

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, Ferdous 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 the 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.



A commuter reads a newspaper while crossing London Bridge.

PHOTO: REUTERS

Jumbo rate

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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

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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 Mosharraf 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

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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 foot 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.