S&P lowers French credit rating

AFP, *Paris*

Ratings agency Standard & Poor's downgraded France's credit score on Friday citing a deterioration in the country's budgetary position, a blow to Emmanuel Macron's government days before EU parliamentary elections.

In a statement, the American credit assessor justified its decision to drop France's long-term sovereign debt rating from "AA" to "AA-" on concerns over lower-than-expected growth.

It warned that "political fragmentation" would make it difficult for the government to implement planned reforms to balance public finances and forecast the budget deficit would remain above the targeted three percent of GDP in 2027.

The S&P's first downgrade of France since 2013 puts the EU's second-largest economy on par with the Czech Republic and Estonia but above Spain and Italy.

The announcement will sting for Macron, who has staked a reputation as an economic reformer capable of restoring France's accounts after low growth and high spending.

The risk of a ratings downgrade had been looming for several quarters, with the previous "AA" assessment given a "negative outlook".

The S&P's first downgrade of France since 2013 puts the EU's second-largest economy on par with the Czech Republic and Estonia

The surprise slippage in the public deficit for 2023 to 5.5 percent of Gross Domestic Product (GDP) instead of the expected 4.9 percent did not play in the government's favour.

France's general government debt will increase to about 112 percent of GDP by 2027, up from around 109 percent in 2023, "contrary to our previous expectations", the agency added.

Responding to the downgrade decision, Economy Minister Bruno Le Maire reaffirmed the government's commitment to slashing the public deficit to below three percent by 2027.

"Our strategy remains the same: reindustrialise, achieve full employment and keep to our trajectory to get back under the three percent deficit in 2027," he said in an interview with newspaper Le Parisien, insisting that nothing would change in the daily lives of the French.

Le Maire claimed the downgrade was primarily driven by the government's abundant spending during the Covid pandemic to provide a lifeline to businesses and French households.

The main reason for the downgrade was because "we saved the French economy," he said.

Government critics offered a different rationale.

"This is where the pitiful management of public finances by the Macron/Le Maire duo gets us!" Eric Ciotti, head of the right-wing Republicans party, wrote on social media platform X.

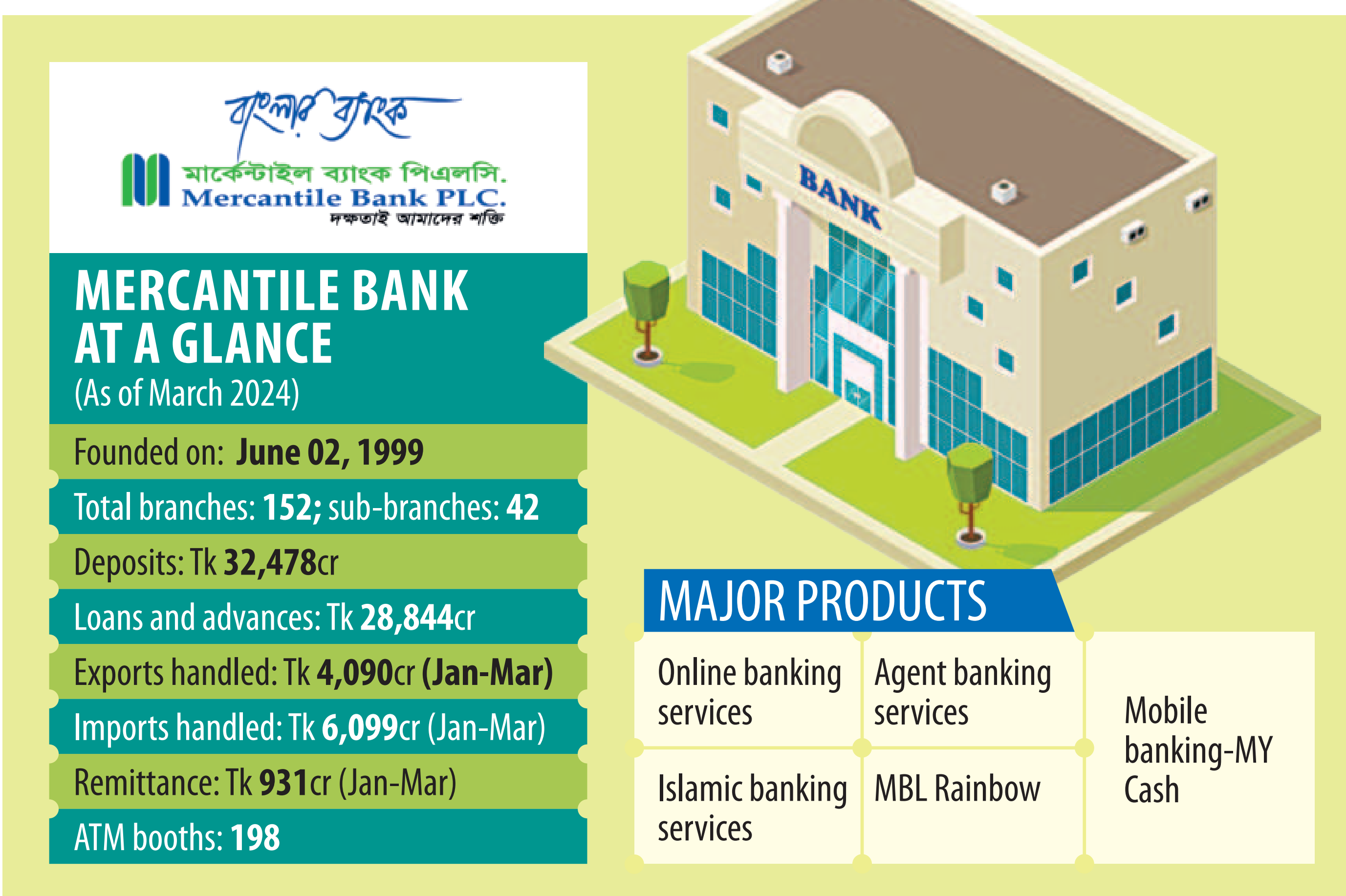
Mercantile Bank redirects focus to SME, retail lending

