

Dollar gains

REUTERS, New York

The dollar rose on Friday after a slightly bigger increase in US producer prices in July lifted Treasury yields higher even as speculation grows that the Federal Reserve is at the end of hiking interest rates. Rebounding cost of services at the fastest pace in nearly a year pushed the Producer Price Index higher and unsettled traders who also saw the yen cross the 145-for-\$1 threshold that triggered Japanese intervention in September 2022.

The PPI for final demand rose 0.3 percent, the Labor Department said, as data for June was revised lower to show the PPI unchanged, instead of rising by a previously reported 0.1 percent.

In the 12 months through July, the PPI rose 0.8 percent after a 0.2 percent gain the prior month. The PPI was forecast to climb 0.2 percent on the month and advance 0.7 percent year-over-year, a Reuters



Local jewellers should start focusing on finding ways to grab international markets, said an economist.

PHOTO: STAR/FILE

The dollar index, a measure of the greenback against six peers, rose 0.21 percent as it headed to a fourth straight week of gains

poll of economists showed. The market also has worried that rising energy costs will push up the consumer price index (CPI), but it's misplaced as PPI for energy was 0.0 percent on the month, Wizman said. "Everyone's concerned now about headline CPI being high because of energy prices, (but) you can't really get overly worked up about that if PPI final demand is 0.8 percent, right?" The dollar index, a measure of the greenback against six peers, rose 0.21 percent as it headed to a fourth straight week of gains, up about 2.9 percent after bouncing off a 15-month low in mid-July on signs of a resilient US labour market.

Govt should allow duty-free import of gold

Economist Ahsan H Mansur says

STAR BUSINESS REPORT

The government should facilitate the gold sector's growth by allowing duty free imports through private sector entrepreneurs, said noted economist Ahsan H Mansur yesterday. The growth never came about for preconceptions prevailing for long of gold being associated with smuggling and being meant only for the rich, he said. Drives of customs intelligence unit on illegal inflows yield little revenue, said Mansur, also executive director of Policy Research Institute (PRI). Sometimes these drives, in which the media tag along, seem like gold traders are being tried even before anything reaches courts, he said. To generate a bigger amount of revenue, the government could instead charge value added tax of 3 percent to 5 percent on sales following the duty-free imports, he said. Moreover, the gold policy needs to be in tune with present times, he added. Mansur was addressing a debate at Bangladesh Films Development Corporation in Dhaka over whether only private sector

entrepreneurs could develop the jewellery industry. India and China have turned into the biggest gold markets, with their jewellers exploring global designs and crafting ornaments for consumers all over the world, he pointed out. India exports \$14 billion-worth diamond jewellery a year while China has a dedicated economic zone where 20,000 small, medium and large-scale jewellers are running operations, he said. Bangladesh could not utilise similar potentials with the very skilled goldsmiths here opting for local consumers rather than showcasing their designs and fashion at the international level, missing out on generating international products, he said. Local jewellers should start focusing on finding ways to grab international markets, he added. On another note, the economist said the outbreak of the Russia-Ukraine war prompted the taka's devaluation in one go, although it was bound to happen as the local currency was wrongly kept overvalued artificially for the past 12 years.

So International Monetary Fund made the correct prediction that the local GDP will lose \$40 billion this year only for the taka's devaluation against the US dollar, he said. Regarding printing of money to meet budgetary allocations, Mansur said it was reproachable as the government could instead borrow from the banking sector. However, with the banking sector not doing well for different reasons, it was unable to lend more money to the government, he said. For every Tk 100 spent, the government used to locally borrow Tk 22 in 2013 and this went up to Tk 37 last year, he said. The jewellery industry can also contribute like the garment sector as it has a lot of potential, said Hassan Ahmed Chowdhury Kiron, chairman of the Debate for Democracy, which organised the debate. However, nearly 90 percent of the imported gold arrives through illegal channels, for which the sector could not formally take shape as an industry yet, he said. Debaters of Dhaka College won the competition while those of the BGMEA University of Fashion and Technology became runners-up.

