Sri Lankan inflation rises to 1% in October

REUTERS, *Colombo*

Sri Lanka's consumer price inflation rose to 1 percent in October year-on-year from 0.8 percent in September, the statistics department said on Tuesday.

The National Consumer Price Index (NCPI), which captures broader retail price inflation, is released with a lag of 21 days every month.

Food prices fell 5.2 percent in October after declining 5.2 percent in September, from a year earlier, the Department of Census and Statistics said in a statement.

Prices for non-food items, however, climbed 6.3 percent in October after rising 5.9 percent year-on-year in September.

Sri Lanka racked up record high inflation last year after its economy was pummelled by the worst financial crisis in decades, triggered by a sharp decline in foreign exchange reserves.

A trader inspects olives, commonly known as jalpai in Bangla. The one-seeded oblong green fleshy fruits are edible and mostly turned to pickle with spices and oil. These olives at Sonadanga truck stand kitchen market in Khulna city were selling for Tk 25 to Tk 30 per kilogramme depending on the size and quality. Some 18,496 tonnes were produced around the country in fiscal year 2021-22, according to the Bangladesh Bureau of Statistics. The photo was taken yesterday.

PHOTO: **HABIBUR RAHMAN**

Int'l Leasing selling reptile farm to recover loan

STAR BUSINESS REPORT

International Leasing and Financial Services Ltd (ILFSL) is going to sell Reptiles Farm Ltd at Tk 38.20 crore to Uddipan, a non-government organisation, in order to recover its loan to the crocodile farm.

The farm is situated on 13 acres of land in Mymensingh's Bhaluka upazila and houses around 3,700 reptiles.

In fiscal year 2015-16, the leasing company lent Tk 57.87 crore to the reptile farm, which was run by then-managing director PK Halder.

Of the principal amount, the reptile farm repaid Tk 20 crore. Accounting for interest, the reptile farm still owes the ILFSL Tk 110 crore.

The reptile farm has some other tangible assets and investment in shares, which also will be sold to recover the loans, said Md Nazrul Islam Khan, chairman of the ILFSL.

"We are trying to recover its loans so that we can refund depositors'," he said while speaking to journalists after the

asset documents transfer ceremony at the ILFSL's head office in the capital.

The leasing company will reinvest 50 percent of its sales proceeds. Some 25 percent will be repaid to depositors seeking their funds while the rest will be used for administrative costs, Khan said.

In 2020, a pall of gloom clouded the farm as reptiles became skinny due to a lack of proper feeding, prolonged neglect and carelessness.

After the ILFSL's new board came, it revived the farm, raising the number of reptiles from 1,700 to 3,700.

Consequently, the farm's valuation soared. In the first round of bidding, a company bid Tk 25 crore for the farm.

However, the ILFSL board thought it warranted a higher price.

As a result, it called for a second round of bidding, where Uddipan won with the highest bid.

"We are happy with the price as it covers the recovery of the principal amount of the loan to the company," Khan added.

ILFSL's Acting Managing Director Md Mashiur Rahman handed over the documents to Bidyut Kumar Basu, executive director & CEO of Uddipan.

Rahman said the leasing company will complete the transfer of the reptile farm, including registration of the land, within 90 days. In 2021, the High Court reconstituted the board of directors of the ILFSL, which landed in trouble due to loan irregularities.

The new board is working to revive the non-bank financial institution.

China banks seen swapping and selling dollars for yuan

REUTERS, *Shanghai*

China's major state-owned banks were seen exchanging yuan for U.S. dollars in the onshore swap market and selling those dollars in spot currency markets this week, two sources told Reuters on Tuesday.

The yuan has gained 2 percent in the past week, to stand at levels of around 7.13 to the dollar - its highest in nearly 4 months - and the big state banks have continued to sell dollars for yuan this week, the sources said.

Both sources spoke on condition of anonymity as they were not authorised to speak to media about the matter.

State banks are often suspected of stepping into the currency market on behalf of the authorities, but the timing is unusual as they would usually sell dollars when the yuan was under pressure to depreciate.

Their action over the past week came amid broad dollar weakness. The dollar index , which measures the currency's value against major trading partners, has retreated more than 3 percent in November, as U.S. yields succumb to signs of a peak in Federal Reserve monetary tightening.

State banks are often suspected of stepping into the currency market on behalf of the authorities, but the timing is unusual

Some market participants said state banks might be trying to speed the yuan's gains and spur exporters to convert more of their FX receipts into yuan. The Chinese currency is still down more than 3 percent against the dollar this year.

