unemployment soared during the Covid-19 pandemic, reaching a high of 20.9 per cent in the April-June 2020 quarter, while wages fell. While the unemployment rate has fallen since, fewer full-time jobs are available.

Economists say more and more job-seekers, especially the young, are looking for low-paid casual work or falling back on unreliable self-employment, even though the broader Indian economy is seen growing at a world-beating 6.5 per cent in the financial year ending in March 2024.

India is overtaking China to become the world's most populous nation with over 1.4 billion people. Nearly 53 per cent of them are under 30, its much-touted demographic dividend, but without jobs, tens of millions of young people are becoming a drag on the economy.

Nizamudin Abdul Rahim Khan, a worker, poses for a photograph in an alley at a slum area in Mumbai, India on May 20.

PHOTO: REUTERS

"Unemployment is only the tip of the iceberg. What remains hidden beneath is the serious crisis of underemployment and disguised unemployment," said Radhika Kapoor, fellow at economic research agency ICRIER.

Khan for instance, offers himself as casual labour for home repairs or construction, earning just about 10,000 Indian rupees ($122) a month to help support his father and his four sisters. "If I get a permanent job, then there will be no problem," he says.

The risk for India is a vicious cycle for the economy. Falling employment and earnings undermine India's chances to fuel the economic growth needed to create jobs for its young and growing population.

Economist Jayati Ghosh calls the country's demographic dividend "a ticking time-bomb."

"The fact that we have so many people who have been educated, have spent a lot of their own or family's money but are not being able to find the jobs they need, that's horrifying," she said.

"It's not just the question of potential loss to the economy...it is a lost generation."

Unemployment is far more acute in India's cities, where the cost of living is high and there is no back-up in the form of a jobs guarantee programme which the government offers in rural areas. Still many in the army of rural unemployed flock to the cities to find jobs.

While urban unemployment was at 6.8 per cent in the January-March quarter, the share of urban workers with full-time jobs has declined to 48.9 per cent as of December 2022 from an already low 50.5 per cent just before the start of the pandemic, government data shows.

This means that of the estimated urban workforce of about 150 million, only 73 million have full-time jobs.

For people in urban areas with full time jobs, average monthly wages, adjusted for inflation, stood at 17,507 rupees ($212) in the April-June 2022 quarter - the latest period for which government data is available.

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