Star BUSINESS

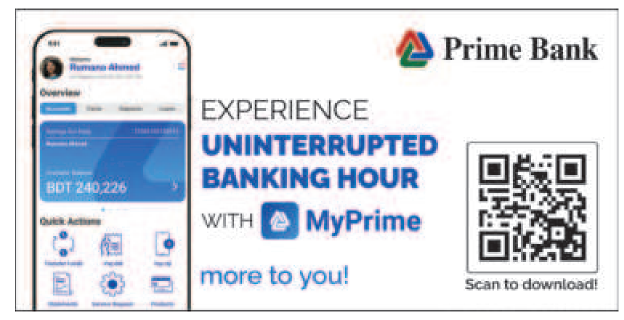


PHOTO: MOSTAFA SHABUJ

Tourist boats anchor on both sides of a road that connects Sirajganj's Ullapara upazila with Odhunia village located in Chalan beel. The spot attracts hundreds of visitors looking to enjoy trips in the waters of the country's single largest waterbody. Alongside, coffee shops have been set up to serve local tourists. The photo was taken on Friday.

Microfinance sector's NPL nearly doubles

AHSAN HABIB

Microfinance institutions (MFIs) in Bangladesh witnessed an 85 percent year-on-year jump in non-performing loans in 2021-22 as borrowers struggled to pay back owing to the impacts of the coronavirus pandemic and the economic slowdown, official figures showed.

Thus, the volume of the NPL rose to Tk 8,370 crore in FY22 from Tk 4,528 crore in 2020-2021, according to the Bangladesh Bank's Financial Stability Report 2022.

As a result, the NPL ratio soared to 6.74 percent in FY22 from the previous fiscal year's 4.77 percent. The figure nearly trebled from FY18's 2.72 percent.

Mustafa K Mujeri, a noted economist, blamed the dragging fallout of Covid-19 and the economic crisis stemming from the Russia-Ukraine war for the higher NPL.

The volume of the NPL rose to Tk 8,370 crore in FY22 from Tk 4,528 crore in 2020-2021, according to the Bangladesh Bank's Financial Stability Report 2022

He said the war-induced crisis came at a time when small-scale borrowers were on track to make a comeback from the impact of the pandemic.

"But owing to the crisis, borrowers could not complete their projects on time or incurred losses. This forced them to delay repayments."

Mujeri, currently the executive director of the Institute for Inclusive Finance and Development, a think-tank, says small entrepreneurs are not willful defaulters.

"They are not similar to the borrowers we see in the banking sector where many clients default on their payments intentionally."

He said small borrowers do not delay repayments since they are repeat borrowers and MFIs maintain a strong supervision throughout the year.

"Economic circumstances have made them defaulters. They will start repaying once the economic situation improves."

In Bangladesh, there were 739 licenced MFIs in FY22, catering financial services to 3.82 crore individuals. Of them, around 90 percent were women.

READ MORE ON B2

STOCKS

DSEX ▼	CASPI ▼
0.48%	0.35%
6,257.14	18,503.35

COMMODITIES

Gold ▼	Oil ▼
$1,903.63 (per ounce)	$81.89 (per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.12%	▲ 0.56%	▼ 0.46%	▼ 0.07%
65,401.92	32,238.89	3,232.74	3,176.18

NEW TARIFF POLICY

Businesses for deferred implementation

REFAYET ULLAH MIRDHA

Businesses have sought more time for the rationalisation of Bangladesh's maiden tariff policy, reasoning that many industries still need more state protection to be ready to compete with their international peers.

The commerce ministry published a gazette on the National Tariff Policy on August 10, to stay in tune with Bangladesh's United Nations country status graduation from a least developed to a developing country in 2026.

It also seeks to improve the competitiveness of local companies in international markets and counter loss of preferential trade benefits after the graduation.

Local trade and economic activities are suffering the severe fallouts of the pandemic and Russia-Ukraine war, said business leaders.

Businesses are yet to regain their financial health, especially the cottage, micro, small and medium enterprises, which are facing more challenges as they do not have the strong financial capacity to cope up with the challenging times, they said.

READ MORE ON B3

BANKING SECTOR'S ILLS

Now what as BB hits the nail on the head?

MD MEHEDI HASAN

For the first time, the central bank has published full-fledged data on stressed assets of banks, laying bare the sector's deep ills that have been a subject in the public discourse for long as irregularities and scams often make headlines.

In the past, the Bangladesh Bank would publish partial figures on distressed assets and the latest data came as part of conditions attached to the International Monetary Fund's $4.7 billion loan.

The distressed asset of the banking industry stood at Tk 3,77,922 crore at the end of last year, according to BB's Financial Stability Report 2022, which was released on Sunday.

The distressed assets were calculated considering the total non-performing loans (NPLs), outstanding rescheduled and written-off loans.

In 2022, NPLs in the sector stood at Tk 120,649 crore, the outstanding rescheduled loans were Tk 212,780 crore and the outstanding written-off loans amounted to Tk 44,493 crore.

Until 2021, the BB disclosed the rescheduled loans and written-off loans in different forms and partially in its Financial Stability Report. This time, the regulator has portrayed the total scenario of rescheduled loans and written-off loans, said a senior official of the BB.

The central banker said loan rescheduling is a standard practice in the global banking sector and all the rescheduled loans are not classified. Some 2 percent to 3 percent of such loans are classified, so it is not concerning, he said.

Bankers disagreed, saying the rescheduled loans are not a good thing for banks and they are a burden.

They, however, welcomed the report since it has almost recognised the actual problem of the banking sector.

"The distressed assets or loans whether they are in the form of NPLs, rescheduled loans or write-off loans are not good for banks," said Anis A Khan, a former chairman of the Association of Bankers, Bangladesh, a platform of chief executives of banks.

"Stressed assets widen risks at banks and adversely affect their capital adequacy ratio and provisioning. When stressed assets go up, their financial health worsens."

The former managing director of Mutual Trust Bank says since the actual scenario of the banking sector has been recognised thanks to the IMF, the industry is now on the right track.

The BB report said that banks rescheduled a record Tk 63,720 crore last year.

A senior official of the central bank, seeking anonymity, says not only rescheduled and write-off loans, almost all the indicators of the banking sector reflect the deep crisis confronting the industry.