Managing Director Md Quamrul Islam Chowdhury says

MD MEHEDI HASAN

Mercantile Bank PLC used to emphasise corporate lending but now the private commercial lender plans to redirect the focus in order to bring the unbanked people under the financial system by providing more loans to small and medium enterprises, retail and agriculture, said its top executive.

"We extend credit facilities to those who are interested in business but don't have money," said Md Quamrul Islam Chowdhury, managing director and chief executive officer of Mercantile Bank, in an interview with The Daily Star recently.



"Providing banking services to marginalised communities and ensuring smart banking through technological excellence will be our priority."

A group of visionary entrepreneurs set out in 1999 to contribute to the economy of Bangladesh in a sustainable way. Mercantile Bank was set up on June 2 of the same year as part of their vision.

Today, the bank is delivering personalised, technology-driven services through its extensive network, which includes 152 branches, 42 sub-branches, 198 automated teller machines, and 187 agent banking outlets.

Despite facing multiple obstacles, the bank has grown sustainably year on year over the decades and delivered consistent financial performance.

Assets grew 5.19 percent to Tk 40,217 crore at the end of December. In March, deposits totalled Tk 32,478 crore, and loans and advances amounted to Tk 28,844 crore.

"Since its inception, the bank has created a credible brand impression and achieved customers' trust and loyalty," he said.

Chowdhury, who obtained master's degree in marketing from the University of Dhaka, started his banking career at National Bank in 1983 and later joined National Credit and Commerce Bank.

He joined Mercantile Bank in 2001. In the years since he served as the head of the Agrabad branch of Chattogram, the zonal head of the Chattogram region, and chief of the main branch.

Chowdhury was appointed as the managing director in February 2019.

He said from the beginning, the bank has adopted modern technologies to provide quick services to customers.

Mercantile Bank has introduced online, SMS and internet banking and is offering round-the-clock services through ATM booths and contact centres. It has implemented "TEMENOS T24", a world-class technology platform, which ensures real-time integrated banking software.

Md Quamrul Islam Chowdhury

"We are committed to placing cutting-edge technology at the forefront of delivery channels and operations," the CEO said.

"We will continue our endeavours to strengthen our position in the banking sector by improving the skills of the workforce and striking a balance between risks and profits."

According to Chowdhury, the bank was able to reduce bad loans last year through cash recovery, rescheduling, legal procedures and alternative dispute resolution (ADR).

At the end of 2023, the bank had outstanding loans of Tk 28,341 crore. Of the sum, Tk 1,248 crore defaulted, central bank data showed.

