

## China posts first deficit in FDI

REUTERS, Shanghai

China recorded its first-ever quarterly deficit in foreign direct investment (FDI), according to balance of payments data, underscoring Beijing's challenge in wooing overseas companies in the wake of a "de-risking" move by Western governments.

Direct investment liabilities - a measure of FDI - were a deficit of \$11.8 billion during the July-September period, according to preliminary data of China's balance of payments released late on Friday.

That's the first quarterly shortfall since China's foreign exchange regulator began compiling the data in 1998, which could be linked to the impact of "de-risking" by Western countries from China amid growing geopolitical tensions.

"Some of the weakness in China's inward FDI may be due to multinational companies repatriating earnings," Goldman Sachs wrote, adding China's

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interest rate differentials with developed countries also played a part.

"With interest rates in China 'lower for longer' while interest rates outside of China 'higher for longer', capital outflow pressures are likely to persist."

As a result, China's basic balance - which encompasses current account and direct investment balances and are more stable than volatile portfolio investments - recorded a deficit of \$3.2 billion, the second quarterly shortfall on record.

"Given these unfolding dynamics, which are poised to exert pressure on the RMB, we anticipate a sustained strategic response from China's authorities," Tommy Xie, head of Greater China Research at OCBC wrote.



People walk at the venue of the China International Import Expo in Shanghai, China yesterday. China is facing challenges in attracting overseas companies in the wake of a "de-risking" move by Western governments.

PHOTO: REUTERS

# Owners can't be CEOs of brokerage firms

## State draft BSEC regulations

### STAR BUSINESS REPORT

Owners of brokerage houses will not be allowed to serve as chief executive officers (CEOs) according to the draft of a regulation of the Bangladesh Securities and Exchange Commission (BSEC).

The regulation titled "Bangladesh Securities and Exchange Commission (Stock Dealer, Stock Broker and Authorised Representative) regulations, 2023" was published on the BSEC website seeking stakeholders' comments within November 9.

It included a provision on appointing a CEO who could not be a director, sponsor or shareholder of the brokerage house, meaning that segregation was sought between the company's management and its owners.

Existing brokerage houses which are in violation of this provision will get six months from the publication of the regulations as a gazette to appoint a CEO.

At present, most CEOs of brokerage houses are either their directors or shareholders.

Another provision says the brokers will have to appoint compliance officers to submit

compliance reports to the regulator every month.

The new regulations said the brokerage houses would have to include a representative from the investors in its board.

A top official of a brokerage house, preferring anonymity, said it was very tough for many brokerage houses to appoint a CEO as most of them were struggling to run business amidst sluggish trade in the stock market.

But another provision to keep a higher paid-up capital will fare better for the market. However, many brokers will struggle to maintain it, he added.

According to the draft regulations, to get a stock brokerage licence, applicants need to keep at least Tk 5 crore as paid-up capital, joint ventures with foreign entrepreneurs at least Tk 8 crore and fully foreign ownerships Tk 10 crore.

In case of stock dealer licensing, the paid-up capital for local entrepreneurs is at least Tk 10 crore.

To get a stock broker and stock dealer licence, the minimum paid-up capital required

is Tk 15 crore and for joint ventures or fully foreign ownerships it should be Tk 20 crore.

According to the new regulations, stock exchanges are going to investigate every brokerage house and their branch offices at least once every two years to reduce misuse of investors' funds.

A top official of the BSEC said the regulator included the provision to avoid misuse of peoples' funds, which was witnessed in some brokerage houses over the last couple of years.

Misuse and embezzlement of funds in some brokerage houses dented the confidence of investors as a whole in the industry so the regulator is being strict regarding the issue. Investigations can give early signs and reduce such incidents, he added.

The regulator can run special audits any time while stock exchanges also can conduct audits any time by taking approval from the BSEC.

But the stock exchanges will have to run a routine investigation in every brokerage house at least once every two years and send an investigation report to the regulator, the draft regulations said.

## Sonali Aansh's profit nearly doubles

### STAR BUSINESS REPORT

Sonali Aansh Industries Limited's profit climbed 96.94 percent year-on-year in the year that ended on June 30.

In a filing on the Dhaka Stock Exchange, the company said its diluted earnings per share stood at Tk 3.86 in 2022-23 against Tk 1.96 in 2021-2022.

The board of directors has recommended a 10 percent cash and a 100 percent stock dividend for FY23. It also decided to revalue its properties and assets to determine the fair value properly and record it in the books of accounts.

Shares of Sonali Aansh lost 5.96 percent to Tk 620.10 on the premier bourse of Bangladesh yesterday.

## India to extend free food grains scheme by 5yrs

### REUTERS, Mumbai

India is planning to extend its free food grains programme by five years, Prime Minister Narendra Modi said on Saturday, as the government tries to shield consumers from rising prices of cereals ahead of a general election early next year.

The extension will offer relief to consumers, but it will also lead to higher government spending and require New Delhi to procure more wheat and rice from farmers to sustain the welfare programme, which provides free grains to more than 800 million people.