READ MORE ON B3

Local banks' overseas branches post higher profit

STAR BUSINESS REPORT

The net profit of seven overseas branches run by three Bangladeshi banks climbed more than 23 percent year-on-year to $5.30 million last year, central bank data showed.

Two state-run commercial banks – Sonali and Janata – and private commercial lender AB Bank perform their international banking services through seven full-fledged branches in the UAE and India.

According to the Bangladesh Bank Stability Report 2022, the performance of the branches was mostly fluctuating.

Customer deposit increased 24.73 percent year-on-year to $343.64 million last year. It was $275.50 million in 2021.

Loans and advances rose $3.90 million to $98.22 million.

In 2022, the branches recorded a notable increase in total assets, which stood at $463.82 million.

A 55.12 percent increase was observed in cash and balance kept with the central bank as it rose to $291.96 million.

However, the balance with other banks and financial institutions declined 52.37 percent to $32.07 million last year.

Property, equipment and other assets surged 113.94 percent to $41.56 million, the BB said.

Overall, the total asset of the branches in 2022 was 25.60 percent higher than a year earlier.

READ MORE ON B3

Digital nano loans getting popular

MAHMUDUL HASAN

Digital nano loans are displaying promising prospects thanks to almost instant disbursement of loans.

About 1.6 lakh customers have already availed the loans from lenders and the default rate is less than 1 percent, according to the banks.

The lenders are disbursing loans amounting to Tk 500 to Tk 50,000 to individual customers on up to 9 percent interest.

Since December 2021 when bKash pioneered digital nano loan in collaboration with City Bank, three more banks have launched such products and all of them opined that they are optimistic about the future of such lending.

The product has become a huge hit among the customers, including small and medium enterprises, who traditionally rely on instant loans that come with high interest rates.

Md Hafizul Islam, owner of a cloth store in the capital's Islampur, was looking to borrow Tk 50,000 for an urgent need.

He applied for a digital loan through Dhaka Bank's "eRin" app.

"I haven't shown any reference or deposit collateral, but within two hours the money was deposited to my account. I will take the loan once again for my business."

Rajib Ahmed, a private job holder, was one of the first customers to get a digital nano loan.

He availed the loan through bKash in December of 2021 just a week after its introduction in Bangladesh.

In a Facebook post that time, he wrote: "I took a loan of Tk 3,000 from bKash and after 10 days I paid Tk 3,007.5 in total where the interest rate was 9 percent."

"This loan initiative of bKash and City Bank is going to bring a big revolution in Bangladesh," he wrote.

Such a loan was usually disbursed based on the credit risk management policy of the lenders.

According to Ali Ahmmed, chief commercial officer of bKash, said their customers have availed over Tk 314 crore in digital nano loans so far and a majority of them have already repaid the loans.

So far, around 150,000 unique bKash users obtained the nano loan.

After a successful pilot, Prime Bank commercially launched its digital nano loan product, PrimeAgrim, in October of 2022. So far, 2,100 customers have taken the loan where the repayment rate stands at over 99 percent.

"This shows the scale of demand for digital nano loans that persists in our country, and we strongly believe that with a proper framework and further

READ MORE ON B3

NANO LOANS AT A GLANCE

- Tk **500** to **50,000** is disbursed at about **9**% interest
- No collateral needed for obtaining loan
- Customers get loans in moments to **2** hours
- Bad loans so far stood at less than **1**%
- BB backs it with refinance scheme of Tk **500**cr

FIRST TO LAUNCH

- bKash and City Bank together introduced nano loans in Dec, 2021
- So far Tk **314**cr disbursed to **1.5** lakh unique bKash users

PRIME BANK	DHAKA BANK
About **2,100** customers availed its loan	It disbursed Tk **10**cr to over **3,000** customers

UCB, NEC Money Transfer sign remittance deal

STAR BUSINESS DESK

United Commercial Bank (UCB) signed an agreement with NEC Money Transfer Ltd on remittance services.

Arif Quadri, managing director and CEO of the bank, and Ikram Farazy, chairman of NEC Group, inked the deal at the bank's head office in Dhaka on Monday, said a press release.

NEC Money Transfer is a provider of cross-border remittance services and the trusted choice of Bangladeshi expatriates around the world for sending money safely and easily to their loved ones in Bangladesh, it said.

Other senior officials of both the bank and the money transfer company also were present.

Arif Quadri, managing director of United Commercial Bank, and Ikram Farazy, chairman of NEC Group, exchange signed documents of an agreement on remittance services at the bank's head office in Dhaka recently.

PHOTO: UNITED COMMERCIAL BANK

Global wealth projected to rise 38% by 2027

REUTERS, *Zurich*

Global wealth, as measured in personal holdings of assets from real estate to stocks and shares, is projected to rise 38 percent by 2027, driven largely by emerging markets, a study published by Credit Suisse and UBS showed on Tuesday.

The annual Global Wealth Report, which estimates the wealth holdings of 5.4 billion adults across 200 markets, says global wealth will reach $629 trillion over the next five years.

The upbeat outlook comes despite 2022 recording the first fall in net global household wealth since the 2008 global financial crisis.

In nominal terms, net private wealth dipped 2.4 percent last year, with the loss concentrated in more prosperous regions such as North America and Europe, the report showed. A stronger US dollar was a big factor.

The largest wealth increases last year were recorded for Russia, Mexico, India and Brazil. The report forecast wealth in emerging economies, including the BRICS countries - Brazil, Russia, India, China and South Africa - will rise 30 percent by 2027.

It expects the further increases in emerging markets to contribute to a reduction in global wealth inequality in the coming years.

The largest declines last year came from financial assets, as opposed to non-financial assets such as real estate, which remained resilient.

Broken down on an individual basis, this meant adults were $3,198 worse off by the end of last year.

However, "global median wealth, arguably a more meaningful indicator of how the typical person is faring, did in fact increase by 3 percent in 2022 in contrast to the 3.6 percent fall in wealth per adult," the report said.

Median wealth has seen a five-fold increase this century, largely due to rapid wealth growth in China.

Dollar jumps, oil slides on China worries

REUTERS, *Washington*

The US dollar hit its highest levels in more than a month on Monday amid worries over China's economy, while Wall Street struggled for any clear picture ahead of fresh data on consumer appetite.

