

## Rupee hits record low

REUTERS, Mumbai

The Indian rupee fell to a record low against the US dollar on Friday, pressured by a drop in the offshore Chinese yuan and strong local dollar demand close to the end of the session, traders said.

The rupee ended at 83.4250 against the dollar - its lowest closing level on record - down 0.3 percent from its close at 83.1475 on Thursday.

The rupee hit an all-time low of 83.43 near the end of the session and fell 0.7 percent this week, the steepest decline in seven months.

While the weakness in the yuan was pressuring the rupee since the start of the session, aggressive dollar buying in the final few minutes drove it past previous lows, the head of treasury at a mid-sized private bank said.

A lack of substantial dollar inflows and a rise in the dollar index also hurt the rupee, traders said.

The dollar index was up 0.4 percent at 104.39 after hitting a month's high earlier in the session.

Asian currencies fell, with the Korean won leading losses, down by 1.2 percent. The offshore Chinese yuan dropped to its weakest level since November.

The yuan "weakness reflects increased jitters over geopolitical risks that have seemingly resurfaced", DBS Bank said in a note.

An "artificial dollar scarcity" in the market, reflected in the depressed overnight dollar-rupee swap rate, also contributed to the rupee's losses, a trader at a foreign bank said.

While the Reserve Bank of India had likely sold dollars earlier in the session near 83.38-83.39 levels, it appeared the central bank was absent towards the end of the session, traders said.

## Premier Bank, BB sign deal on credit guarantee products



PHOTO: PREMIER BANK

Nahid Rahman, director of the Credit Guarantee Department of the Bangladesh Bank, and Abdul Quaium Chowdhury, deputy managing director of Premier Bank, exchange signed documents of an agreement at the BB headquarters in Motijheel recently.

### STAR BUSINESS DESK

Premier Bank has recently signed an agreement with the Bangladesh Bank for credit guarantee facilities under the central bank's refinance schemes.

Of these, a refinance scheme of Tk 3,000 crore was for women entrepreneurs of the small enterprise sector, and another refinance scheme of Tk 1,400 crore was for agro-product

processing sector.

Nahid Rahman, director of the Credit Guarantee Department of the Bangladesh Bank, and Abdul Quaium Chowdhury, deputy managing director of Premier Bank, inked the deal at the BB headquarters in Motijheel, the bank said in a press release.

Chowdhury extended his sincere thanks and gratitude to the central bank for the initiative on credit guarantee.

He also added that such recognition would act as a great inspiration for banks and non-bank financial institutions.

Nurun Nahar, deputy governor of the central bank, Asif Khan, executive vice-president and head of SME and agri-banking division at Prime Bank, attended the programme.

Other senior officials from both the institutions were also present.



Hassan O Rashid, chief executive officer of Prime Bank, and Nahid Rahman, director of the Credit Guarantee Department of the Bangladesh Bank, exchange documents of an agreement at the central bank headquarters in Motijheel recently.

PHOTO: PRIME BANK

## Prime Bank, BB ink deal on credit guarantee facilities

### STAR BUSINESS DESK

Prime Bank has joined hands with Bangladesh Bank, signing an agreement for a credit guarantee scheme aimed at uplifting women entrepreneurs by way of collateral-free credit and easy access to finance.

Hassan O Rashid, chief executive officer of Prime Bank, and Nahid Rahman, director of the Credit Guarantee Department of the Bangladesh Bank, inked the deal at the BB headquarters in Motijheel recently, the bank said in a press release.

This initiative falls under the Bangladesh Bank's comprehensive refinance scheme, designed to bolster cottage, micro and small enterprises.

This scheme promises to ease the path for women entrepreneurs, enabling them to secure essential financing without the burden of collateral, according to Prime Bank officials. Among others, Nurun Nahar, deputy governor of the central bank, and Mohammad Jamal Uddin, executive director, were also present.

## German business sentiment goes up in March

REUTERS, Berlin

German business morale improved in March and beat expectations, a survey showed on Friday, though probably not enough to prevent Europe's biggest economy from slipping into another recession.

The Ifo institute said its business climate index stood at 87.8 compared with a reading of 86 forecast by analysts in a Reuters poll.

"The German economy glimpses light on the horizon," said Ifo president Clemens Fuest.

