

Dollar rises, pound drops

REUTERS, London

The dollar climbed on Thursday, while the Swiss franc dropped, and the pound dipped as a busy day of central bank meetings kept currency traders alert.

The dollar index, which tracks the currency against six peers, was last up 0.28 percent at 105.49 after a volatile 10 days that has seen mixed signals from the US economy and European markets rocked by French political uncertainty.

Helping the US currency climb was a drop in the Swiss franc after the Swiss National Bank lowered interest rates to 1.25 percent, following on from a cut in March.

The dollar climbed 0.64 percent to 0.8901 francs as the Swiss currency fell from around a three-month high in the wake of the rate cut, which came with forecasts predicting a further fall in inflation to 1.1 percent in 2025.

"Given the appreciation of the franc in the context of the French political turbulence, we had expected a dovish message, but not a cut," said Christian Schulz, deputy chief European economist at Citi.

"This cut could be premature if French politics stabilise and weakens the franc," he said. The franc is seen as a safe haven and had risen over the last week.

Sterling slipped on Thursday ahead of a Bank of England (BoE) interest rate decision at 1100 GMT at which the central bank is expected to hold borrowing costs at a 16-year high of 5.25 percent.

The pound was down 0.14 percent on Thursday at \$1.2701, but up from a one-month low of \$1.2658 on Friday.

"The FX focus today switches to central bank meetings in Europe," said Chris Turner, global head of markets at lender ING. "We think that the risks of a dovish Bank of England are underpriced," he said, using a term that typically means policymakers support interest rate cuts.

Elsewhere, the Norwegian crown rose to a four-month high against the euro after the Norges Bank held rates at a 16-year high of 4.25 percent.

The euro fell to its lowest since late January against the crown at 11.286, down around 0.6 percent.

Volatility in currency markets has picked up over the last 10 days as political uncertainty in Europe has combined with the long-standing guessing game about central bank rate cuts to cause investors new problems.

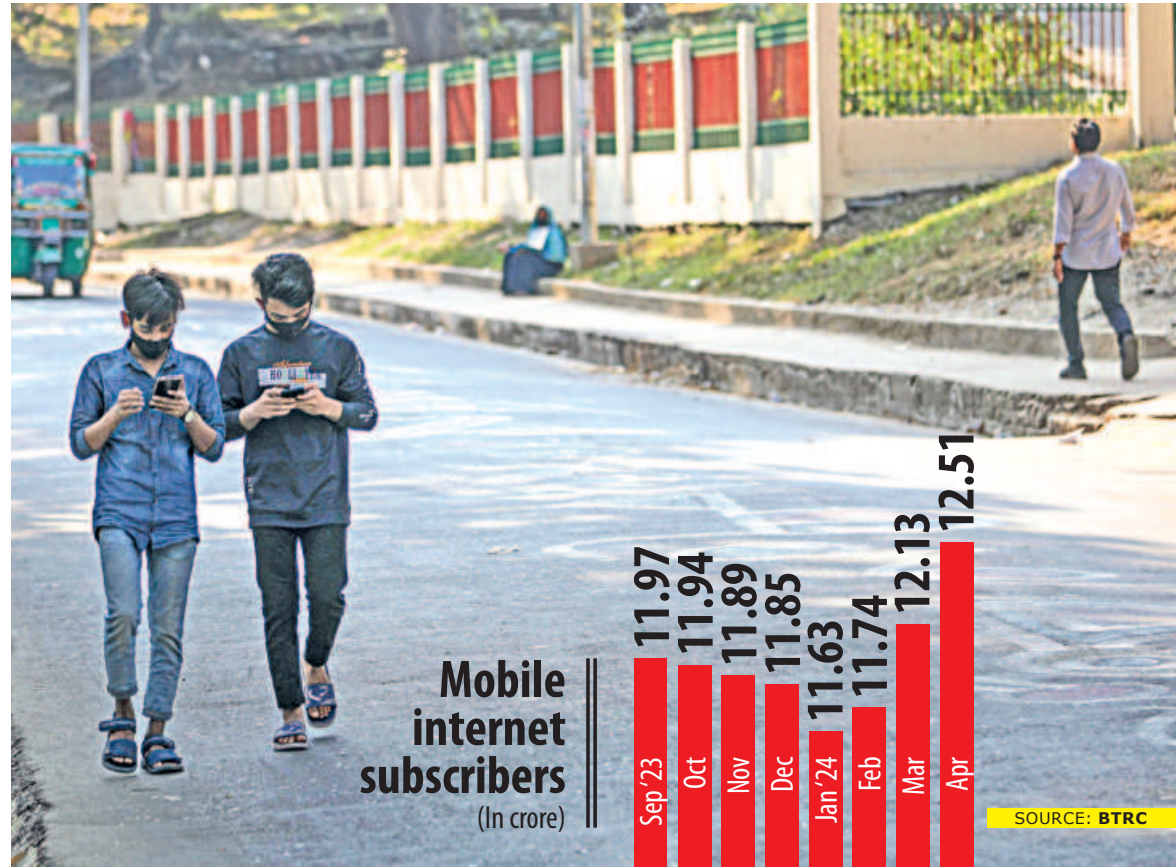
The US dollar rallied last week while the euro tumbled to its lowest since May 1 as markets fretted that French President Emmanuel Macron's gamble to call parliamentary elections could pave the way for the high-spending far right or far left to come to power.