"Thanks to our prudent risk management practice, we contained the non-performing loan ratio to 6.08 percent in December from 7.9 percent a year ago," Chowdhury said.

When asked about compliance and profitability, the noted banker said that the overall financial sector is struggling because of rising default loans, the shortfall in provisions and capital, shrinking profitability, operating inefficiency and weak governance.

He welcomed the central bank initiative aimed at introducing the market-driven interest rate and the flexible exchange rate.

In order to foster financial inclusion and support economic empowerment, the bank in 2016 established the financial inclusion department under the Agriculture Credit Division. The department aims to improve the living standards of marginalised individuals and include them in the formal financial system.

In accordance with the Bangladesh Bank's guidelines, it provides credit facilities through two refinance schemes: a Tk 500 crore scheme for 10/50/100-Taka account holders and a Tk 3,000 crore scheme for Covid-19-affected low-income professionals, farmers, and small business owners.

"We have put in place a network to reach unbanked and under-banked sections of society," Chowdhury said.

The bank is also providing services through three subsidiaries, two offshore banking units, internet banking and mobile banking.

"We remain hopeful of growing our business despite the current uncertain environment," he said. "As the crisis gradually recedes, there will be a greater ease of doing business, and we will forge ahead riding on that."

AMA Muhith: a defining character

MAMUN RASHID

Abul Maal Abdul Muhith, the former finance minister of Bangladesh, and more importantly, one of the architects of Bangladesh's economic development, left an undeniable legacy upon his passing, more than two years ago.

He assumed the office of finance minister in 2009 amidst a challenging global economic downturn. His tenure was instrumental in steering the country through a remarkable transformation, transitioning it from a state of food deficit, poverty, and vulnerability to its status as a lower-middle-income country.

Muhith's approach to governance was characterised by forward-thinking, and a commitment to progress. He recognised the importance of collaboration between the public and private sectors in driving infrastructure development. During his tenure, the public-private partnership received its first budget allocation in 2009-10, marking a significant milestone in Bangladesh's approach to infrastructure financing and delivery.

He pioneered the introduction of district budgeting, recognising the need for decentralised decision-making and resource allocation. The district budget system was inaugurated in 2013-14, starting with Tangail. This initiative aimed to enhance local governance, empower communities, and ensure equitable distribution of resources across regions.

In 2015-16, Muhith launched Bangladesh's first-ever child budget, highlighting the government's commitment to investing in the well-being and development of the youth. This dedicated budget allocation aimed to address the specific needs and challenges faced by children, including education, healthcare, and social protection.

Recognising the importance of social security and welfare, he championed the concept of a universal pension scheme. Beginning work on this initiative in 2015-16, he spearheaded efforts to develop a comprehensive framework to provide financial security to retirees and vulnerable populations. A position paper was prepared to outline the rationale and feasibility of the scheme.

Even though his tenure as finance minister concluded after a decade of service, the economic foundations he established continued to propel Bangladesh forward on its journey towards greater prosperity and development despite some challenges in recent times.

Muhith's contributions to Bangladesh's independence movement will forever be etched in the annals of history. As an organiser of the liberation war in exile, he played a pivotal role in mobilising support for the cause and preserving the nation's sovereignty.

An environmental activist at heart, he recognised the urgent need for sustainable development and environmental conservation. His advocacy for eco-friendly policies and initiatives underscored his holistic approach to nation-building, ensuring that economic growth was harmonised with ecological preservation.

One of Muhith's remarkable abilities was his exceptional memory, allowing him to recall events and details from decades ago. This cognitive prowess not only facilitated his work but also enabled him to provide valuable insights and perspectives.

A voracious reader and a man who could delve deep into any subject, his intellectual curiosity knew no bounds. His keen insights and scholarly pursuits enriched the discourse on various topics, while his global view of affairs allowed him to navigate the complexities of international relations.

From a more personal perspective, I fondly recall that Muhith held PwC in high esteem, inaugurating its first Bangladesh office in 2016 and recognising the firm's importance in shaping the country's economic landscape.

There was an instance wherein he had noted that the front cover page of PwC's Bangladesh budget recommendation publication consisted of non-local individuals as models. He immediately requested that we change that to include Bangladeshi individuals instead. This exemplified his unwavering patriotism and attention to detail.