Cut interest tax from mutual funds' deposits BB asks banks

STAR BUSINESS REPORT

Bangladesh Bank in a circular yesterday directed scheduled banks to follow a National Board of Revenue (NBR) clarification to cut source tax on the interest income or profit of mutual funds from associated fixed deposits with the banks. A mutual fund is a financial vehicle operated by professional managers to gather money from shareholders to invest in securities like stocks, bonds, money market instruments, and other assets to produce capital gains or income to be shared as dividend. The banks will have to cut the source tax on the interest income or profit from the fixed deposits of mutual funds, regardless of what is stated in any other circular or income tax law of 2023, said the revenue authority. The NBR provided the clarification against a letter from Agrani Bank in this regard and requested the central bank to direct all the banks to follow the same.

S Korean firm to invest \$8.62m in Bepza EZ

STAR BUSINESS REPORT

Dongwoo BD Ltd, a South Korean company, is going to set up a shoe accessories manufacturing industry inside Bepza Economic Zone (EZ) with an investment of \$8.62 million. This fully foreign-owned company will annually produce 3.6 million metres of all kinds of PU (polyurethane) synthetic leather, according to a statement of Bangladesh Export Processing Zones Authority (Bepza). The manufacturing industry will also create employment opportunities for 513 Bangladeshi nationals, it said. In presence of Bepza Executive Chairman Major General Abul Kalam Mohammad Ziaur Rahman, Bepza's Member for Investment Promotion Ali Reza Mazid signed an agreement with Dongwoo BD Ltd's Chairman Kim Dong Kyu at Bepza Complex in Dhaka on August 10, according to the statement.

Power crisis costs Vietnam \$1.4b: WB

AFP, Hanoi

A severe power shortage in Vietnam caused by an intensely hot spell and unprecedented drought in May and June cost the country \$1.4 billion, according to the World Bank. Northern Vietnam suffered rolling blackouts and sudden power outages, with operations at a large number of factories badly impacted. Some businesses were given very little notice or had no warning at all.

Pubali Bank holds branch managers' conference

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Pubali Bank Ltd organised the "2nd Branch Managers' Conference 2023" for Sylhet region's officials of the bank at Sylhet Station Club recently. Mohammad Ali, managing director and chief executive officer of the bank, attended the daylong conference as the chief guest, said a press release. Ali emphasised the imperative of expanding the bank's operations through the provision of advanced and contemporary banking services. Highlighting the bank's status as the largest private commercial bank in Bangladesh, he underscored the institution's unwavering commitment to transparent lending practices to foster sustainable growth. He urged the managers to meticulously select qualified individuals and institutions for credit disbursement, especially in the spheres of agricultural and industrial development.



Mohammad Ali, managing director of Pubali Bank, attends "2nd Branch Managers' Conference-2023" for Sylhet region of the bank held at the Sylhet Station Club recently.

PHOTO: PUBALI BANK

Thailand's inflation lowest in Southeast Asia

ANN/THE STRAITS TIMES

Thailand's inflation rate is the lowest among the seven Asean countries which have already announced their rates, with inflation for the whole year expected to range between 1 per cent and 2 per cent, according to Poonpong Naiyanapakorn, director of the Commerce Ministry's Trade Policy and Strategy Office. He said Thailand's low inflation rate is in line with global inflation, which is steadily falling. The consumer price index for July is equivalent to 107.82, up 0.38 per cent year on year. The low inflation rate is attributable to a drop in food prices, such as pork, which has declined for three consecutive months, and energy prices falling for five months in a row, Vietnam news agency (VNA) reported.

Prices of food and non-alcoholic drinks in July increased an average of 1.49 per cent year on year. However, the prices of farm products, such as eggs, rambutan, vegetables, lime, ginger and tomato remain high due to low yields caused by climatic change, it reported Poonpong said. Non-food products, such as electrical appliances, garments and smartphones witnessed a price decrease of 0.38 per cent against the same period last year while cooking gas prices, public transport fares and personal services rose compared to the corresponding period last year. Poonpong said that the basic inflation rate, excluding fresh food and energy, was up 0.86 per cent year on year. The inflation rate for the first seven months of this year increased by 2.19 per cent from the same period last year, which is within the range set by the Fiscal Policy Office.