STOCKS	
DSEX ▲	CASPI ▲
1.60%	1.22%
5,244.12	14,786.82

COMMODITIES	
Gold ▲	Oil ▼
\$2,338.25	\$80.78
(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.18%	▲ 0.16%	▼ 0.12%	▼ 0.42%
77,478.93	38,633.02	3,300.00	3,005.44

Mobile subscriber numbers witness big jump in April



MAHMUDUL HASAN

The mobile internet subscriber base in Bangladesh witnessed a massive growth in April, increasing by 39 lakh, marking the biggest jump in recent years.

This is the second consecutive month that the number of mobile internet users saw a huge boost, with 36 lakh having been added to the subscriber base in March.

February also saw a moderate rise in the number.

The increase in April represents the largest jump in at least the past four years.

There were 12.51 crore mobile internet users in April, up from 12.12 crore in the preceding month, according to the latest data of Bangladesh Telecommunication Regulatory Commission (BTRC).

The total number of internet users, including those of broadband, stood at 13.86 crore in April, up from 13.47 crore in March.

However, the figures for the broadband segment have not been updated since the BTRC only provides quarterly data of

broadband internet users.

Although this marked the third consecutive month of growth for the overall internet user base in Bangladesh, the number declined for five straight months until January amid the regulator's bar on the sale of packages with short validity periods.

Persistent inflationary pressure also affected demand.

Despite the growth in subscribers in the past few months, officials of mobile network operators said there had not been a corresponding increase in revenue

Despite the huge growth in the subscriber base in the past few months, officials of mobile network operators said there had not been a corresponding increase in revenue, indicating a disconnect between user base expansion and spending ability.

"People are not spending as much since they have tightened

their belts. This could be due to high inflation," said Taimur Rahman, chief corporate and regulatory affairs officer at Banglalink.

"And the recent hike in supplementary duty and VAT on SIMs will have further negative impacts on mobile internet usage," he added.

In its proposed budget for fiscal year 2024-25, the government imposed an additional 5 percent supplementary duty on mobile service usage. Additionally, VAT for SIM connections was hiked from Tk 200 to Tk 300.

"The internet consumer base has shifted to lower pricing tiers, leading to a continued decline in data revenue in recent months," said Shahed Alam, chief corporate and regulatory officer of Robi.

He added that most new internet users are secondary SIM subscribers exploring different operators for cheaper data services.

The 1.34 crore broadband subscribers now account for 9.7 percent of the country's total internet subscriber base. The rest avail mobile internet.

Both inbound, outbound FDIs drop for Bangladesh

Shows UN's World Investment Report

MD FAZLUR RAHMAN

Both inbound and outbound foreign direct investment in Bangladesh declined in 2023 as global FDI fell amid an economic slowdown and rising geopolitical tensions.

FDI from Bangladesh dropped 43 percent year-on-year to \$30 million last year, data from the UN Trade and Development showed yesterday.

