Citizens Bank holds annual risk conference

STAR BUSINESS DESK

Citizens Bank PLC organised a daylong "Annual Risk Conference-2023" at the bank's head office in Motijheel, Dhaka on Sunday.

All divisional heads, branch managers and other officials of the bank took part in the event.

Mohammad Masoom, managing director and chief executive officer of the bank, presided over the conference, the bank said in a press release.

Mohammad Masoom, managing director and chief executive officer of Citizens Bank PLC, poses for photographs with participants of an "Annual Risk Conference-2023" at the bank's head office in Motijheel on Sunday. PHOTO: CITIZENS BANK

ABB elects new board of governors for 2024-2025

STAR BUSINESS DESK

Selim RF Hussain, managing director and CEO of BRAC Bank PLC, has been re-elected as chairman of the Association of Bankers Bangladesh Limited (ABB) for a two-year term (2024-25).

Mohammed Monirul Moula, managing director and CEO of Islami Bank Bangladesh PLC, Mashrur Arefin, managing director and CEO of City Bank PLC, and Abul Kashem Md Shirin, managing director and CEO of Dutch-Bangla Bank PLC, were elected as vice-chairmen of the ABB at the association's 26th annual general meeting in Dhaka recently.

Hassan O Rashid, managing director and CEO of Prime Bank PLC, and Md Ahsan-uz Zaman, managing director and CEO of Midland Bank Ltd, have also been elected as secretary general and Treasurer respectively, said a press release.

The new committee, comprising 16 members, will officially take charge on January 1 next year.

Akram Hossain (Humayun), chairman of the executive committee of Mercantile Bank PLC, virtually inaugurates a relocated Sakhipur branch in Tangail yesterday. PHOTO: MERCANTILE BANK

Mercantile Bank opens branch in Tangail

STAR BUSINESS DESK

Mercantile Bank PLC launched a relocated Sakhipur branch of the bank on Kachua Road in Tangail yesterday.

Akram Hossain (Humayun), chairman of the executive committee of the bank, inaugurated the branch as chief guest, read a press release.

Md Quamrul Islam Chowdhury, managing director and CEO of the bank, Mati Ul Hasan, additional managing director, Adil Raihan, Shamim Ahmed, Hasne Alam and Md Mahmood Alam Chowdhury, deputy managing directors, and Tapash Chandra Paul, chief financial officer, were present.

Among others, Asim Kumar Saha and Shah Md Sohel Khurshid, senior executive vice-presidents, Abu Asghar G Haruni, company secretary and head of human resources division, and Md Golam Kibria, senior vice-president and head of MIS division, were also present.

Toyota's Daihatsu to compensate suppliers

REUTERS, *Tokyo*

Toyota Motor's small car unit Daihatsu Motor will compensate 423 domestic suppliers with which it has direct business relations as its plants in Japan remain idled due to a safety scandal, a spokesperson said on Monday.

The small car specialist has halted production in Japan until the end of next month, the spokesperson said.

The company will consider compensating suppliers based on past business volumes and is working to assess the impact of the stoppage on its sprawling supplier network, he added.

Daihatsu said on Wednesday it halted shipments of all its vehicles after a safety investigation found issues involving 64 models, including almost two dozen sold under Toyota's brand.

NRBC Bank organises annual risk management conference

STAR BUSINESS DESK

NRBC Bank PLC organised a daylong "Annual Risk Management Conference-2023".

Md Rabiul Islam, managing director (current charge) of the bank, presided over the conference, which was held virtually yesterday, read a press release.

Kabir Ahmed, deputy managing director and chief risk officer of the bank, conducted the event, where Harunur Rashid, deputy managing director and chief financial officer, along with members from the senior management team, branch managers, branch operation managers, customer service officers and executives of head office of the bank were also present.

Md Rabiul Islam, managing director (current charge) of NRBC Bank PLC, presides over a daylong "Annual Risk Management Conference-2023" which was held virtually yesterday. PHOTO: NRBC BANK

PRICES OF KEY ESSENTIALS IN DHAKA CITY

	PRICE (DEC 24, 2023)	% CHANGES FROM A MONTH AGO	% CHANGE FROM A YEAR AGO
Fine rice (kg)	Tk 60-Tk 70	-5.11 ↓	-4.41 ↓
Coarse rice (kg)	Tk 48-Tk 50	-3.92 ↓	-2.97 ↓
Loose flour (kg)	Tk 45-Tk 50	0	-24.00 ↓
Lentil (kg)	Tk 105-Tk 110	0	4.88 ↑
Soybean (litre)	Tk 155-Tk 160	3.28 ↑	-6.53 ↓
Potato (kg)	Tk 60-Tk 70	36.84 ↑	188.89 ↑
Onion (kg)	Tk 100-Tk 120	0	193.33 ↑
Egg (4 pcs)	Tk 43-Tk 45	6.02 ↑	18.92 ↑

SOURCE: TCB

Will the economy be out of the woods

FROM PAGE B4

He said the move to tackle higher consumer prices by increasing supply contributed to a spike in money flows. It, however, positively helped contain unemployment.