The dollar index, which tracks the greenback versus a basket of six currencies, was last up 0.28 percent at 103.133, after hitting its highest level since July 7.

The dollar surged on news that China's new bank loans tumbled in July even as policymakers cut interest rates. Investors also feared that trouble at the nation's largest private property developer, Country Garden, could have a chilling effect on home buyers and financial institutions.

Country Garden's shares plunged 18 percent to a record low on Monday after its onshore bonds were suspended for the first time.

Meanwhile, two Chinese listed companies said over the weekend they had not received payment on maturing investment products from asset manager Zhongrong International Trust Co.

"A lot of traders are focusing again on China," said Edward Moya, senior market analyst at OANDA. "I think there's so much concern with just their growth outlook, with their current property crisis, and I think one of the biggest wealth managers not being able to make (their) debt obligations is a big red flag."

The three major US indexes were up slightly, as a 7 percent surge in chipmaker Nvidia helped push megacap growth stocks higher.

The Dow Jones Industrial Average rose 26.23 points, or 0.07 percent, to 35,307.63, the S&P 500 gained 25.67 points, or 0.58 percent, to 4,489.72 and the Nasdaq Composite added 143.48 points, or 1.05 percent, to 13,788.33.

The session began in the shadow of last week's global equity sell-off, with the MSCI world equity index, which tracks shares in 45 nations, last down 0.12 percent.

Oil prices were down on Monday also on China worries, as concerns about the nation's ability to bounce back to pre-pandemic levels outweighed gains previously posted on tighter supply.

Brent crude ended the day down 0.68 percent at $86.22 a barrel. US crude was down 0.87 percent at $82.47 per barrel.

Safe havens in the US also looked more appealing after voters in Argentina surprised markets by pushing a radical libertarian outsider candidate into first place, placing pressure on the country's bonds.

In the aftermath, the country's central bank planned to hike interest rates by 21 percentage points to 118 percent and devalued the nation's currency until the nation's formal October election.

The safe haven appetite drove up yields on benchmark 10-year US Treasury bonds to a nine-month high. Benchmark 10-year yields hit 4.215 percent, the highest since Nov. 8, before falling back to 4.186 percent.

Gains for the dollar and US Treasuries weighed on gold prices, which dipped to a more than one-month low on Monday. Spot gold prices were last down 0.36 percent at $1,906.20 an ounce.

Fresh economic data this week includes US retail sales on Tuesday. Consumers are forecast to show a 0.4 percent pickup in spending, but it could swing higher thanks in part to Amazon's Prime Day. US retail giants are also due for quarterly reports this week.

Mohammed Rabiul Hossain, managing director of Uttara Bank PLC, addresses a conference styled "Prevention of Money Laundering" at the bank's head office in Dhaka recently. Among others, Maksudul Hasan, Md Abul Hashem, Md Ashraf-uz-Zaman, and Md Rezaul Karim, deputy managing directors of the bank, along with high executives and all branch anti-money laundering compliance officers of the bank were also present.

PHOTO: UTTARA BANK

Md Tofazzel Hossain Miah, principal secretary to the Prime Minister's Office (PMO), chairs the 14th Private Sector Development Policy Coordination Committee meeting organised by the Business Initiative Leading Development and the PMO in Dhaka on Monday. Among others, Nihad Kabir, chairperson of the BUILD, Ferdaus Ara Begum, chief executive officer, Tapan Kanti Ghosh, senior secretary to the ministry of commerce, Fatima Yasmin, secretary to the ministry of finance, Abu Hena Md Rahmatul Muneem, chairman of the National Board of Revenue, and Zakia Sultana, secretary to the ministry of industries, were present. Story on B3

PHOTO: BUILD

UK basic wage growth hits record

REUTERS, *London*

Basic wages in Britain hit a new record growth rate, figures showed on Tuesday, adding to worries for the Bank of England (BoE) about long-term inflation pressures even after 14 back-to-back increases in interest rates.

Official data showed some fresh signs of cooling in the jobs market with the unemployment rate unexpectedly rising to 4.2 percent from 4.0 percent, the highest since the three months to October 2021 and climbing more quickly than the BoE has forecast.

But the 7.8 percent increase in basic earnings - the strongest in records data back to 2001 - represented further impetus for Britain's high rate of inflation with many employers resorting to increased pay offers to retain or attract staff.

Annual pay growth including bonuses also accelerated, hitting 8.2 percent, the fastest outside the coronavirus pandemic period when government job subsidies distorted the data.

Economists polled by Reuters had expected smaller increases in both measures of pay.

Sterling rose against the dollar and euro after Tuesday's data. Two-year British government bond yields, which are sensitive to speculation about BoE rate changes, hit their highest level in a month.

Samuel Tombs, an economist with Pantheon Macroeconomics, said wage increases were set to slow in the second half of 2023.

"It usually takes time for changes in labour market tightness to feed through to wage growth, and several survey indicators now point to slowing wage increases," he said, adding he expected the BoE's Monetary Policy Committee (MPC) would hike rates one more time to 5.5 percent.

"The momentum in wage growth still is too strong for the Committee to take a break just yet," Tombs said.

Pay growth looks set to overtake the rate of consumer price inflation which is forecast to have slowed to 6.8 percent in July in data due to be released by the ONS on Wednesday.

Markets saw a roughly 55 percent chance of the BoE's benchmark rates hitting 6 percent in early 2024, up from their current level of 5.25 percent. On Monday, the chance of rates going that high stood at about one in three.

Governor Andrew Bailey said earlier this month that the rate of pay growth was "materially above" the central bank's forecasts but the BoE also signalled it was getting close to pausing its run of interest rate increases. Bailey and his colleagues may take comfort from some signals of a cooling in the labour market beyond the data on pay.

As well the surprise rise in the unemployment rate, the number of people in employment fell by 66,000 and job vacancies extended their run of falls to their lowest since mid-2021, also dropping by 66,000 on the quarter to 1.02 million.

Experimental payroll data from the tax office - which is timelier than the ONS data but prone to big revisions - pointed to a sharp pull-back in pay growth in July.

However, inactivity due to long-term sickness rose to a new record high, adding to the problems for employers seeking to fill job vacancies and adding to the pressure on pay growth.

