Brac Bank rated stable by S&P

STAR BUSINESS DESK

Brac Bank has been provided a "B+" credit rating with a stable outlook by S&P Global Ratings.

This is in contrast to a recent "Banking Industry Country Risk Assessment (BICRA) for Bangladesh" seeing a revision in industry risk trend from stable to negative, said a press release.

The US-based institution provided the rating on August 8.

"Brac Bank's established franchise enables it to access foreign currency from its retail remittance and export-oriented clients. This somewhat alleviates the US dollar funding pressure facing the broader banking sector," it said in a statement.

"We believe the bank will navigate challenging operating conditions in Bangladesh and maintain its financial profile over the next 12-18 months," it added.

Sweets are being made at a shop in Barishal city yesterday. Sugar had been trading at a record Tk 140 per kg for several months, but prices declined marginally over the last two weeks after refiners cut their rates.

PHOTO: TITU DAS

PROBABLE SUGAR EXPORT BAN BY INDIA

Will Bangladesh be affected?

SOHEL PARVEZ

Sugar prices have risen globally over the last couple of months and it may go up if India bans export of the sweetener in the coming months.

Any such ban has implications for Bangladesh as the country meets over 98 percent of its annual requirement of 20 lakh tonnes through imports, said officials at local refineries.

The concern has arisen for a Reuters report last week stating, quoting three government sources, that India might ban sugar export in the next season for crushing sugarcane beginning in October.

This probable halt to shipments, the first in seven years, has been attributed to a lack of rain reducing sugarcane yields.

"India has a significant role in global sugar market. So, it will have an impact on a global scale and disrupt the global supply chain," said Mohiuddin Monem, additional managing director of Abdul Monem Ltd, which runs a sugar refinery.

Sugar prices surged 20 percent year-on-year to $0.53 per kilogramme (kg) in the April-June quarter of 2023, according to the World Bank's Commodity Price Data.

It has turned dearer, at least in the last six months, as supplies became tight, according to reports by international media.

This resulted from crop losses in growing regions, including India, the second biggest exporter, a slow start to harvests in Brazil, the world's largest sugar exporter, and increased demand, stated the reports.

Locally, sugar has been traded at a record Tk 140 per kg for several months. Prices declined marginally over the last two weeks after refiners cut their rates.

The wholesale market registered a drop as well. However, prices have inched up over the last two days, said Abul Hashem, former vice president of Bangladesh Sugar Merchant Association.

Sugar was selling up to Tk 1.5 higher at Tk 125 or so per kg at wholesale, he said yesterday, adding that mills delivered sugar at Tk 126 per kg.

Hashem said any ban on sugar export by India would not have that much of an impact on the supply of the sweetener here.

But, he said, there is an upward trend in the booking rate in the global market.

If the upward trend continues and the cost of the US dollar remains on the untick, prices of sugar may spike in the local market, unless the government takes steps, he said.

Monem said any export restriction by India might not restrict supply of sugar for local refiners as they buy raw sugar from Brazil.

"Historically, Bangladesh imports 80-90 percent of the raw sugar from Brazil," said Monem, managing director of Abdul Monem Sugar Refinery Ltd, one of the country's five private refineries having a total processing capacity of nearly 50 lakh tonnes.

ANALYSIS

"Our reliance is on Brazil and if production increases in the Latin American country, there will be little or no impact on the international market, even if India restrict exports," he said.

Earlier this month, Reuters reported that estimates for Brazil's centre-south crop was raised to 3.87 crore tonnes from 3.38 crore tonnes in the previous season as mills were earmarking as much sugarcane as possible for sugar production and the weather has been favourable.

Yet, global sugar production will be smaller than the expected consumption for a second straight season in 2023-24 as near-record Brazilian output will not be enough to offset reductions in other regions, the news agency reported citing analysts.

The Meghna Group of Industries (MGI) imported raw sugar from India in the April-October period last year, said Taslim Shahriar, senior assistant general manager at the MGI.

Later it could not make purchases from India as the neighbouring country imposed an export quota of 61 lakh tonnes, he said.

"We have been importing all our raw sugar from Brazil since then," he said, adding that the crop situation in Brazil was good.

"However, if all buyers become dependent on one supplier, it may affect prices. We will get sugar but we may need to pay higher prices," he said.

The revenue authority can reduce import tariff on sugar if it wants to give relief to consumers, suggested Taslim.