Modi confirmed the move at an election rally in Durg, a city in the central state of Chhattisgarh, where state elections are due this month.

The grains programme, estimated to cost the government around 2 trillion rupees (\$24.06 billion) this year, was due to expire at the end of the year.

India, the world's second-largest producer of wheat and rice, has restricted exports of both cereals to curb rising prices at home.

A Mumbai-based dealer with a global trade house said the government would be forced to keep export restrictions in place for a longer period because it needs to purchase from farmers to run the programme.

"Without export restrictions, local prices would rise above the government set floor prices, and they would fail to procure enough," he added.

For the first time in eight years, India's rice output is expected to drop this year, raising the prospect that New Delhi will extend curbs on exports of the grain to keep a lid on food prices ahead of elections.

Global rice prices jumped to a 15-year high after India, the world's biggest rice exporter that accounts for more than 40 percent of global rice exports, curbed exports of non-basmati rice varieties in July.

India last year banned wheat exports in a surprise move after a heat wave curtailed output.

## Dollar extends Pressure on external sector decline

### REUTERS, London

The US dollar extended its decline on Monday, having fallen by the most since July last week after the Federal Reserve dialled down its hawkish rhetoric and US data showed signs of moderation.

The dollar index eased 0.2 percent to 104.85, its lowest level in 6-1/2 weeks, after falling 1.4 percent last week. The euro gained 0.2 percent to a 7-1/2 week high of \$1.0756.

World stocks too had their strongest week in a year last week as expectations the Fed was done raising rates gathered steam.

Other indicators such as weakness in US jobs data, softer manufacturing numbers and a decline in longer dated Treasury yields also hurt the dollar, while stoking rallies in sterling and the Aussie dollar and causing the yen to bounce from the weaker side of 150 per dollar.

"We always say bad news is good news," said Tina Teng, a market analyst at CMC Markets in Auckland. "So, it's good then there is expectation for the Fed and other central banks to end the rate hike cycle sooner." She expected the dollar to remain on a weaker trend through November.

## Poor governance

### FROM PAGE B1

Besides, economic problems like banking reforms are not being discussed in parliament even though it should be, he added.

Among others, Mohammed Farashuddin and Salehuddin Ahmed, former governors of Bangladesh Bank, Ahsan H Mansur, executive director of PRI, Mohammad Muslim Chowdhury, former comptroller and auditor general of Bangladesh, and former bureaucrats also spoke.

The event was moderated by Zaidi Sattar, chairman of the PRI.

### FROM PAGE B1

and portfolio investment was better.

The account fell into deficit in 2022-23 and the negative balance continued in the current fiscal year, central bank data showed.

In July-September of 2023-24, the financial account stood at \$3.92 billion in the negative whereas it was \$839 million in the positive in the same period of FY23.

However, the current account turned surplus thanks to the central bank's moves aimed at discouraging non-essential imports and price monitoring by banks and containing illegal trade-based money laundering.

Talukder said the central bank had wanted to contain imports and reduced the current account deficit in order to arrest the volatility in the exchange rate.

The central bank was able to contain imports and improve the current account situation through policy measures.

"However, we did not expect a deficit in the financial account," he said, adding that the financial account had been in the positive territory for nearly one and a half decades before turning negative.

"This has created a problem," he said, expressing his hopes for a rebound from the third quarter.

The governor shared the optimism at a time when the taka is under severe pressure and the country's foreign exchange reserve is falling as the inflows of international currencies continue to remain below the requirement to clear bills for imports and meet other international payment obligations.

The major factors behind the country's current woes such as the Russia-Ukraine war, the global energy shortage, higher commodity prices, the lingering impacts of the coronavirus pandemic as well as the absence of adequate policy measures on the part of Bangladesh are still there.

Sustained high inflation has also created challenges for the BB.

After a month of easing, inflation soared to 9.93 percent in October from 9.62 percent the previous month,

according to figures released yesterday by the Bangladesh Bureau of Statistics.

The BB chief said it has taken the contractionary monetary policy and hiked benchmark interest rates half a dozen times in order to reduce excess demand in the economy.

At the same time, the central bank has lifted the interest rate ceiling in an effort to reflect the market reality. The BB has also decided not to lend to the government to contain inflation.

The central bank is trying to increase the supply of goods in the market by giving importance to credit flows to cottage, micro, small and medium enterprises and the farm sector.

On the fiscal side, the government has taken measures for fiscal tightening.

The government has decided to stop borrowing from the central bank to contain prices and stopped land acquisition for public projects and purchase vehicles, among other measures, said Finance Secretary Md Khairuzzaman Mozumder.

"Our target is to bring down the point-to-point inflation to 8 percent."

The central bank has targeted to limit the average inflation to 6.5 percent by June.

Talukder, however, said non-economic factors such as syndication by market players and seasonality are also responsible for the elevated level of inflation.