The inactivity rate - which measures people out of work and not looking for it, and which the BoE hopes to see fall - edged up slightly, the first increase in roughly a year.

Public sector pay growth surged to a new record high, up by an annual 9.6 percent in the three months to June including bonuses, following a series of industrial actions that resulted in improved pay settlements for some groups of workers.

"Make no mistake, the battle to push up pay has been hard fought and it's certainly far from over," Sharon Graham, secretary general of Unite the Union, said.

PHOTO: REUTERS

A commuter reads a newspaper while crossing London Bridge.

Jumbo rate

FROM PAGE B4

Before the plunge in the currency, the central bank forecast prices rising 5 percent to 6.5 percent this year, above its 4 percent target. Worse still, Governor Elvira Nabiullina is losing the expectations game. Russians now expect prices to rise by more than 11 percent in the next year.

Meanwhile, fiscal spending is up 20 percent this year, both because of the rise of the military budget and of higher pension and welfare expenses ordered by Putin. One way to help the rouble would be to cut spending - but Putin can't reduce supplies for his troubled military and has pledged to increase state pensions.

The central bank could also keep raising interest rates. But they have gone from 7.5 percent in July to 12 percent on Tuesday without stemming the currency's fall.

Runaway inflation is not unknown in war-time economies and Putin, who is certain to be re-elected next year, does not face the same political constraints as Western leaders. But the falling rouble indicates that Russians are getting poorer and that sanctions are biting, as shown by a 41 percent fall in oil and gas revenue this year. As such, it could encourage the US and Europe to tighten sanctions further.

Russia's central bank hiked its key interest rate by 350 basis points to 12 percent on August 15, an emergency rate move aimed at halting a slide in the rouble after a public call from the Kremlin for tighter monetary policy.

The extraordinary rate meeting came after the rouble had plummeted past the 100 mark against the dollar on August 14, dragged down by the impact of Western sanctions on Russia's balance of trade.

President Vladimir Putin's economic adviser Maxim Oreshkin on August 14 rebuked the central bank, blaming what he called its soft monetary policy for the weakening rouble.

Microfinance sector's NPL

FROM PAGE B1

At the end of FY22, outstanding balances of loans soared 30 percent to Tk 124,136 crore. Savings rose 17 percent to Tk 49,624 crore, BB data showed.

Md Mosharrof Hossain, finance director of Buro Bangladesh, one of the largest MFIs in the country, says since almost all MFIs kept their operations suspended for three months at the height of the pandemic, many of the loans became irregular.

"Owing to the pandemic, sales of borrowers dropped and they did not receive adequate repeat loans after the reopening of the economy."

According to Hossain, loan monitoring was relaxed during the pandemic, resulting in a higher default rate. He said the situation has improved in 2023.

"And if we can utilise the central bank's incentive package of Tk 3,000 crore, it would be beneficial for the sector."

Hossain, however, pointed out that banks are imposing stricter conditions while disbursing loans as lenders are seeking higher security deposits.

"This is preventing us from using the package to the maximum level."

Habibur Rahman, a spokesperson of ASA Bangladesh, another top MFI, said though the unpaid loans rose, it is still low compared to the total lending.

At ASA Bangladesh, the unpaid loans were around 3 percent of its total funds disbursed against the sector's average of 6.74 percent.

This was far below than that of the banking sector where the NPL ratio was 8.8 percent at the end of March.

The NPL in the MFI sector rose due mainly to higher costs of living, Rahman said.

"When inflation rises, borrowers face difficulties in repaying loans."

The Consumer Price Index rose to a seven-year high of 6.15 percent in FY22, according to the Bangladesh Bureau of Statistics.

It surged even further in 2022-23 as prices showed no sign of cooling down. The CPI surged 9.02 percent in the last fiscal year.

A top official of Brac, the largest MFI in Bangladesh, said apart from the deepening economic uncertainty, the floods in haor areas also had a negative impact on micro-credit entrepreneurs.

Apartment sales down

FROM PAGE B4

According to him, both buyers and developers are suffering, with customers having to dole out more money to purchase properties while realtors having to do with lower profit margins for the slow sales.

Md Kamrul Islam, managing director of Abiding Development & Holdings Limited, said flat prices increased by 30 percent to 35 percent per square feet on an average, although this can vary depending on the property's location.

Islam, also a director of the REHAB, said he was able to sell only nine flats last fiscal year, a third of what he usually attains.

Wishing anonymity, a senior official of BRAC Bank Limited who deals with home loans, said demand for home loans have remained the same.

According to him, there are all kinds of applications -- be it for low-priced flats or those in the premium segment.

The bank feels safe to provide home loans to clients of renowned real estate developers who normally do not default on loans, unless there is an unexpected incident, he said.

Besides, there is a trend of applications coming in of a number of people collaborating on constructing buildings as such initiatives reduce the cost burden on each person, he said.

Flat registration used to account for 15 percent of the overall cost and this has risen to 19 percent, which is a burden for property owners, he pointed out.

China fast encroaching on Germany's share of EU markets

REUTERS, *Berlin*

Chinese manufacturers are increasingly giving German manufacturers a run for their money in their home European Union market, especially in the field of advanced industrial goods where Germany is a leader.

A study by the employers' economic think tank IW found that in some sectors China's share of EU imports had risen as much as or more in the two years to 2022 as they had in the preceding decade, prompting the think tank to warn that there was a risk of Germany's economic motor stalling.

Germany's economy entered recession in May as its champion exporters were battered by supply chain woes, inflation and rising energy costs.

A dead vegetable patch comprising cucumber, bottle gourd and bitter gourd plants which succumbed to recent floods in Bandarban sadar upazila. Farmer Rustam Ali, who had been cultivating the plants, said the inundation caused him to lose at least Tk 15 lakh-worth trees and plants on six acres of land, including those of sweet orange, papaya, jujube, guava, eggplants and long bean. The photo was taken from Raicha area on Monday. PHOTO: MONG SING HAI MARMA

Economy growing but trade-GDP ratio falling gradually

STAR BUSINESS REPORT

Bangladesh's exports and imports as percentage of its gross domestic product (GDP) has been falling gradually, although the economy has continued growing by 6.5 percent annually in the last one decade.

The ratio of import to GDP, which was 21.2 percent in 2013-14 fiscal year, halved to 10.69 percent in 10 years.