Whether analysing complex financial data or crafting policy proposals, Muhith ensured that no detail was overlooked, contributing to the effectiveness and efficiency of his work.

Above all, Muhith will be remembered as a tolerant politician, a knowledge-seeking individual and a defining character for his fellow colleagues.

The author is an economic analyst.

India's GDP grows 7.8% in Q4

ANN/THE STATESMAN

India's gross domestic product (GDP) growth rate in the quarter ending March 31, 2024 grew by 7.8 percent, the data released by the National Statistical Office of Ministry of Statistics and Programme Implementation showed on Friday.

Notably, these figures surpass the Reserve Bank of India's estimate of 7 percent.

As per the government data, the GDP growth provisionally stands at 8.2 percent for the financial year 2023-24, as compared to the growth rate of 7 percent in FY23.

Real GDP has been estimated to grow by 8.2 percent in FY2023-24 as compared to the growth rate of 7 percent in FY23.

Nominal GDP has witnessed a growth rate of 9.6 percent in FY24 over the growth rate of 14.2 percent in FY23. Earlier, government estimates had placed GDP growth for FY24 at 7.6 percent.

The real gross value added (GVA) has been estimated to grow by 6.3 percent in Q4.

"This GVA growth has been mainly due to significant growth of 9.9 percent in manufacturing sector in 2023-24 over a contraction of (-) 2.2 percent in 2022-23 and growth of 7.1 percent in 2023-24 over 1.9 percent in 2022-23 for mining sector," the government said in a press release.

For the entire financial year 2023-24, GVA has grown by 7.2 percent, compared to the growth rate of 6.7 percent in FY23.

Real GVA and real GDP have been estimated to grow by 6.3 percent and 7.8 percent respectively in Q4 of FY24. Growth rates in nominal GVA and nominal GDP for Q4 of FY24 have been estimated at 8 percent and 9.9 percent respectively.

China making youth unemployment a 'top priority'

AFP, *Shanghai*

At a job fair for soon-to-be graduates in central Shanghai, recruiters sat bored under washed-out tarpaulins as rain and an apparent lack of interest kept potential young employees away.

The empty seats belied China's stubbornly high youth unemployment rate -- a problem so pressing that President Xi Jinping this week told top Communist Party (CCP) cadres it should be a "top priority".

His words have been seen by many analysts as a signal that reforms could be in the pipeline ahead of July's Third Plenum, a meeting that has historically unveiled important changes in economic policy direction.

Youth unemployment stood at 14.7 percent in April, official data showed -- and in June, another 11.8 million students will graduate from university, adding to the bottleneck.

That number had soared to an unprecedented 21.3 percent in mid-2023, before officials paused publishing monthly figures. They began releasing them again in December after adjusting the calculation method.

Hospitality and human resources firms dominated Friday's small job fair, one of many hosted by local authorities over recent weeks in anticipation of the imminent influx of university leavers.

"It's difficult to find a job that matches your degree and aspirations," one of the few young jobseekers at the fair, a data sciences student, told AFP.

"Lots of college students actually have too high expectations," said Julia Shao, who was recruiting for a restaurant chain.

People visit a job fair for soon-to-be graduates in Shanghai on May 31. Youth unemployment stood at 14.7 percent in April, official data showed -- and in June, another 11.8 million students will graduate from university.

PHOTO: AFP

"They do not prefer this kind of basic position. They prefer... a fancy job."

Xi specifically mentioned graduates in his speech to the CCP Politburo on Monday, noting that "more jobs should be created for them to apply what they have learned and what they are adept at".

His remarks follow "a steady drumbeat of comments from China's leadership underlining the urgency" of the matter, Erica Tay, director of macro research at Maybank, told AFP. The issue has been hanging over the government for some time.

Together with persistently low consumption and a long-running property sector crisis, the unemployment situation has been labelled a key culprit for China's uneven post-pandemic recovery.

"While details in Xi's comments are vague, it's clear a policy shift is underway," said Harry Murphy Cruise of Moody's Analytics.

"We expect policies aimed at reducing youth unemployment to be a key pillar of the discussions (at the Third Plenum)."

In the remarks published Monday, Xi said young people should be encouraged "to find jobs or start businesses in key fields (and) industries".

"Market-oriented and social channels should be expanded for young people to find a job," he was quoted as saying.