The outbound FDI stood at \$53 million a year prior, according to the World Investment Report 2024. The outflow was \$23 million in 2018, \$28 million in 2019, \$12 million in 2020, and \$92 million in 2021.

The inflow of FDI to Bangladesh stood at \$3 billion last year, down nearly 14 percent year-on-year from \$3.48 billion a year ago. Still, last year's receipts were the second-highest in South Asia.

India's FDI plummeted to \$28.16 billion against \$49.38 billion in 2022. The inflow stood at \$712 million for Sri Lanka, down from \$884 million a year prior.

The Maldives received \$1.42 billion against \$1.5 billion in 2022.

Pakistan, Nepal, and Bhutan, however, posted a positive growth. For example, Pakistan wooed FDI worth \$1.82 billion, which was \$1.46 billion a year earlier. Nepal attracted \$74 million in 2023 against \$65 million in 2022.

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According to the World Investment Report, global FDI fell 2 percent to \$1.3 trillion in 2023 amid an economic slowdown and rising geopolitical tensions.

But the report highlights that the decline exceeds 10 percent when excluding the large swings in investment flows in a few European conduit economies.

The downturn in project finance affected sustainable development, with new funding for Sustainable Development Goals (SDGs) sectors dropping over 10 percent, particularly in agrifood and water. This hampers efforts to achieve the 2030 Agenda and calls for urgent policy action to revamp sustainable development finance.

The report emphasises that business facilitation and digital government solutions can address low investment by creating a transparent and streamlined environment.

It highlights significant growth in online services and information portals, saying such tools also support broader digital government development, benefiting developing nations in particular.

Bank of England to keep rates at 16-year high

REUTERS, London

Britain's central bank looks on course to hold interest rates at a 16-year high of 5.25 percent on Thursday as underlying inflation pressures prove persistent, depriving Prime Minister Rishi Sunak of a much-needed boost ahead of a July 4 election.

Bank of England Governor Andrew Bailey opened the door early last month to a rate cut, saying he was "optimistic that things are moving in the right direction" and that a June rate cut was an option - although no fait accompli.

But despite data on Wednesday showing headline inflation fell back to the BoE's 2 percent target for the first time in nearly three years in May - reaching its goal quicker than in the United States or euro zone - the medium-term picture is now less reassuring.

Services price inflation has fallen less than the BoE expected at the time of the last meeting - only declining to 5.7 percent rather than 5.3 percent - and private-sector wage growth is almost twice the rate the BoE judges as compatible with 2 percent inflation.

Last month the central bank forecast inflation would rise to around 2.6 percent by the end of the year, as the effect of recent cuts to regulated household energy bills faded.

None of the 65 economists in a Reuters poll last week said they expected the BoE to follow the lead of the European Central Bank and cut rates this month, with the next statement on August 1 looking by far the most probable start date for

an easing cycle.

And the Bank of England has a delicate balancing act to perform in bringing interest rates down from their current 16-year highs.

Instead, the expectation is for a repeat of May's 7-2 vote split, when Deputy Governor Dave Ramsden and external Monetary Policy Committee member Swati Dhingra voted for a quarter-point cut.

"We think the Bank of England is left waiting for more reassuring data ... either in the shape of a more decisive moderation in services CPI or with all other broader signals ... pointing in a softer direction," Victoria Clarke, chief UK economist at Santander, said.

While unemployment is at a two-and-a-half year high of 4.4 percent, economic growth this year has been reasonable by Britain's recent weak standards.

Financial markets are doubtful about an August rate cut. On Wednesday they priced in only a 30 percent chance, with a first move more likely in September and a risk of a delay until November, similar to expectations for the US Federal Reserve.

Either way, any cut is likely to be too late for Sunak, whose Conservative Party is around 20 points behind the opposition Labour Party in the pre-election polls.

While Sunak has sought credit for the fall in inflation since he took office in October 2022, when it was at a 41-year high of 11.1 percent, Labour blames high mortgage rates on economic mismanagement by the Conservatives' previous leader, Liz Truss.

German economic recovery gaining strength: researchers

AFP, Frankfurt

Leading researchers on Thursday said they were now more optimistic about this year's outlook for the German economy, as lower inflation boosts private consumption and global trade picks up.