Companies' expectations turned much less pessimistic in March and assessments of the current business situation also improved, the survey showed.

"The strong gain in the Ifo business climate gives us hope," said Joerg Kraemer, chief economist at Commerzbank. He said the dampening effect of massive increases in interest rates and energy prices is beginning to fade.

"However, an end to the recession in the summer half-year should not be confused with a genuine upturn," Kraemer warned.

Germany is broadly expected to enter another technical recession in the first quarter of this year, after its economy shrank by 0.3 percent in the final quarter of last year.

Germany's economic downturn eased slightly in March as business activity in the country's service sector came close to stabilising, the HCOB German Flash Composite Purchasing Managers' Index (PMI), compiled by S&P Global, showed on Thursday.

US stocks ended mostly down on Friday, but the S&P 500 registered its biggest weekly percentage gain of 2024.

"We think the pick-up in March is the beginning of a more sustained rise in both surveys," said Claus Vistesen, chief eurozone economist at Pantheon Macroeconomics, in reference to the PMI and the Ifo survey.

ING's global head of macro Carsten Brzeski cautioned: "Before popping the corks, let's not forget that today's reading is still far lower than levels seen last summer."

PRICES OF KEY ESSENTIALS IN DHAKA CITY			
	PRICE (MAR 24, 2024)	% CHANGES FROM A MONTH AGO	% CHANGE FROM A YEAR AGO
Fine rice (kg)	Tk 65-Tk 76	4.44 ↑	4.44 ↑
Coarse rice (kg)	Tk 50-Tk 52	4.08 ↑	6.25 ↑
Loose flour (kg)	Tk 45-Tk 50	0	-15.93 ↓
Lentil (kg)	Tk 105-Tk 110	0	10.26 ↑
Soybean (litre)	Tk 148-Tk 155	-3.19 ↓	-12.17 ↓
Potato (kg)	Tk 38-Tk 40	34.48 ↑	116.67 ↑
Onion (kg)	Tk 60-Tk 70	-43.18 ↓	73.33 ↑
Egg (4 pcs)	Tk 40-Tk 43	-8.79 ↓	-8.79 ↓

SOURCE: TCB

## The great central bank policy reversal kicks off

### ANALYSIS

REUTERS, Frankfurt/Washington

The world's biggest central banks are on the starting line of reversing a record string of interest rate hikes but the way down for borrowing costs will look very different from the way up.

There will be no floodgates or fireworks. Instead, banks on opposite sides of the Atlantic are likely to move in the smallest increments with periodic pauses, fearing that ultra-low unemployment could rekindle inflation rates still above their targets.

The eventual bottom for interest rates is also set to be far higher than the historic lows of the last decade and mega-shifts in the structure of the global economy could put borrowing costs on a higher path for years to come.

Central banks started to jack up rates from late 2021 as post-pandemic supply constraints and surging energy prices on Russia's war in Ukraine sent inflation into double digit territory across much of the world.

This seemingly synchronized response tamed prices and inflation will be just above or already at target - 2 percent for most big economies - this year.

"The bottom line is that across the OECD, central banks... are softening up again, or are about to do so," investment bank Macquarie said in a note to clients.

Indeed, the Swiss National Bank became the first major central bank ease policy on Thursday with a surprise 25 basis point cut to its key rate as inflation is already in the 0 percent to 2 percent target range.



PHOTO: REUTERS

The Swiss National Bank (SNB) building is seen near the Limmat river in Zurich, Switzerland on March 23. The SNB became the first major central bank to ease policy on Thursday with a surprise 25 basis point cut to its key rate as inflation is already in the 0 percent to 2 percent target range.

investor speculation that policymakers will be hesitant to move before the US Federal Reserve since any rate cut is certain to weaken a currency and push up imported inflation.

The European Central Bank is bound to be next in June after incessantly repeated references to that meeting painted the bank into a corner.

The Fed and the Bank of England both hinted they could be next but have kept their language sufficiently vague to make moves in either June or July possible, provided data do not upset plans.

Still, investors expect the Fed, the ECB and the BoE to each deliver only 75 basis points of cuts by the end of this year, in three 25 basis point moves, tiny changes compared to rate hikes in 2022 when they sometimes

increased rates by that much in a single day.