Altogether, total tax incidence on sugar reaches Tk 40 to Tk 42 per kg, he said.

However, Hashem said prices of sugar would fall gradually if the government cuts duty.

Australian duty benefit to continue: BGMEA

STAR BUSINESS REPORT

Australia will continue to provide duty free access to Bangladesh's products even after it makes the LDC graduation in 2026, said a top leader of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) yesterday.

This was assured at a meeting between the BGMEA and the Australian government's Department of Foreign Affairs and Trade (DFAT) in Canberra in July 21 this year, said BGMEA President Faruque Hassan.

Gary Cowan, first assistant secretary to the DFAT's North and South Asia Division, gave the assurance during the meeting, Faruque told The Daily Star over WhatsApp.

A BGMEA delegation attended the meeting jointly hosted by the Bangladesh high commission to Australia and the Australian Chamber of Commerce and Industry (ACCI) in Sydney.

The meeting was attended by representatives from Australian brands and retailers, and ACCI members.

Australia is one of Bangladesh's non-traditional export destinations, receiving garments worth $1.16 billion last fiscal year, which was less than half a billion dollars 10 years ago, the BGMEA said in a statement.

BGMEA seeks Korean investment in non-cotton textiles

STAR BUSINESS REPORT

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) yesterday urged the Korean businesses to invest in non-cotton textiles, man-made fibre (MMF) based yarns and fabrics, functional fabrics like polyester, viscose, spandex and mélange.

BGMEA President Faruque Hassan made the call in a meeting with Korean Ambassador to Bangladesh Park Young Sik at the BGMEA office in Dhaka.

In the meeting, Hassan highlighted the growing interests of Bangladesh's garment industry in diversifying into non-cotton products, including high-value fashion items based on MMF and technical textiles, according to a statement from the BGMEA.

Bangladesh is a promising destination for Korea to ship its MMF, textile machinery, chemical dyes and other raw materials while Korea is a potential garment export market for Bangladesh, Hassan said.

So, there are mutual benefits for both the countries, he said.

The BGMEA chief apprised the envoy of the association's initiative to organise Bangladesh Apparel Summit in Korea in November 2023 and sought his support in this regard.

China has no pain-free solutions for its slowing economy

REUTERS, *Beijing/Hong Kong*

Erin Yao would like to take street dance classes and travel, activities she could not do during three years of Covid-19 restrictions in China.

Instead of pursuing such goals, as many economists had expected consumers to do once China lifted those curbs, she is saving more of her salary than she did during the pandemic, when she felt compelled to stock up on basic necessities.

"I would ask myself if I have enough savings for treating an unexpected illness. If I lose my job, do I have enough money to sustain myself until I find a new one?" said the 30-year-old book editor.

Yao's reluctance to spend is the result of an economic growth model from the 1980s that many say has relied too heavily on investment in property, infrastructure and industry and not enough on empowering consumers to earn and buy more.

But while faltering growth in the world's No.2 economy has given rebalancing a new sense of urgency, transferring economic resources to households would require difficult decisions that would cause even more near-term pain.

Specifically, boosting households' share of national income would mean a decline in the share of other sectors, either businesses — in particular China's sprawling industries - or the government sector.

"Their fall will make a recession unavoidable," said Juan Orts, China economist at Fathom Consulting.

"We think that this is a price that Beijing is not willing to pay," said Orts, who sees China heading towards "Japanification," which refers to Tokyo's "lost decades" of economic stagnation since the 1990s.

In theory, Yao could spend more if she found a job paying more than her 8,000 yuan ($1,097) monthly salary, which is less than a fifth of what book editors earn in the United States, according to employment website Glassdoor.

But China's employment market is weak, with youth joblessness at record highs above 21 percent.

ANALYSIS

The private sector, responsible for 80 percent of new urban jobs, is still recovering from regulatory crackdowns on tech and other industries.

Policymakers have vowed to boost credit to firms, but businesses are ultimately constrained by frail domestic demand.

Another way to get people like Yao to spend is to address their insecurities. Many economists have called on China to boost its social safety net to rebalance the economy.

In Beijing, where Yao lives, three-to-24 month unemployment benefits are worth up to 2,233 yuan a month, slightly less than what she pays in rent for her 12 square metre room. Her parents live in rural China and will soon reach retirement age, after which they can each receive meagre annual pensions of up to 1,500 yuan.

Yao spends 300 yuan a month on her father's medicines, the same as what a dance class costs.