BB funds get costlier

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level, the central bank said in a separate notice. Banks can receive funds at a 2 per cent interest rate, which was 0.5 percent previously. The pre-shipment credit is a loan granted to an exporter for financing the purchase,

processing, manufacturing or packing of goods prior to shipment. In June, the BB introduced the market-driven lending rate for banks and non-banking financial institutions, replacing the 9 per cent lending rate cap that had been in place since April 2020.

Taka fell 13.3% vs dollar

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The Pakistani rupee depreciated the highest, by 22 percent. The Japanese yen followed suit with 14 percent, as per the report. The value of the euro and UK pound sterling, two major export earning currencies, also plummeted substantially, making exports to those regions less

appealing. The euro depreciated by 6 percent and the UK pound sterling depreciated by 10 percent against the US dollar last year, the report showed. Currencies such as the Russian ruble and the Singaporean dollar recorded a modest increase in 2022, by 2 percent and 1 percent respectively.

Deposit growth plunges

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The situation in Islamic banks was so dire that from last December the central bank started monitoring five of them that had daily logs of sanctioned credit amounting to more than Tk 10 crore. Furthermore, it asked two banks to pause giving big loans. Total assets of shariah-based banks grew by 10.3 percent in 2022 while it was 21.6 percent in 2021, Bangladesh Bank data shows. In the capital position, the capital to risk-weighted assets ratio (CRAR) of the Islamic banking cluster dropped marginally at the end of December 2022. Meanwhile, the aggregate return on asset of Islamic banks increased to 0.52 percent in 2022 from 0.45 percent in 2021. In this regard, net income from investment in securities and income from commission, fees and brokerage charges played a significant role to raise the return on assets.

In the liquidity parameter, the Islamic banks could not maintain the liquidity coverage ratio (LCR) in line with the Basel III standard, the central bank said. In addition, the investment-deposit ratio (IDR) was within the regulatory limit but registered a significant increase in 2022 compared to 2021. The aggregate IDR increased to 91.4 percent in 2022 from 84.7 percent in 2021. The higher investment growth (15.6 percent) compared to lower deposit growth (2.9 percent) during the year 2022 was partially responsible for this notable increase in IDR, it said. At the end of December 2022, a total of 10 full-fledged Islamic banks with 1,654 branches were operating in Bangladesh. Also, eleven conventional banks operating through 23 Islamic banking branches and 14 conventional banks operating through 535 Islamic banking windows were providing Islamic banking services.

Local banks have

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In contrast, the CAR of private banks was 13.08 percent and that of foreign banks stood at 31.48 percent. Eleven banks faced a capital shortfall at the end of March, with Bangladesh Krishi Bank posting the highest deficit of Tk 14,094 crore among all lenders. Salehuddin Ahmed, a former governor of the central bank, said a large portion of loans have remained stuck with defaulters, meaning banks don't get any return from them. "Besides, there are loans that have been rescheduled and written off." Banks' capital base usually widens when they can make equity investments and re-invest. "How will banks invest or reinvest since the income of a majority of them has fallen," Ahmed said, adding that banks' risk-weighted assets pile up when their capital base weakens.

The former governor says foreign investors feel discomfort when lenders' capital base worsens. "The banking regulator is aware of the current situation of banks but it is not taking any effective initiative."

Refiners cut

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Tk 135 a kg, down by 3.5 percent from the earlier rate. Loose sugar prices will be Tk 130 a kg, down from Tk 135. The revised prices of sugar and soybean oil will be effective from today, according to BSRA and Bangladesh Vegetable Oil Refiners' and Vanaspati Manufacturers' Association. Imports meet more than 90 percent of its annual requirements for edible oil and sugar because of its very low domestic production.