The pricing also suggests cuts at just three out of the five meetings each will hold between June and the end of the year, so pauses are also on the cards.

To be sure, these banks are not the first to cut rates. Some emerging market economies, like Brazil, Mexico, Hungary and the Czech Republic have all cut rates already, but financial markets take their cue from the major central banks, so their influence on financial instruments is oversized.

The Federal Reserve could in fact end up being the outlier this time.

The US economy is chugging along and the Fed even upgraded its growth projections this week, meaning it may end up cutting rates when growth

remains strong, or delaying cuts if inflation proves stubborn. In Europe, data continues to paint a bleak picture, with activity stabilizing at a low level. The US election in November adds to the Fed's dilemma.

Policymakers do not want to be seen interfering with the vote, so if they cut, they need to do it well clear of November.

"Traditionally, the Fed would not pivot rates policy to cushion inequality," Societe Generale strategist Albert Edwards said. "But growing inequality has been a key issue ever since the 2008 Global Financial Crisis triggered a backlash against 'The Establishment' - most evident in the rise in populism."

"Might the unfolding inequality crisis force the Fed to bow to intense political pressure to cut rates faster and deeper? I think that is entirely plausible," Edwards said.

Fed Chair Jerome Powell in congressional testimony earlier this month said policymakers would "keep our heads down and do our jobs" ahead of the elections.

All the while Europe continues to struggle. Germany is in recession, Britain is barely growing after a recession, and the rest of the continent is staying in positive territory mostly from unexpectedly strong data out of Southern Europe, traditionally the euro zone's weak spot. Where rate cuts could end in either 2024 or 2025 remains far too uncertain but policymakers appear confident that the ultra low rates - negative in some cases - will not be revisited.

In fact, some argue that the world is undergoing such profound changes that the historic downtrend in the so-called neutral rate, which neither stimulates nor slows growth, could reverse.

## Japan inflation rose to 2.8% in February

AFP, Tokyo

Japanese inflation accelerated to 2.8 percent in February, data showed Friday, staying above the Bank of Japan's two-percent target meant to fight stagnation.

The year-on-year rise in prices excluding volatile fresh food was in line with market expectations and followed an increase of 2.0 percent in January.

The Bank of Japan (BoJ) has pursued policies aimed at encouraging inflation in order to bring the world's fourth-largest economy out of harmful deflation, with the figure hitting or exceeding its target of two percent for almost two years.

But the central bank has long said inflation needs to be driven by demand and higher wages instead of temporary factors like higher energy costs.

This week, the BoJ ended its

outlier negative interest rate policy - also aimed at encouraging inflation - but said "accommodative financial conditions will be maintained for the time being".

The comments sent the yen lower against the dollar by more than one percent. Rises in petrol costs, processed food prices and hotel fees were the main upwards contributors to the core consumer price index (CPI) in February.

The monthly figure was partly offset by falling prices for gas bills.

Stripping out both fresh food and energy, Japan's prices rose 3.2 percent, against market expectations of 3.3 percent and edging down from 3.5 percent in January.

Last Friday, Japan's largest trade union secured its biggest wage hike since 1991, a result the BoJ's governor previously called "an important factor" ahead of the move to end the negative rate policy.

## Govt drafts

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"The revenue of some of our village-level internet services providers could be just Tk 10 lakh. So, it's not reasonable to keep a provision that could fine them Tk 300 crore for a violation," he added.

He said the law ignored the broadband sector, including their long-standing demand for active sharing of last-mile fibre and infrastructure, adding that telecom and broadband law should be separate ones.

The AMTOB also requested the inclusion of additional provisions related to merger, demerger, acquisition, and amalgamation. It also demanded the incorporation of the Arbitration Act 2001 to resolve disputes between the BTRC and licensees.

The draft of the new law

introduced a regulatory sandbox aimed at fostering innovation and technological advancement.

The commission is authorised to establish one or more regulatory sandboxes, following specified procedures and for designated durations, with the aim of promoting and streamlining innovation and technological progress within the telecommunications sector.

The law defines a sandbox as a controlled testing environment wherein new products, services, processes, and business models can be introduced without being fully subjected to the provisions of the act.

This testing occurs for a defined period and with a set number of users, with certain conditions being relaxed to facilitate experimentation and development.