"If the public medical insurance covered more expenses for the elderly, I would feel more secure," Yao said.

Financial uncertainty is also discouraging her from having children, she added. China's population is ageing and shrinking, especially in the 20-40 bracket, when people usually reach lifetime consumption peak.

Over the past month, various government departments have announced dozens of measures to boost consumption, heeding calls from a key Communist Party leadership meeting.

People carry shopping bags in a shopping district in Beijing.

PHOTO: REUTERS

Futures edge higher

RETUERS

US stock index futures edged higher on Monday, with investor focus on key inflation data and employment readings that are due later this week for further clues on the Federal Reserve's interest rate trajectory.

Stocks ended a volatile session higher on Friday after Fed Chair Jerome Powell at the Jackson Hole meet said the US central bank may need to raise interest rates further to ensure inflation is contained.

However, with Powell acknowledging the progress made on easing price pressures as well as risks from surprising strength of the U.S. economy, the market's focus will now pivot to a slew of key economic data in the week.

The personal consumption expenditures price index, the Fed's preferred inflation gauge, is set to be released on Thursday and the non-farm pay rolls data is due on Friday.

"While our base case is that the Fed has already reached the end of its tightening cycle, views on the Fed could continue to shift in response to data over coming weeks," Mark Haefele, chief investment officer at UBS Global Wealth Management, said.

Investors are also bracing for a potentially volatile September as the market faces key economic data reports, a Fed meeting and worries over a possible government shutdown during a month of historically muted equity performance.

Traders' bets of a pause in tightening by the Fed were unchanged for the September meeting, while bets of an interest rate hike in November rose to 51 percent from 38 percent a week earlier after Powell's Jackson Hole remarks, according to CME Group's FedWatch tool.

US-listed shares of Chinese companies, including PDD Holdings, JD.com, Baidu and Alibaba rose between 1.2 percent and 1.5 percent before the bell, after China halved the stamp duty on stock trading effective Monday.

At 5:40 am ET, Dow e-minis were up 82 points, or 0.24 percent, S&P 500 e-minis were up 7.50 points, or 0.17 percent, and Nasdaq 100 e-minis were up 36.25 points, or 0.24 percent.

Dollar kerb market

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Afzal Karim said that if money changers impose a higher rate than the declared rate, the central bank will take action against them.

The spike in the dollar rate may hit the inflow of remittance as remitters turn to the illegal hundi markets to send funds to the beneficiaries.

In Bangladesh, a one-per cent deviation between the formal and informal exchange rate shifts 3.6 percent of remittances from the formal to the informal financial sector, said the World Bank in May.

Migrant workers sent home $1.97 billion in July, down 5.86 percent from a year earlier although a record number of workers left the country for jobs abroad in recent times.

In the last fiscal year of 2022-23, Bangladesh sent a record 11,44,993 workers abroad, up 15.8 percent from a year earlier, according to data from the Bureau of Manpower Employment and Training.

The forex market has been going through volatility for more than a year owing to a sharp fall in reserves, fuelled by higher import bills caused largely by the Russia-Ukraine war.

On August 23, the gross international reserves stood at $23.16 billion, way lower than the pre-war levels, BB data showed.

Worker outflow to Saudi Arabia

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Remittance receipts stood at $5.5 billion in the April-June quarter of FY23, which was 0.61 percent higher than the previous quarter.

In the last quarter of FY23, the highest volume of remittances was received from Saudi Arabia at $1 billion.

Some $829.41 million came from the UAE, $720.81 million from the US, and $615.30 million from the UK.

A total of 2.94 lakh workers, including 17,417 females, migrated in the quarter.

Around 103,578 Bangladeshis went to Saudi Arabia in search of jobs, accounting for 35.16 percent of the outbound migration.

Malaysia received 32.32 percent of the workers, Oman 10.29 percent, the UAE 5.88 percent, Singapore 4.65 percent, Kuwait 2.79 percent, and Qatar 2.68 percent, the BB report said.

MFS service charge set

FROM PAGE B1

The same service charge will be applicable for payment of instalment for UPS through MFSs, it said.

Once the subscription fee is deposited to the accounts of the pension authority, the MFS providers will have to send confirmation messages to the policyholders, according to the finance division circular.

The universal person scheme brings citizens aged above 18 to 50 under the coverage.

Initially the government has opened four different schemes — Progoti, Surokkha, Somota and Probash — for citizens including those working in the private sector and Bangladeshis working or living abroad.