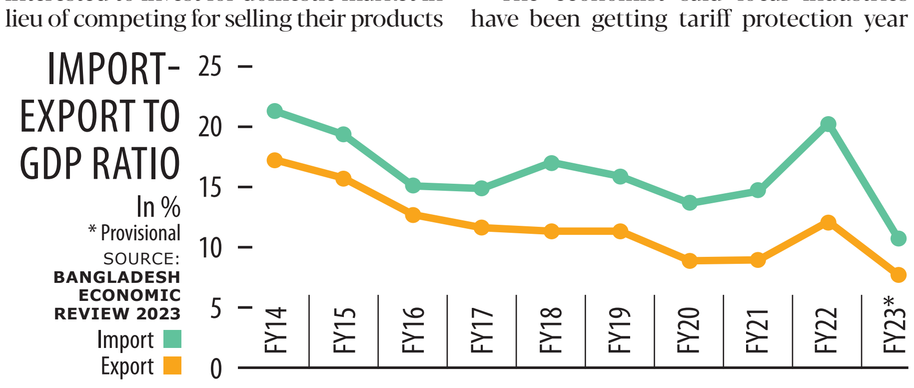
The ratio of export to GDP even experienced a sharper fall, from 17.2 percent a decade ago to 7.66 percent in FY23, according to data by Bangladesh Economic Review 2023.

As a result, share of Bangladesh's international trade to its growing economy has halved in the past one decade, raising questions about the credibility of national income estimates.

At the same time, the falling ratio of exports and import also shows Bangladeshi entrepreneurs' lack of appetite to try their products in the international market through exports, two analysts said last week.

"Behind the drop, one reason could be that our industrialisation strategy is inward looking. There is high tariff protection for domestic market-oriented industries that prevent entry of foreign products. This makes profits from business from domestic market protected," said Zahid Hussain, former lead economist at the World Bank Dhaka.

So, naturally entrepreneurs will be interested to invest for domestic market in lieu of competing for selling their products in the international market, he said.



"Return on capital is much higher in doing business locally than exporting."

The maiden national tariff policy published this week showed that the customs authority has cut Bangladesh's average tariff protection rate from over 70 percent two decades ago.

During the FY23, average tariff protection rate was 30.58 percent.

"When you provide high tariff protection, incentive to become efficient does not exist," he said, "Export to GDP would have risen had we focused on export diversification."

The economist said local industries have been getting tariff protection year after year. Now even an efficient firm loves protection, he said adding that the government provided incentive to Bangladesh's main export earner garment industry in the 1980s after it showed potential.

"The incentive has helped the sector scale up," he said.

Hussain said the fall in trade to GDP ratio also raises questions about the credibility of GDP estimate by the Bangladesh Bureau of Statistics. "Our estimated GDP has grown so fast that it could not keep pace with growth of exports and import," he said.

The former WB economist said Bangladesh has inadequate natural resources and raw materials.

The estimate of economic growth shows it is manufacturing driven and the question is why will imports fall if the economic growth is manufacturing driven, he questioned.

"Input has not increased even though output has grown. This raises question about GDP," Hussain said.

Mustafizur Rahman, distinguished fellow of the Centre for Policy Dialogue (CPD), said in general the proportion of export and import grows with the expansion of overall output of the economy.

The fall in export to GDP ratio is a very bad sign because payment of import bills, building of foreign exchange reserves and servicing debt is related with imports, he said. In general, exports and imports grow when the economy grows.

But the decline in overall trade as percentage of GDP is not a good sign at all, he said.

Simplify policies to diversify exports: experts

STAR BUSINESS DESK

A number of policies and regulations need to be simplified for meeting the export diversification targets in national plans and export roadmaps, experts said.

They made the comment at the 14th Private Sector Development Policy Coordination Committee (PSDPCC) meeting organised by Business Initiative Leading Development (BUILD) and the Prime Minister's Office (PMO) on the latter's premises, said a press release.

"We will regularly review the overall investment scenario in the private sector and set out ways to improve and identify bottlenecks," said Md Tofazzel Hossain Miah, principal secretary to the PMO, while chairing the meeting.

This will be aimed at removing barriers and building cooperation between public and private sectors, he said.

BUILD Chairperson Nihad Kabir pointed out the e-commerce industry does not require a trade licence if it was recognisable through the digital business identification number (DBID).

Referring to a BUILD proposal, she urged to consider the DBID as a document for accessing bank loans.

BUILD CEO Ferdaus Ara Begum, in a keynote presentation, mentioned that out of 72 reforms proposed from the 5th to 11th PSDPCC meetings, 37 were implemented.

She informed that the Local Government Division had already been allowed to issue trade licences with a 5 year-tenure. However, it has not been fully implemented across the country.

Tapan Kanti Ghosh, senior secretary to the commerce ministry, Fatima Yasmin, secretary to the finance ministry, Abu Hena Md Rahmatul Muneem, chairman of the National Board of Revenue, Zakia Sultana, secretary to the industries ministry, Satyajit Karmakar, secretary to the planning division, Shaikh Yusuf Harun, executive chairman of Bangladesh Economic Zones Authority, and Nafiul Hasan, director general of the PMO, were present.

India's retail inflation surges

REUTERS, *New Delhi*

India's annual retail inflation in July rose to its highest in 15 months as vegetable and cereals prices skyrocketed, beating all market expectations and putting pressure on the government to take action to bring down prices.

India's annual retail inflation rose sharply to 7.44 percent in July from 4.87 percent the previous month. A Reuters poll of 53 economists had forecast a rate of 6.40 percent. The figure was the highest since April 2022.

The figures breached the upper end of the central bank's inflation band of 2 percent-6 percent for the first time in five months.

"The spurt in CPI inflation in July 2023 was on expected lines, however, 7.44 percent retail inflation was totally unexpected," said Devendra Pant, economist at India Ratings.

China suspends youth jobless data after record high readings

REUTERS

China suspended publication of its youth jobless data on Tuesday, saying it needed to review the methodology behind the closely watched benchmark, which has hit record highs in one of many warning signs for the world's second-largest economy.

The decision announced shortly after the release of weaker-than-expected factory and retail sales data sparked rare backlash on social media amid growing frustration about employment prospects in the country.