The selling of dollars by state banks caused the onshore spot yuan to briefly touch 7.1296 per dollar, firmer than its daily official guidance for the first time in four months.

The People's Bank of China (PBOC) has also been lowering the dollar-yuan daily fixing rate this week. On Tuesday, it set the midpoint at a 3-1/2-month low of 7.1406 per dollar.

"It is surprising to see they keep lowering the fixing at this rate. To me, it looks like they are doing preparatory work ahead of a policy rate cut," said Kiyong Seong, lead Asia macro strategist at Societe Generale.

"When the external environment is favourable, they appear to strengthen the CNY as much as possible."

Recent data shows the recovery in the world's second-largest economy remains uneven and bumpy with industrial output and retail sales surprising on the upside in October, while manufacturing activity and consumer prices continued to fall.

While the economy still needs more policy stimulus, analysts say further monetary easing could add downside pressure on the Chinese currency, given the wide differential between interest rates in China and other economies, particularly the United States.

Political crisis to significantly affect

FROM PAGE B1

The PRI said the economy stood at a crossroads.

Inflation has been persistently high for the last several months and average inflation stood at 9 percent in the fiscal year 2022-23 ending in June, crossing the targeted levels of 5.6 percent. For the current fiscal year, it will be tough to keep it within 6 percent.

"Similarly, the country is also struggling with foreign exchange reserves. Though several measures like curbing imports and providing incentives to remitters were taken, the measures were not adequate in preventing the downslide in the reserves," the PRI said in a statement.

Mansur, also a former economist at the IMF, said unofficial rates were being observed in interbank trade amid a crisis of the greenback, adding that the unified rate for the dollar had not been working.

As a result of this, Mansur said, banks are preparing the wrong data.

"The financial sector data is being corrupted through this," he said.

"This is unacceptable. The exchange rate should be adjusted after the elections," Mansur said, suggesting the central bank implement a market-driven exchange rate after the national polls.

The PRI said maintaining foreign reserves in line with the IMF's conditions would prove difficult in the coming months. It will also be tough to achieve the revenue collection target set by the multilateral lender.

Mansur added that the IMF had significantly revised down the target for Bangladesh on net international reserves to \$17.5 billion at the end December and \$19.5 at the end of June, 2024.

"This is a modest target. This should be achieved. But the economy will not be on the right track if politics is not on the right path," he said.

Mansur said the government would need to take a number of policy measures in the financial sector, foreign exchange market and in terms of revenue collection to attain the IMF's targets.

And the recommendations are critical for ensuring macroeconomic stability, he said.

"We expect that the government will deliver," he said, albeit conceding that it would be tough, particularly in the banking sector where influential beneficiaries will resist.

Resistance against reforms and automation will also come from officials of the National Board of Revenue because they will want to maintain the status quo, he said.

"So, there is a formidable challenge," Mansur said, adding the government will also need to tighten the monetary policy to stabilise the foreign exchange rate.

The PRI said the NBR made some progress in revenue collection in FY23, but added that it would be more difficult to collect the targeted revenue for FY24 given the growing dollar crisis, a notable decline in import activities, and a downturn in business performance.

"In the context of the ongoing election year, political unrest poses a substantial risk to business and economic activities, with the attendant possibility of diminished revenue collection. In light of these circumstances, it is imperative for the NBR to strategically plan revenue initiatives, accounting for the potential impact of these issues."

The PRI suggested the government raise more tax revenue from personal income tax and cut tax exemptions. It also advised monetary policy tightening and ensuring the implementation of a unified and fully market-driven exchange rate.

Bad loans rise

FROM PAGE B1

The distressed assets are calculated considering the total NPLs, outstanding rescheduled and written-off loans.

According to Asian Development Bank, a buildup of the NPLs poses a risk to the health of banks' balance sheets and financial soundness.

The NPLs reduce interest income, lower profitability and deplete banks' capital bases.

They also require higher risk weights and minimum loss coverage in banks' capital requirements, putting a strain on liquidity and increasing funding costs.

With less money available to extend new loans, banks' capacity to lend and make profits is further constrained, it said.

Recently, International Monetary Fund said elevated levels of the NPLs could dampen the growth prospects of Bangladesh.

"A holistic and time bound NPL resolution strategy would help address bank balance sheet weaknesses," it said.

BGMEA seeks

FROM PAGE B1

Bangladesh focuses more on environment-friendly production system and adoption of modern technologies which have higher production capacity, Hassan said.