Besides, the measures brought down monthly imports to $5-$5.5 billion, from $9 billion two years ago.

A fall in commodity prices and a reduction in banks' ability to finance imports amid the dollar shortage contributed to the decline in imports further, according to Naser.

However, pressure still remains amid persistently higher inflation and the ongoing pressure on the external accounts, said Naser.

He said reduced imports carry some costs as the availability of an adequate volume of products might not be ensured in the future if businesses can't import required inputs to make goods and supply them to the market.

"At some point, there will be a gap between demand and supply, which will make it difficult to tackle inflation. So, we have to reach an equilibrium as neither over-import nor under-import is good."

The FICCI president said the approach adopted by the Bangladesh Bank is a good move as it plans to gradually let the exchange rate to find its equilibrium.

The central bank plans to introduce a crawling peg, a mechanism under which an exchange rate is allowed to fluctuate within a band of rates, as part of its strategy to allow the market forces to determine the exchange rate over time.

Naser says the introduction of a crawling peg will act like a benchmark as it will provide a corridor and be linked to the market. "At one point, the crawling peg might reflect the market."

"A combination of exchange rate and interest rate adjustments can bring currency stability and lower inflation."

Going forward, the country will have to ensure forex reserves equivalent to import covers of $17 billion for three months.

"For a long time, banks believed that the Bangladesh Bank will always supply US dollars to them whenever there is any shortage. But the reserves are mainly for rainy days."

"Commercial banks need to decide whether they will finance imports based on the cash flow."

The noted banker said it would be challenging to receive international supports if the reserves fall below a level that can't give coverage to imports for three months.

"If our reserves can cover import bills for at least three months and there is no political fallout, the impacts of monetary policy measures will be felt positively in the economy."

"However, the recovery from the current economic difficulties is going to be a painful process. And all, including businesses, have responsibilities here."

Realistic 2024 GDP goal

FROM PAGE B4

debt, which make it challenging to escape from high volatility and low growth. In contrast to other major economies, China is in a better position and will play a more crucial role in maintaining global economic stability going forward.

It is anticipated that next year will see a downturn in economic growth in developed economies — such as the United States and Japan — with growth rates likely to be less than half of China's predicted upswing.

It is predicted that the 2024 global growth rate will drop to about 2.6 percent. China is therefore likely to continue to contribute roughly 30 percent of global economic expansion.

That said, China's economic transformation is imperative, with the long-term objectives being high-quality development and structural optimization. Because of the rapidly aging domestic demographics, the economy's potential growth rate may indeed shrink during this process. However, it is unlikely that China's overall growth advantages will fade away anytime soon.

The high-profile meeting identified six specific areas of focus, which suggested a thorough and profound understanding of current and future issues.

For example, demand was identified as a high priority and is currently being categorized as "lack of effective demand", emphasizing the necessity to give social security and household income enhancement higher priority.

Negative growth in China's producer price index, which measures costs of goods at the factory gate, has been attributed in part to "excess capacity in certain sectors". In this situation, it is necessary to address low expectations and increase confidence. Monetary and fiscal policies will also be important in whetting demand appetite.

Moreover, the meeting emphasized the need to guard against systemic risks, highlighting the importance of proactive risk prevention and control measures in light of potential hazards.

In particular, risks associated with property firms, local government debt and small and medium-sized financial institutions were deemed to be areas requiring active responses in the coming year.

In order to mitigate such risks, extending the scope of special bonds for project capital purposes can produce more economic gains and boost investment momentum. This approach guarantees continued government spending while encouraging greater investment from the private sector, ultimately driving overall improvement in economic performance.

IMF flags potential exodus of funds

FROM PAGE B1

While the total shipment value of exports from the Export Promotion Bureau recorded under the BoP grew by 6.3 percent year-on-year in FY23, the receipts recorded by the Bangladesh Bank based on forex deposits at commercial banks increased marginally relative to FY22.

