



A vendor sells a Thai variety of guava for Tk 120 per kilogramme in the capital's Dhanmondi Road 32. The Thai variety accounted for about 70 percent of the 430,000 tonnes of guava grown on more than 88,938 hectares of land across the country in fiscal year 2021-22, according to the Department of Agricultural Extension. Overall, guava production has increased 34 percent from that seven years ago. The photo was taken recently.

PHOTO: FIROZ AHMED

India's trade deficit stood at \$20b in July

REUTERS, New Delhi

India's merchandise trade deficit in July stood at \$20.67 billion, according to a Reuters calculation based on export and import data released by the government on Monday.

Economists expected a July trade deficit of \$21 billion, according to a Reuters poll.

Merchandise exports stood at \$32.25 billion, while imports were \$52.92 billion in July, the government data showed. The previous month, merchandise exports were \$32.97 billion, while imports stood at \$53.10 billion.

Russia emerged as the second-biggest goods seller to India in April-July, with exports doubling to \$20.45 billion during the period from \$10.42 billion during the same period last year, data showed.

India has been gorging on Russian oil since the West imposed sanctions on Moscow for its invasion of Ukraine, helping it climb from the position of 18th biggest supplier of goods to India before the war.

China remained the biggest supplier of goods to India even with imports falling to \$32.70 billion from \$34.55 billion.

Services exports in July were \$27.17 billion, while imports were \$14.85 billion. In June, services exports were \$27.12 billion and imports were \$15.88 billion.

For the April-July period, services and merchandise exports fell about 6 percent year-on-year to \$244.15 billion, while imports fell 11 percent to \$272.41 billion.

Claim settlement by non-life insurers dipped in 2022

SUKANTA HALDER

The claim settlement ratio of non-life insurance companies in Bangladesh slipped in 2022 due to a liquidity crisis, reduced investment and lower returns on investment, according to industry people.

As per the latest Bangladesh Bank Financial Stability Report, the claim settlement ratio of non-life insurers stood at 33.44 percent last year, down 5.87 percent from 2021.

Industry people say the lack of obligatory vehicle insurance and inability of many insurers to pay their customers' claims are behind the decreased claim settlement ratio.

Similarly, claim settlement in the life insurance sector stood at 67 percent in 2022, as per data of the Insurance Development and Regulatory Authority (IDRA).

SM Azizul Hossain, chief executive officer of Peoples Insurance Company Ltd, said claims were lower in 2022 than in 2021, which is why the claim settlement ratio is low.

"Mainly claims are car-centric but at present, the car business in the country is not very good," he said, citing how 80 percent of their total claims are for vehicle insurance while claims against import and fire insurance are low.

The vehicle insurance business is passing through hard times as people are not interested in insuring automobiles in absence of legal obligation as well as a lack of trust in insurers and promotional

activities.

In the past, insurance was mandatory for all types of vehicles, such as motorcycles, cars, buses and trucks. The government abolished the system in 2018, taking a toll on the insurance business.

Tariqur Rahman, a consultant of Green Delta Insurance, said the number of car accidents in the country has decreased, due to which claim settlement in the sector has also decreased.

Industry people say the lack of obligatory vehicle insurance and inability of many insurers to pay their customers' claims are behind the decreased claim settlement ratio

Another reason for the reduced claim settlement ratio is that the premium income of many companies may have decreased in 2022 compared to 2021, said Rezaul Karim, adviser of Pragati Insurance Limited.

Sheikh Kabir Hossain, president of the Bangladesh Insurance Association (BIA), said several companies are currently unable to settle claims due to bad investments and non-compliance.

"Some companies have gone sick. They are unable to settle claims timely," he added.

Hossain, also chairman of Sonar

Bangla Insurance, informed that the IDRA and BIA are working on how to increase the claim settlement ratio.

As per the Bangladesh Bank report, return on investments in the non-life insurance sector decreased to 5.65 percent in 2022 compared to the previous year's 7.66 percent, resulting in an overall decrease in profitability.

Likewise, the investment to total assets ratio decreased slightly to 47.40 percent from 48.74 percent in 2021.

It also said the risk retention rate of the non-life insurance sector increased to 55.10 percent in 2022 from 49.77 percent the preceding year, indicating lower risk sharing among insurance companies.

However, the management expense ratio of non-life insurance companies decreased to 42.24 percent in the review year from 46.45 percent in 2021, the central bank added in its report.

Professor Md Main Uddin, a former chairman of the Department of Banking and Insurance at the University of Dhaka, said the liquidity crisis and lower returns on investment were to blame for the reduced claim settlement ratio.

"After analysing the data of the financial stability report, it seems many companies did not have willingness to settle claims despite having the ability. This is dishonesty," he said.

"This is because the reduction in management costs means that the company's revenue has increased. So, here's where the IDRA fails," he added.