Chinese garment makers are interested to supply their design and technologies to Bangladeshi apparel suppliers, he said.

The local manufacturers are also interested to take assistance from China as Bangladeshi exporters are focusing more on export of value-added garments, the BGMEA president said.

However, the relocation of Chinese "sun shed industries" built in early 80s and 90s in different Chinese cities will not be good for Bangladesh, he said.

Oil refiners concerned

FROM PAGE B1

at over 6 percent, octane at 5.72 percent, petrol at 6.6 percent, diesel at 70.15 percent, kerosene at 1.25 percent, and furnace oil at 8.7 percent.

As per the policy, private entrepreneurial organisations with a minimum of three years of practical experience in supply and plant management in the energy sector will get permission for production and marketing of energy products.

Private entrepreneurial organisations interested in setting up a refinery must have had an annual turnover of at least Tk 5,000 crores or equivalent in US dollars in any three of the past five years.

Besides, in the case of financing construction of related infrastructure, including refineries of private entrepreneurs, proof of financial capacity must be submitted from time to time.

In setting up and operating the plant, private entrepreneurial organisations must comply with internationally recognised safety standards and environmental compliance, it said.

According to the policy, private entrepreneurs have to pay a non-refundable fee of Tk 1 crore to the Bangladesh Petroleum Corporation (BPC) when they apply to set up such initiatives.

Subir Kumar Ghose, chief executive officer of Partex Petro, said the policy was unfavourable for the private sector as it would create financing pressure.

"The policy made it mandatory to ensure an annual production capacity of 15 lakh tonnes of fuel, including diesel, petrol and octane, which will be expensive and requires huge investment," he said, adding that there was no guarantee that the BPC would purchase all the oil produced.

According to Ghose, it will take an investment of around 12,000 crore to set up an oil refinery given the current price of US dollars.

There are currently four private refiners in the country -- Partex Petro, Super Petrochemical, Petromax LPG, and Aqua Refinery.

He added that Bangladesh requires 50 lakh tonnes of diesel, 12 lakh tonnes of octane, and eight lakh tonnes of petrol annually.

The government produces 80 percent of the required diesel from its own refinery while sourcing the rest from the private sector, he said.

Ghose added that the government would need to hand over marketing duties to the private sector. Otherwise, the investment will not be business viable.

On the other hand, there is confusion about how much the demand for fossil fuels will be impacted within the next 6-7 years, especially given the increasing use of electric vehicles.

Ghose also alleged that the policy was formulated keeping in mind large conglomerates with a target to establish a refinery.

Hasan Imam Siddiki, financial adviser of Youth Group and head of the refinery unit of Petromax Refinery Ltd, questioned how the government would control quality if it depended on private refineries.

According to him, the private sector can currently cater to around 80 percent of octane and petrol demand with strict quality control, but can meet only around 10 percent of the demand for diesel.

He opined that the government should not rely on any particular group regarding the energy sector.

Siddiki also said the policy would not be favourable for existing refineries as they have to upgrade their capacity, which is a matter of huge investment and may lead to quality issues.

Square Pharma

FROM PAGE B1

Muhammad Zahangir Alam, executive director for finance and strategy at Square Pharma, said the Philippines meets half of its medicine requirement through imports.

Of the requirement, it imports one-fifth from India, he said.

Ten companies from Bangladesh, including Square Pharma, export medicines to the country as well, he said.

"We have full range of product offerings and we are opening the company in Philippines so that we can grab the opportunity fully," he said.

Square's board also approved an agreement with General Pharmaceuticals Ltd Dhaka for contract manufacturing of products on behalf of Square Pharma to meet the increased demand of an existing product.

This is the second initiative by Square to open subsidiary abroad after it opened Square Pharmaceuticals Kenya EPZ Ltd to manufacture and sell generic pharmaceutical medicine for Kenya and East African community.

The drug maker's profit grew 11 percent year-on-year to Tk 606 crore in July-September this financial year, according to the company's unaudited financial statement.

Disbursements

FROM PAGE B1

Project approvals and implementation alongside loan processes are usually sluggish at the beginning of a new fiscal year, said sources.

The significant increase in the commitment amount may help grow the disbursements in the coming months, they said.

Japan, Asian Development Bank (ADB) and World Bank committed to provide \$150.33 crore, \$103.38 crore and \$30 crore respectively during this period, according to ERD data.

Japan released the highest amount of \$51.23 crore followed by International Development Association (\$33.24 crore) and ADB (\$29.4 crore).

Russia released \$26.07 crore.