It also marks the latest move by Chinese authorities to restrict access to key data and information, a trend that is unnerving overseas investors.

Fu Linghui, a spokesman for the National Bureau of Statistics (NBS), said the release of data would be suspended while authorities look to "optimise" collection methods.

"In recent years, the number of university students has continued to expand," Fu said. "The main responsibility of current students is studying. Society has different views on whether students looking for jobs before graduation should be included in labour force surveys and statistics."

This issue, as well as the definition of the age range currently set at 16-24, "needs further research," Fu said.

In recent months, China has restricted foreign users' access to some corporate registries and academic journals and cracked down on due diligence firms operating in the country, a vital source of information on China for overseas businesses.

"The declining availability of macro data may further weaken global investors' confidence in China," said Ting Lu, chief China economist at Nomura, adding that youth unemployment was expected to have risen in July.

Businesses for deferred implementation

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Since Bangladesh will enjoy preferential trade benefits to the European Union until 2029, the government should not implement the new tariff policy, they said.

It should rather continue protecting and supporting further growth of the local industries and conglomerates, said the business leaders.

Moreover, Bangladesh has started availing benefits of global geopolitical tension as international businesses have started relocating to different locations from, for instance, China.

Bangladesh has been receiving business, especially garment work orders, from international clothing retailers and brands opting for alternatives to China, they said.

It is good that the tariff policy will be liberalised for the graduation, said Md Saiful Islam, president of the Metropolitan Chamber of Commerce and Industry.

But it will be better if it happens after 2029 so the local industries can have more time to take preparations, he said.

The objective of the national tariff policy is to make the local industries competitive in context to international standards, said Mohammad Ali Khokon, president of Bangladesh Textile Mills Association.

However, some issues relating to local industries like bank interest rate, ease of doing business, cost of doing business, price of raw materials and productivity efficiency should also be ungraded to that of international standards first, he said.

However, the tariff can be immediately liberalised for industries which are dependent on imports, he said.

Mohammad Hatem, executive president of the Bangladesh Knitwear Manufacturers and Exporters Association, welcomed the policy, saying he expects it to bring ease to doing business.

Md Ali Zaman, president of the SME Owners Association of Bangladesh, wanted the government to implement the policy in a way such that it gives more protection to cottage, micro, small and medium enterprises so that they could grow.

Md Amin Helaly, senior vice-president of the Federation of Bangladesh Chambers of Commerce and Industry, also welcomed the tariff policy. He also demanded long-term protection of the cottage, micro small and medium enterprises.

Such a policy is needed due to the upcoming graduation and protecting the future of industries, he added.

Senior Commerce Secretary Tapan Kanti Ghosh earlier said in a high tariff regime, countries may not be interested to ink free trade deals with Bangladesh.

"Tariff rationalisation will indicate that the country is maintaining the standards set by World Trade Organization," he said.

Tariff rationalisation, however, does not mean that all tariffs will be made zero, he added.

Now what as BB hits

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The NPLs stood at Tk 120,649 crore at the end of 2022 as per official data, but the actual figure is much higher since most banks don't furnish the BB with the actual data, he said.

Syed Mahbubur Rahman, managing director of Mutual Trust Bank, describes the outstanding rescheduled loans of Tk 212,780 crore as a matter of concern.

"Some of the rescheduled loans might not come back to banks because of the wrong decision made while approving loans in the first place."

"We all have to work jointly to speed up the loan recovery. Otherwise, the situation in the banking sector will not improve."

Rahman urged banks to bring down the volume of rescheduled loans using legal procedures.

However, Anis A Khan said data provided by banks is mostly

Syed Mahbubur Rahman, managing director of Mutual Trust Bank, describes the outstanding rescheduled loans of Tk 212,780 crore as a matter of concern.

accurate because of the regulator's supervision.

"But some bad loans are restructured for the sake of the country. This is because when the NPL ratio increases, foreign banks charge higher while providing services to local lenders."

Muinul Islam, a former economics professor at the University of Chittagong, said the condition of the banking sector has kept worsening.

"The central bank will have to take strict measures for the betterment of the sector."

Mamun Rashid, a former country chief of Citibank NA Bangladesh, termed the situation in the banking sector concerning.

"Good banks are finding it increasingly difficult to separate good borrowers from bad ones. And added to this is the long pending default cases at courts and insider-lending between directors."

Digital nano loans

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support from relevant authorities, this product has immense potential to grow," said Nazeem A Choudhury, deputy managing director for consumer banking of Prime Bank.

"We have designed innovative loan offerings to white-collar customers and digital device financing. We are currently working to expand our scope into digital micro-credit solutions tailored for regular retail customers," he said.

Dhaka Bank has so far disbursed around Tk 10 crore under e-Rin products, said the bank's managing director and CEO, Emranul Huq.

"Over 3,000 people have so far availed the loan and the number is increasing every day. The default rate is almost zero, which is great."

"Initially we launched the product for the payroll account holders and now we have opened it for general customers as well," he added.

Bank Asia has recently launched digital nano loans on a pilot basis to transform its business with the rapidly changing technological environment, according to Quazi Mortuza Ali, its senior vice-president.

The loan disbursement process uses a credit scoring model analysing financial and metadata. Initially, loans amounting from Tk 500 to Tk 50,000 will be provided, payable in six months, according to Bank Asia.

The digital loan initiative was also backed by Bangladesh Bank as it introduced a Tk 100 crore refinance scheme in 2022.

The central bank has raised the fund for digital refinance scheme to Tk 500 crore July this year dedicated for the marginalised people.

The loans are disbursed entirely digitally by using internet banking, mobile apps, mobile financial services, or e-wallet services.

The organisations which have massive numbers of customers data, technological supremacy, data processing capacity and heavy investment capability will rule the roost in digital lending, said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

"bKash has already become such a platform equipping it with those prerequisite criteria. If others can do that, they will also be successful."

Local banks' overseas

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The return on assets decreased to 1.14 percent from 1.28 percent in 2021, partially due to an increase in the total asset.

The return on assets of Janata Bank's UAE operation was 0.87 percent in 2022. It was 2.65 percent for AB Bank's India operation and 2.31 percent for Sonali Bank's operation in the neighbouring country.

The BB report said although the overseas branches are running in a smooth way, prudent monitoring is required to ensure proper compliance by the branches in order to avoid any potential risk.