US LOSS OF AAA BADGE

A reminder of regime shift for govt debt

REUTERS

Financial markets barely flinched when Fitch stripped the United States of its top credit rating, but it served as a reminder of longer-term structural risks investors in government bonds are yet to grasp.

The immediate focus in the aftermath of the Aug. 1 downgrade has been on US governance, but Fitch Ratings also flagged higher rates driving up debt service costs, an aging population and rising healthcare spending, echoing challenges that reverberate globally.

David Katimbo Mugwanya, head of fixed income at EdenTree Investment Management, a 3.7 billion-pound (\$4.71 billion) charity-owned investor, said with the move highlighting reflecting elevated debt levels at a time when interest rates will likely remain high, debt sustainability was back in focus.

"I think it really brings home that shift being a regime shift rather than a cyclical one," Katimbo Mugwanya said. Pressures investors will eventually face include ageing populations, climate change and geopolitical tensions.

Such risks are making some investors, including hedge fund manager Bill Ackman, bet on rising longer-term borrowing costs. Yet many investors say factors at play are too complex and their impact too far out to influence their investment decisions.

READ MORE ON B2



The photo taken yesterday shows buildings of China's developer Country Garden Holdings in Zhengzhou, in China's central Henan province. Concerns are mounting in China around Country Garden, a major property developer whose colossal debt raises fear of a bankruptcy that could spell wider economic turbulence, two years after the unravelling of its competitor Evergrande.

PHOTO: AFP

Dhaka, Ctg stocks bleed amid sell-offs

STAR BUSINESS REPORT

The key indices of the stock markets of Bangladesh witnessed a significant drop yesterday owing to massive sell-offs by general investors.

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), slid 30 points, or 0.48 percent, to close at 6,257.

The DS30, the blue-chip index, decreased 0.65 percent to 2,124 while the DSES, the Shariah-compliant index, went down 0.45 percent to 1,357.

Turnover, a key indicator of the market, edged down 2.82 percent to Tk 413 crore.

Top officials of several stock market intermediaries said investors are worried that political tension linked with the upcoming national elections may worsen. As a result, they were in a selling mood.

Another factor behind investors' worries has been the impasse created in the market by the floor price, said a broker, adding that if it continues, funds may remain stuck for a long time.

"Investors are concerned that if the floor price is lifted, it may cause the index to plummet."

The Bangladesh Securities and Exchange Commission set the floor price of every stock to halt their free fall amid global economic uncertainties brought on by the dragging coronavirus pandemic and the Russia-Ukraine war.

The floor price, the lowest price at which a share can be sold, was lifted for 169 companies in December before being reintroduced again in March this year as economic uncertainty deepened.

Of the securities that traded on the DSE yesterday, 19 advanced, 148 declined and 223 did not show any price movement.

Central Pharmaceuticals Ltd posted the highest gain with an increase of 2.6 percent.

Nitol Insurance, Navana CNG, Far Chemical Industries, and Janata Insurance were among the top gainers.

Khan Brothers PP Woven Bag Industries was the sharpest loser, shedding 8.7 percent.

Sea Pearl Beach Resort & Spa, Fu Wang Food, Shyampur Sugar Mills, Monno Agro & General Machinery were also on the list of significant losers.

Fu Wang Food was the most-traded stock on the day with its issues worth Tk 23 crore changing hands.

Sonali Paper & Board Mills, Gemini Sea Food, LafargeHolcim Bangladesh, and Square Pharmaceuticals registered significant turnover as well.

UK employers plan 5% pay hike

REUTERS, London

British employers expect to raise pay by 5 percent over the coming year and are increasingly making counteroffers to keep staff who are tempted by higher wages from rival firms, according to a survey which added to signs of inflationary heat in the job market.

The Chartered Institute of Personnel and Development (CIPD) said human resources executives expected to increase basic pay rates by a median 5 percent - unchanged from the previous two quarters and the joint highest readings since the survey started in 2012.

Pay expectations in the public sector rose to 4 percent, the highest recorded by the CIPD, from 3.3 percent.

The survey of 2,000 employers took place between June 9 and July 5, before Prime Minister Rishi Sunak offered a pay rise of more than 6 percent to teachers, doctors and other public-sector workers.

Private-sector wage growth expectations of 5 percent found by the CIPD were in line with those in a recent Bank of England survey of businesses.

ROUBLE'S SLIDE

Kremlin blames loose monetary policy

REUTERS, Moscow

President Vladimir Putin's economic adviser rebuked the central bank on Monday as the rouble slid past 101 per US dollar, blaming its 30 percent year-to-date slump on loose monetary policy and revealing growing discord among Russia's monetary authorities.

The rouble, which has lost around a quarter of its value against the dollar since Putin sent troops into Ukraine in February 2022, hit 101.04 per US dollar, its weakest point in almost 17 months.

As the rouble tumbled, Putin's economic adviser Maxim Orshkin said in an op-ed for the TASS news agency that the Kremlin wanted a strong rouble and expected a normalisation shortly, an intervention

READ MORE ON B2