

UK inflation lowest in more than two years

AFP, London

British inflation has slowed sharply to the lowest level in more than two years on falling petrol prices, official data showed Wednesday, easing a cost-of-living crisis after aggressive interest-rate hikes.

The Consumer Prices Index hit 3.9 percent in November from 4.6 percent in the previous month, attaining the weakest rate since September 2021, the Office of National Statistics said.

The news handed a further boost to embattled Conservative Prime Minister Rishi Sunak after inflation had already achieved its goal of falling below five percent in October.

Finance minister Jeremy Hunt welcomed the news but conceded that Britons were still struggling with elevated consumer prices.

"With inflation more than halved we are starting to remove inflationary pressures from the economy," said Hunt.

"We are back on the path to healthy, sustainable growth. But many families are still struggling with high prices so we will continue to prioritise measures that help with cost of living pressures."

Sunak is currently seen as unlikely to win next year's general election, as his governing Conservatives trail Keir Starmer's main opposition Labour party.

November marked a sharper slowdown than expectations of 4.3 percent, but the rate is nevertheless almost double the Bank of England's official target of 2.0 percent.

"Inflation eased again to its lowest annual rate for over two years, but prices remain substantially above what they were before the invasion of Ukraine," said ONS chief economist Grant Fitzner.

"The biggest driver for this month's fall was a decrease in fuel prices after an increase at the same time last year."



Women of Alta village tend to a vegetable patch in Barishal's Banaripara upazila on completing household chores in the morning. This earns them some money, around Tk 9,000, at the end of the month. The photo was taken around a week ago.

PHOTO: TITU DAS

Central bank rolls out bancassurance guidelines

To be eligible, banks have to show positive net profit for three consecutive years

STAR BUSINESS REPORT

Banks in Bangladesh will have to maintain a net non-performing loan ratio of no more than 5 percent to get approval for bancassurance, according to related guidelines released by Bangladesh Bank yesterday.

The banks will also have to show positive net profit for three consecutive years to be considered eligible while their capital to risk-weighted asset ratio with capital conservation buffer cannot be less than 12.5 percent.

However, the percentage may be readjusted by the central bank from time to time, it added.

Besides, the banks will have to meet a credit rating of no less than grade-2 as defined by Bangladesh Bank guidelines on risk-based capital adequacy.

Additionally, no bank shall engage in selling bancassurance without getting prior approval from Bangladesh Bank, and obtaining a corporate agent licence from the Insurance Development and Regulatory Authority (IDRA).

On December 11, Bangladesh rolled out bancassurance as the central bank allowed banks to sell insurance products.

Bancassurance is an arrangement between a bank and an insurer, allowing the former to sell products of the latter through its vast network.

The concept might be new in Bangladesh, but bancassurance appears to have begun in France in the 1970s, according to investopedia.com. Since then, it has been embraced by most countries, particularly those in the Asia-Pacific region.

According to research and consulting firm IMARC Group, the global bancassurance market reached a value of \$1.268 trillion in 2021.

The key objective of this guideline is to provide banks with a regulatory and supervisory framework for bancassurance, thereby increasing insurance penetration by allowing banks to distribute insurance products using their networks and customers.

Other objectives include increasing the outreach of banking and insurance services, promoting financial inclusion within a safe and sound environment, promoting social security and sustainability through insurance coverage, and providing one-stop service for bancassurance.

Banks shall apply for a corporate agent license from the IDRA upon receiving approval from Bangladesh Bank. They will then have to notify the central bank with a copy of their license from the IDRA within 15 days of receipt, as per the guideline.

Banks will have to comply with all IDRA regulations for the continuation of their corporate agent licence, it said, adding that any amendment to the bancassurance agreement shall be subject to approval of Bangladesh Bank.

In case of renewal or amendment of the existing agreement, the banks will have to inform Bangladesh Bank in writing within 15 days after any renewal or amendment.

Banks shall take approval in due course from Bangladesh Bank to enter into agreements with a new insurer and shall acquire necessary approval from the IDRA as well, the guideline said.

Bangladesh Bank may, in consultation with the IDRA, modify, change or amend these bancassurance guidelines as it deems necessary.

Also, the central bank shall issue explanations, circulars or letters on certain aspects of the guideline, it added.

Taka depreciation expected

FROM PAGE B1
The BB said Bangladesh's overall macroeconomic trajectory remained largely on course in the first quarter aided by robust agricultural performance, and a rebound in industrial production.