It said as the overall financial health and banking activities of the branches represented a very insignificant portion of parent banks' aggregate balance sheet exposures, no significant financial threat was observed in 2022.

The branches have been brought under the AML-CFT (Anti-money Laundering and Counter-terrorism Financing) regime to strengthen their compliance culture.

Apart from the three banks, 20 lenders provide overseas banking services to collect remittances and carry out other activities through 28 exchange houses, five representative offices and six subsidiary companies.

Japanese growth smashes expectations

AFP, *Tokyo*

Quarterly growth data for Japan smashed expectations on Tuesday as car exports rebounded and tourists flooded back, but economists cautioned that it may not last.

The world's third-largest economy expanded 1.5 percent quarter-on-quarter in the three months to June, preliminary government data showed, the fastest rate since the fourth quarter of 2020.

This was almost double the average economist forecast of 0.8 percent, according to Bloomberg News, and followed revised growth of 0.9 percent in the previous quarter.

On an annualised basis, growth was 6.0 percent, more than double the market expectation of 2.9 percent, and giving Japan three-straight quarters of growth.

"Japan's exports have recovered as the supplies crisis eased for the auto sector while the yen's depreciation provided support," Ryutaro Kono, chief economist at BNP Paribas, wrote in a note issued before the data.

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Hiroyuki Ueno, at SuMi TRUST, also said pent-up demand from the pandemic and an increase in capital investment were boosting the economy.

"The hospitality sector is expected to remain a driver of economic growth due to the increase in inbound tourism, as the pandemic is now in the rearview mirror," Ueno wrote ahead of the release.

"Although the number of inbound visitors to Japan has not yet returned to pre-pandemic levels, the per capita consumption of tourists during their stay in Japan has increased, partly due to the weak yen," he wrote.

The chief economist of the International Monetary Fund said last month that Japan was "one of the few advanced economies that is doing better in 2023 than in 2022."

The Bank of Japan forecasts growth of 1.3 percent in the current fiscal year, which runs until March 31.

Flat prices went up by around 30 per cent to 35 per cent on an average in fiscal year 2022-23, said industry insiders. Mid-sized ones (1,200 square feet to 1,500 square feet) now cost Tk 1.20 crore, whereas earlier they were around Tk 85 lakh. However, prices may vary depending on the location of the property.

PHOTO: PRABIR DAS

Apartment sales down 17pc in FY23

Economic uncertainties and high raw material prices to blame

JAGARAN CHAKMA

Overall sales of flats declined nearly 17 per cent in the last fiscal year of 2022-23 owing to economic uncertainties and a rise in prices of raw materials, according to realtors.

Nearly 10,000 units were sold in the fiscal year whereas around 12,000 in the preceding year, according to the Real Estate and Housing Association of Bangladesh (REHAB).

Flats are usually sold while they are under construction and handed over once complete a couple of years later.

According to the realtors, the prices of raw materials increased abnormally last fiscal year due to a depreciation in the value of the taka, the local currency, against the US dollar.

The price per square feet of rod increased by Tk 130, cement Tk 24.75, sand Tk 28.12, stone chips Tk 78.75, bricks Tk 50, Thai aluminium Tk 40, grille Tk 12, general electrification Tk 30, sanitation Tk 30 and labour charge Tk 60, according to the REHAB's assessment.

This led to construction costs rising on an average by Tk 484 per square feet, it said.

Against this backdrop, flat prices increased by around 30 per cent to 35 per cent on an average, said industry insiders. Prices vary depending on the location of the property.

"Economic uncertainties and price increase of apartments due to a rising trend involving raw material prices reduced the sales of apartment," said Tanvir Ahmed, managing director of Sheltech Group, one of the leading realtors in Bangladesh.

Besides, people have tightened their belts to be ready for economic setbacks induced by any political instability centring the national elections which were due to be held at the end of this year, he said.

This too had an impact on the real estate market, he added.

"Our sales declined by 5 percent last fiscal year and the downtrend in sales will remain until the country attains some sort of economic stability," said Ahmed.

The situation may even take a U-turn after the general election if the economy returns to normalcy, he said.

Some flat sales emanate from stock sales but the index has remained stagnant for the past one and a half years, he said.

According to realtors, the prices of raw materials increased abnormally last fiscal year due to a depreciation of the local currency against the US dollar.

Some people are hoping for property prices to skyrocketand declining to provide their lands to real estate developers, particularly those in densely populated areas, he cited.

Interest on borrowing has also increased for home loans. Against this backdrop, the real estate sector is in the back foot and there is no alternative way out, he said.

Demand for property never falls drastically, even if prices increase significantly, said Aysha Siddika, executive director (brand) of bti, one of the country's top developers.

Flats are usually purchased through long-terms plans, so a drop in sales does not affect the industry overnight, she said.

Since property prices are high, companies having the financial strength are attempting to purchase land instead of signing flat sharing deals with landowners to reduce property costs, she said.

If the exiting situation prolongs, small companies which are financially weak will have to close down their businesses, noted Siddika.

Definitely companies will be able to sustain themselves if their business strategies focus on sales promotion, discount etc, she said.

Sharing the price increases per square feet, Kamal Mahmud, first vice-president of REHAB, said last fiscal year's sales were the lowest in the four years preceding the year the pandemic emerged.

He said the price of mid-sized (1,200 square feet to 1,500 square feet) flats had increased to Tk 1.20 crore, whereas earlier they were around Tk 85 lakh.

He said mid-sized flats were in demand the most but the scenario has changed due to the economic uncertainties and price increases of properties.

However, he said, the realtors were not getting approval for new projects due to different conditions being attached to Detail Area Plan (DAP) of Rajdhani Unnayan Kartripakkha (RAJUK).

The DAP contains detailed maps, zoning regulations, and land development guidelines specific to their designated area.

For instance, realtors now do not get approvals for high rise building but there could be cases where smaller ones may not be commercially viable, Mahmud said.

Against this backdrop, the realtors are apprehensive of sustaining their business, he noted. According to him, even big realtors are also not taking up projectsat the rate they had previously.

Shihab Ahmed, head of sales and customer service at Shanta Holdings Ltd, said their flat sales had slightly slowed due to the present circumstances.