He said the central bank will also let the market forces determine the exchange rate of the taka with the US dollar and other foreign currencies fully.

"We have already asked banks to go for the market-based exchange rate."

Talukder said except for volatility in the external account and inflation, the fundamentals of the economy such as agricultural output, have been good and a 6 percent growth projection by the IMF is a testimony to the performance of the economy.

"We do not have food shortage."

In a paper presented at the event, Md Habibur Rahman, chief economist of the central bank, said the exchange rate volatility, high inflation and high ratio of non-performing loans are the major challenges for the economy.

## Tourism hit hard by blockade

### FROM PAGE B1

The tourism sector contributed 3 percent to the country's gross domestic product in 2018-19, according to the Tourism Satellite Account 2020 of the Bangladesh Bureau of Statistics.

Additionally, the sector accounted for 8 percent of the total employment that year.

Sea Pearl Beach Resort and Spa, which has 482 rooms, recorded 70 percent occupancy last weekend.

Abdul Awal, director for sales and marketing of Sea Pearl Beach Resort and Spa in Cox's Bazar, said room bookings will start getting cancelled if the current situation continues.

Kazi Nasiruddin, assistant general manager of Seagull Hotel in Cox's Bazar, said their overall business is facing a slowdown and they expect some bookings for the coming weekend will be cancelled.

The current situation has also negatively affected tourism businesses in Kuakata of Patuakhali.

Local hotels and resorts saw the cancellation of about 80 percent of their room bookings for Friday and Saturday while no rooms are being

booked for the coming weekend.

Kuakata Guest House has 22 rooms, which can accommodate 70 people.

"But there is not a single visitor at present as they are not interested in risky travel," said Motaheb Sharif, the owner.

Kuakata normally sees an onrush of tourists this time each year, leaving no empty beds in hotels and motels. This year though, there is a serious lack of travellers at the beginning of the season.

Of the 40 rooms available at Kuakata Beach Residential Hotel, 20 were pre-booked last week, but 15 of the reservations were cancelled on Thursday, said an official of the hotel.

Ruman Imtiaz Tushar, president of the Tour Operators Association of Kuakata, said hotel occupancy has stood at 70 percent on Thursdays, Fridays and Saturdays since the inauguration of Padma Bridge in June last year.

"At least 5,000 locals are directly involved in tourism businesses, so if the situation continues, unemployment will increase in the area."

## Blockade disrupts delivery of imports

### FROM PAGE B1

Several clearing and forwarding (C&F) agents informed that importers had asked them to not process the delivery of their import cargo from the port yard on Sunday.

Kamruzzaman Sagor, proprietor of ABS Corporation, told The Daily Star they stopped taking delivery of around 9 tonnes of fabrics imported by a Gazipur-based garment manufacturer.

The importer, Far East Knitting and Dyeing Industry Ltd, did not want to take the risk, he said.

As the importer finally gave the go-ahead yesterday morning, the C&F agent started processing the release of those cargo and accordingly sent four covered vans to the port.

Sagor said many importers feared

there would be an extension of the blockade from today again and that is why there was an influx of people since yesterday noon pressing to get goods released from the port.

A portion of import-laden containers are transferred to 19 private inland container depots (ICDs) or off docks, from where the cargoes are delivered to consignees.

Such import deliveries from the ICDs also dropped by 46 per cent on Sunday, the first day of the blockade.

Import cargoes of a total of 388 TEUs were delivered from 19 ICDs in 24 hours since Sunday morning.

It was 714 TEUs the day before.

In addition, container handling at the port jetties dropped to 6,771 TEUs in 24 hours since Sunday morning.

Similarly, tourist spots in three hilly districts -- Rangamati, Khagrachhari and Bandarban -- are barely getting any travellers.

Mohammad Rony, manager of Hotel Shanghai International in Rangamati sadar upazila, said they currently do not have a single guest.

"Some 30 percent of the room bookings for last weekend were later cancelled."

Chandan Das, manager of Moti Mahal Hotel in the same area, said 80 percent of their rooms were booked as well but the reservations were cancelled due to the current situation.

"At the same time last year, the hotel was 100 percent booked. If the situation continues, we will face serious losses."

Indra Chakma, owner of Sajek Hill View Resort, said he too is facing a similar situation.

Royal Bom, manager of Hillside Resort in Bandarban sadar upazila, said their resort has the capacity to house 65 people.

"Last Friday and Saturday, 25 tourists made bookings, but they later cancelled."

It was 9,141 TEUs on the previous day.

Nasir Uddin Chowdhury, former first vice president of the Bangladesh Garment Manufacturers and Exporters Association, said supply chain disruptions would be a double blow to the export-oriented garment sector.

The sector is already witnessing a drop in work orders, he said.

If the delivery of imported raw materials from the port faces any delay, it affects the timely shipment of products and consequently affects the confidence global buyers have on local manufacturers, he added.

The also exporter said export and import activities need to be kept out of the purview of any blockades that disrupt supply chains.