The first quarter witnessed substantial export growth, signifying a considerable steadiness in global demand. However, the service sector's growth remained moderate, primarily due to reduced credit flow in trade, commerce, and consumer finance, a response to tightened monetary conditions.

As higher inflation remained a challenge for the economy, current monetary and fiscal policies have provided the topmost priority to contain the inflationary pressure.

In addition to continuously increasing the policy rate to abate the inflationary pressure, the BB has stopped lending to the government by increasing reserve money. Besides, the government has taken various austerity measures for effective fiscal management, it added.

"Looking ahead, all the policy initiatives undertaken by Bangladesh Bank and the government signal to anchor the inflation expectation and are expected to have a favourable impact on inflation outcome in coming periods."

The BB said the growth in agriculture and industry would continue during the rest of the fiscal year leading to a sustained recovery in economic activities.

"BB's tight monetary stance, coupled with ongoing fiscal austerity measures, is expected to play a crucial role in mitigating the inflationary pressures in the near future."

Spending, tax collections may gain momentum after elections

It said there has been a surplus of Tk 7,100 crore in the fiscal account as revenue collections exceeded expenditures.

The overall receipts rose 24.4 percent in July-September compared to 17.2 percent in the same period a year ago, mainly due to the increase in collections by the National Board of Revenue (NBR).

Expenditures jumped 21.2 percent.

The BB said there has been a surplus of Tk 7,100 crore in the fiscal account as revenue collections exceeded expenditures

The expenses under the Annual Development Programme and others, however, declined in the three-month period.

The BB said the maximum share of the spending financing came from domestic sources, a majority of which from the banking sector.

Despite a slight increase in non-bank finances, government borrowing from the banking sector and international sources

has decreased dramatically.

The quarterly, however, said the government spending has returned to its usual levels as most of the infrastructure megaprojects have been completed.

"After the upcoming election, both government spending and tax collection may gain momentum. Moreover, the general recovery of the local and international economies indicates that the budgetary position will improve in the next years."

The fiscal outlook could be affected by downside risks associated with the global economic slowdown, it warned.

Concerns regarding NPLs

The NPL to total loans exhibited a marginal decline in the July-September quarter.

"Yet, the persistence of a substantial volume of NPLs continues to be a matter of concern," the central bank said.

"Furthermore, the continuous efforts of Bangladesh Bank, involving the sales of US dollars to stabilise the foreign exchange market may reduce banks' liquidity. Moreover, the lingering effects of the ongoing domestic and international economic downturn add a layer of apprehension for the months ahead."

Amidst these challenges, it said, the resilience of the banking industry can be maintained through a commitment to good governance, an improved loan recovery process, sustained growth in deposits, and vigilant monitoring.

Accolades for top taxpayers

FROM PAGE B1

As of October, the performance in revenue collection has been satisfactory, he said.

Mozumder said the finance division and NBR were jointly working to mobilise and bring about reforms in revenue collection, which would help tackle the upcoming challenges.

"We have set a goal to achieve one crore direct taxpayers by 2026 and the mid-term reform strategy of the NBR will be implemented by next June," he said.

NBR Chairman Muneem said the tax structure was now changing as dependency on customs has been decreasing over the years.

"We are now trying to make the tax collection

process easier through automation," he said.

However, Muneem urged to all stakeholders to resolve all problems during tax payments through discussions with NBR officials.

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The tax authority

launched the tax cards to honour compliant taxpayers in 2010-11. It started with recognising 10 taxpayers each in the individual and company categories. The NBR later revised the criteria as many honest taxpayers were left out.

Among individuals, the NBR now recognises compliant taxpayers in 18 categories, including senior citizens, businesspersons, young taxpayers, salaried persons, sportspersons, actors, singers, doctors, architects, engineers, lawyers and accountants.

In 2017, the NBR honoured the family of Latifur Rahman, the founder and former chairman of Transcom Group, as "Kar Bahadur" or tax icon family along with 83 other families from across the country.

Debt burden gets heavier

FROM PAGE B1

to the downside and include persistent inflation, increasing interest burden, revenue mobilisation constraints, slowdown in major trading partners, slow implementation of macro-critical structural reforms, amplified foreign exchange pressures, elevated non-performing loans, and climate-related events.