Consequently, unrealised export proceeds increased to $9.6 billion, which amounted to 2.1 percent of GDP in FY23. This reflected delayed repatriation and repayment of export proceeds, turning short-term trade credit sharply negative, the paper said.

High global inflation and continued supply disruptions have increased import costs for externally financed investment projects, resulting in delayed project execution, and consequently reducing corresponding external project finance disbursements.

An unprecedented reversal in the financial account led to a continued decline in forex reserves, despite the improvement of the above-the-line current account. Historically the financial account of Bangladesh has experienced a surplus almost every year.

In a footnote, the IMF said while some share of the gap can be attributed to "local exports" (shipments from export processing zones to domestic market mistakenly attributed to exports) and export payment cancellations due to quality control issues and vendor bankruptcies, historically high unrealised export proceeds signal capital flight.

"Uncertainty around general elections could also be another near-term contributing factor to high levels of unrealised export proceeds, as exporters reportedly choose to withhold bringing their proceeds back into the country until the results of the election are finalised," the IMF said.

The latest figures of the funds that went out of the country through illegal means were unavailable.

In December 2021, the Global Financial Integrity, a Washington-based organisation, said Bangladesh lost approximately $8.27 billion on average annually between 2009 and 2018 from mis-invoicing of values of import-export goods by traders to evade taxes, and illegally move money across international borders.

Speaking to The Daily Star, Zahid Hussain, former lead economist of the World Bank Bangladesh, said the IMF merely skimmed the surface. "It could give further details on the subject."

The IMF said faster-than-anticipated global monetary policy tightening, inadequate domestic policy response, and expectation of further currency depreciation contributed to financial outflows. The policy rate gap between Bangladesh and the US declined from 4.9 percent at the start of the pandemic to 1.2 percent by end-June 2023.

At the same time, inflation remains elevated leading to a widening inflation gap with the US. As Bangladeshi firms reduced foreign borrowing, private external credit inflows declined sharply. Net short-term private loan inflows of $3.1 billion in FY22 reversed to an outflow of $1.9 billion in FY23, as repayments outpaced new loans due to higher global financing costs.

In addition, frequent changes to exchange rate policy setting, uncertainty surrounding the forex management framework and expectation of further currency depreciation have added to significant delays in export repatriation.

To address the repatriation delays, the BB in March 2023 mandated that export receipts would be converted at the exchange rate prevailing on the market on the date when the proceeds should have been realised.

The IMF said greater exchange rate flexibility could incur adjustment costs. Moreover, disorderly transitions could result in sharp depreciations or exchange rate overshooting if not accompanied by an appropriate monetary and fiscal policy stance.

Lack of developed forex markets, appropriate intervention policy, technical capacity to adopt an alternate nominal anchor, and monetary policy independence have resulted in short-lived but ultimately unsustainable attempts to adopt flexible exchange rate regimes in some countries.

According to the paper, quantifying these adjustment costs remains challenging in Bangladesh.

First, the net negative impact on the budget stemming from increased external debt servicing costs and higher implied fiscal subsidies for imported essentials (including food and energy) could be substantial.

External debt service, which stood at around 1 percent of GDP for FY23, and fiscal subsidies for natural gas, electricity, fertilizers, and food, which amounted to 1.4 percent of GDP in FY23, would rise further with depreciation, the latter, especially given the absence of automatic domestic price adjustment mechanism.

Second, the passthrough from depreciation could contribute to an increase in prices, it said.

A more flexible exchange rate regime is essential to rebuild external resilience and successfully integrate into the global financial system post-LDC graduation. "Near-term policy actions should adopt a tight monetary stance and maintain fiscal discipline to support a move toward greater exchange rate flexibility."

It says the BB should adopt a transitional exchange rate arrangement, reducing the reliance on the exchange rate as the primary nominal anchor, and gradually move to a credible inflation target as a sole nominal anchor for monetary policy.

The transitional exchange rate arrangement could involve a gradual shift from a single reference currency peg to a basket of currencies with a narrow band corridor. Gradually increasing flexibility through wider exchange rate bands would develop a better awareness of forex risks among market participants. Zahid Hussain opposed IMF's suggestion regarding the transitional exchange rate arrangement.

"The transitional exchange rate is a long process. The IMF has talked about some impacts. What the IMF has not said is that Bangladesh is already facing the cost stemming from the delay in leaving the exchange rate in the hands of the market," he said. "But if we can bring in the reform, the supply of US dollars will increase in the market."

Owing to a lack of reform, inflation has surged to record levels while the payments to independent power producers could not be made on time, Hussain said.