READ MORE ON B2

How much worse can China's economic slowdown get?

REUTERS, *Hong Kong*

China's economic activity data for July, including retail sales, industrial output and investment failed to match expectations, fuelling concern over a deeper, longer-lasting slowdown in growth.

Activity data has been missing forecasts since the beginning of the second quarter, with the weakness raising worries that China's economy is coming closer to a crunch point.

It would not be for the first time.

Alarm bells over growth rang during the global financial crisis in 2008-09 and during a capital outflow scare in 2015. China came out of those with a shock boost to infrastructure investment and by encouraging property market speculation, among other measures.

But infrastructure upgrades have created too much debt, and the property bubble has already burst, posing risks to financial stability.

Given China's debt-fuelled investment in infrastructure and property has peaked, and as exports are slowing in line with the global economy, China only has one other source of demand to tinker with: household consumption.

In that sense, this slowdown is different.

Whether China bounces back largely depends on whether it can convince households to spend more and save less, and whether they will do so to such an extent that consumer demand compensates for weaknesses elsewhere in the economy.

People visit a shoe store in a shopping mall in Beijing. PHOTO: AFP/FILE

Unlike consumers in the West, Chinese people were left largely to fend for themselves during the Covid-19 pandemic and the revenge spending spree that some economists expected after China re-opened never took place.

But household consumption, as a percentage of gross domestic product (GDP), was among the lowest in the world even before Covid, with economists identifying it as a key structural imbalance in an economy relying too heavily on debt-fuelled investment.

Economists blame weak domestic demand for subdued investment appetite in the private sector and for China sliding into deflation in July. If it persists, deflation could exacerbate the economic slowdown and deepen debt problems.

The imbalance between consumption and investment is deeper than Japan's before it entered its "lost decade" of stagnation in the 1990s.

The July activity data has prompted some economists to flag risks that China may struggle to meet its growth target of about 5 percent for the year without more fiscal stimulus.

That is still much higher growth than many other major economies will see, but for one that invests roughly 40 percent of its GDP every year - about twice as much as the United States invests - it remains a disappointing result. There is also uncertainty about China's appetite for large fiscal stimulus, given the high levels of municipal debt.

Stress in the property market, which accounts for about a quarter of economic activity, raises further concern about the ability of policymakers to arrest the decline in growth.

Some economists warn that investors will have to get used to much lower growth. A minority of them even raise the prospect of Japan-like stagnation.

Jumbo rate hike leaves Putin in hot water

REUTERS, *London*

In Russia, what Vladimir Putin wants, Vladimir Putin gets. So, it's no surprise that a day after prodding by a Kremlin official, the central bank announced an emergency rate increase of 350 basis points to 12 percent. The move was designed to halt a plunge in the rouble, but the currency hardly moved. That leaves the president with tougher choices ahead.

Before the hike, the rouble had sunk by more than 30 percent against the dollar this year. Tuesday's rate increase did little to reverse the slide - the rouble rose by less than 1 percent against the greenback in morning trading. A weaker currency will add to inflation by increasing the cost of imported goods.

That will heap pressure on Russian households' already fragile finances. But Putin only has bad options to solve the problem. Stricter fiscal or monetary policies would hurt an economy weakened by the war effort and Western sanctions.

The main cause for the rouble's meltdown is the massive shrinkage in the country's current account surplus. After a record high in 2022, it fell 85 percent in the first seven months of the year, to some \$25 billion, according to the Russian central bank.

Last year was marked by bumper export revenue due to higher energy prices, while sanctions reduced imports. This year, exports have fallen because of European oil and gas embargoes and lower energy prices while imports are picking up as Russian businesses buy from Asian countries that have not imposed sanctions.

READ MORE ON B2

Why India is trying to tame rising wheat prices

REUTERS, *New Delhi/Mumbai*

Indian officials are considering a raft of measures to boost domestic wheat supplies and cool local prices which surged last week to their highest six months.

Last year, India banned wheat exports after a sharp, sudden rise in temperatures clipped output, even as export demand picked up to meet the global shortfall triggered by the Russia-Ukraine conflict.

The ban on wheat exports failed to stop prices from rising, prompting trade and industry officials to suggest that even this year's crop is lower than the government's estimates of a record 112.74 million metric tons.

After last year's wheat export ban, India in July ordered a halt to its largest rice export category, triggering fears of further inflation on global food markets and reflecting New Delhi's urgency to curb food prices in the world's most populous country.

Prime Minister Narendra Modi's ruling Bharatiya Janata Party (BJP) will face a general election early next year. Some key state assembly elections are due before the 2024 parliamentary election. BJP is keen to retain power in certain state assemblies and wrest control of some big heartland states.

Even a moderate rise in food inflation, which accounts for nearly half of the overall consumer price basket, tends to anger voters and gives easy ammunition to opposition parties to attack the government.

Persistently high inflation helped BJP defeat the Congress party-led coalition in 2014 - the year when Modi first took over as prime minister.

Inflation in India, Asia's third-largest economy, has started to accelerate after showing signs of easing early this year. In July, food prices sharply rose 7.75 percent year-on-year, compared with a fall of 1.24 percent in June. Other than rice and wheat, the government is also trying to tame vegetable and pulse prices.

Labourers fill sacks with wheat grain at a wholesale market in Jandiala village on the outskirts of Amritsar. PHOTO: AFP/FILE

Other than supplying wheat to the poor at highly subsidised prices, the government in April 2020 started providing free wheat to the millions of beneficiaries to stave off food shortages during coronavirus lockdowns.

The free distribution of grain led to a drawdown in the government's food stocks, and lower wheat output in 2022 and 2023 meant slower-than-expected replenishment of inventories at state warehouses.

Wheat stocks at government warehouses were at 28.3 million metric tons on August 1, higher than last year's 26.6 million tons but lower than the 10-year average of 35.3 million tons.

The government has offered 5 million metric tons of wheat to bulk consumers such as flour millers and biscuit makers to calm prices. Higher stocks at state warehouses would have helped the government offer bigger quantities to stabilise prices.

India needs to import 3 to 4 million metric tons of wheat to plug the shortfall, according to various trade estimates.

The government could drop or lower a 40 percent import tax on wheat to help flour millers import the grain. But India's imports could stoke global prices, making overseas purchases expensive or unviable for private traders.