Zahid Hussain, a former lead economist of the World Bank's Dhaka office, said one of the reasons for the recent increase in the debt service-to-revenue ratio was the depreciation of the taka and the increase in the interest rate of

treasury bills.

"There is no other alternative but to increase the revenue generation so that the government retains the capacity to pay back loans."

He said existing loans have to be repaid and new funds should be borrowed. "If there is no disruption to this process, there will be no problem for Bangladesh."

Hussain said although the debt distress is low, Bangladesh faces risks from the external sector.

"If there is any adverse shock from the export sector, the debt sustainability may reach an unbearable level."

National Bank postpones AGM after Supreme Court order

STAR BUSINESS REPORT

The National Bank Ltd has postponed its annual general meeting (AGM) for an indefinite period following a status quo order issued by the Supreme Court.

The AGM of the crisis-hit private bank was scheduled to be held on December 21.

The NBL, in a filing to the Dhaka Stock Exchange yesterday, said the AGM has been postponed until further notice.

The chamber judge of the Supreme Court's Appellate Division on Tuesday issued the status quo order on the holding of the bank's AGM until January 21 next year, responding to an appeal against an order issued by the High Court.

Earlier, the High Court stayed the AGM following an application by a director of the bank. Later, the bank moved to the Appellate Division against the HC order.

The director demanded that the AGM be held in person, not digitally, according to the court sources.

The director also placed an application to the chairman of the Bangladesh Securities and Exchange Commission on December 17 seeking its steps to stop holding the AGM virtually, bringing some allegations of regularities against the bank authorities in appointing directors.

National Bank is one of the six banks whose bad loans increased by about 55 percent to Tk 27,931 crore in the first nine months of the year until September, according to data from the Bangladesh Bank. Five other banks are One Bank, AB Bank, Bangladesh Commerce Bank (BCB), Padma Bank and ICB Islamic Bank.

The bank's defaulted loans stood at Tk 13,514 crore between January and September. Its share closed unchanged at Tk 8.30 on the DSE yesterday.

Oil inches higher

REUTERS, Singapore

Oil rose slightly on Wednesday as investors kept an eye on the situation in the Red Sea after recent attacks by Iran-aligned Yemeni Houthi militants.

Brent crude futures rose 23 cents, or 0.3 percent, at \$79.46 a barrel by 0730 GMT, while US West Texas Intermediate crude climbed 30 cents, or 0.4 percent, to \$74.24 a barrel.

The benchmarks rose more than 1 percent on Tuesday amid jitters over global trade disruption and geopolitical tensions in the Middle East, following Houthi attacks on ships in the Red Sea.

Washington on Tuesday launched a task force to safeguard Red Sea commerce as attacks by the Yemeni militants forced major shipping companies to reroute, stoking fears of sustained disruptions to global trade.

"Thus far, the US-led naval mission to mitigate Houthi attacks has failed to ease broad concerns of safe passage through the Red Sea, with major maritime carriers still choosing to steer clear amid the tensions," said Yeap Jun Rong, market strategist at IG.

Post-LDC challenges

FROM PAGE B1

The government is currently negotiating to extend the duty-free benefit period and the country might get the facility for a few more years, the secretary said.

"But it won't exist for a long time."

These two challenges will undoubtedly hurt the country's competitiveness and create two more problems – exports will fall and the country will have to go for a sharp import duty cut, he said.

Eventually, the country's revenue collection will face a huge challenge, Mozumder said.

The finance division and the NBR are jointly working to reform the domestic revenue sector, which will play a big role in tackling the challenges, he said.

The government targets achieving one crore direct taxpayers by 2026 and the mid-term reform strategy of the NBR will be implemented by next June, the secretary said.

In accordance with the notification no. BSEC/CMRRC/2009-193/37/Admin/132 dated 12th May 2022 of Bangladesh Securities & Exchange Commission (BSEC) and based on Audited Financial Statements for the year ended 30 June 2023, the summary of credit rating report of Bangladesh Lamps Limited, rated by Emerging Credit Rating Limited, are as follows:

Date of Rating	December 19, 2023
Valid From	December 24, 2023
Valid Till	December 23, 2024
Rating Action	Surveillance-10
Long Term Rating	AA-
Short Term Rating	ST-2
Outlook	Stable

By order of the Board

Mohammad Ruhan Miah
Company Secretary

TRANSTEC
ON and AHEAD

Dhaka
21-12-2023