The Ifo institute upgraded its forecast for Europe's top economy to 0.4 percent growth this year, from 0.2 percent previously.

"New hope is currently emerging," said Timo Wollmershaeuser, head of forecasts at Ifo.

"The German economy is slowly working its way out of the crisis. The second half of 2024 is expected to be significantly better than the first half."

Germany has battled through a prolonged period of economic weakness, weighed down by soaring inflation, a manufacturing slowdown and cooling demand from key trading partners like China.

Germany was the only major advanced economy to contract in 2023 but the first green shoots of

the recovery are taking hold, experts say.

"During the remainder of the year, the purchasing power of private households is likely to grow stronger" as inflation falls back further, Ifo said in its statement.

Global trade and industrial production "should continue to recover", it said, bolstered by rising investments on the back of lower borrowing costs in industrialised countries.

Easing inflation prompted the European Central Bank to cut interest rates for the first time since 2019 earlier this month, and Ifo researchers expect two more rate reductions this year.

Ifo's improved assessment was echoed by the DIW economic institute, which last week nudged up its 2024 forecast from 0.2 to 0.3 percent growth.

But Germany's economic performance will be sluggish compared to the wider 20-nation eurozone, which the European Union predicts will expand 0.8 percent in 2024.

Dollar hits Tk 118

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On May 30, the buying and selling rate was Tk 117.50 and Tk 117.90, respectively. The greenback further gained ground this month.

"It indicates there is a higher demand for the greenback. This is also a signal that the local currency is weakening," said a senior official of another private bank.

He expects that the central bank may review the crawling peg mid-rate

in the face of the gradual weakening of the taka, which has lost its value by 35 percent in the past two years.

Bankers, however, said documented transactions are taking place following the introduction of the crawling peg. It, thus, reduces the scope for undocumented transactions and informal exchange rates.

"It is a positive development," said another banker.

Linde, Renata surge

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fall in sales, an elevated level of raw material prices, and a sharp depreciation of the taka.

The manufacturer of various types of industrial gas said its board had approved an interim dividend of Tk 154 per ordinary share for January-October. It comes shortly after the sell-off declaration of the welding business.

"In our view, this is a possible one-off dividend, distributing the sell-off proceeds by the company," said BRAC EPL Stock Brokerage Company in a note to clients.

Speaking to The Daily Star yesterday, Abu Mohammad Nisar, company secretary of Linde Bangladesh, said the company is yet to complete the audit for the full year, so it has announced the interim dividend.

If the interim dividend remains unchanged or goes up further when the company's financial year ends on December 31, it will be the highest payout for the shareholders in at least nine years, data from the DSE showed.

Profits slumped 66 percent year-on-year to Tk 26.25 crore in January-October. It stood at Tk 77.60 crore in the same period a year ago. Therefore, the earnings per share declined to Tk 17.25 from Tk 50.99.

"The EPS decreased due to the merger of welding business, lower sales, and higher price of raw materials in the international market coupled with the recent forex movement," Linde Bangladesh said in a filing on the DSE yesterday.

The taka has lost its value by about 35 percent against the US dollar in the past two years, which has made imports costlier.

The net operating cash flow per share of Linde rose to Tk 29.50 from Tk 28.77 while the net asset value per share slipped to Tk 372.92 on October 31 last year from Tk 397.44 on December 31 in 2022.

Linde has been a key player in Bangladesh's industrial gas sector for more than 50 years. Operating through 18 sales centres, it serves more than 35,000 customers.

Its products include liquid and gaseous oxygen and nitrogen, argon, acetylene, carbon dioxide, dry ice, refrigerant gases, lamp gas, and medical oxygen.

Linde has decided to divest its welding electrode business to ESAB Group, an American-Swedish industrial company, by selling 13.82 crore shares of Linde Industries Private Ltd, a wholly-owned subsidiary of Linde Bangladesh.

Electrodes are the biggest contributor to Linde's revenue and its longstanding business, with 53.3 percent of its income originating from the segment in 2021-22.

It made a profit of Tk 122.58 crore in 2021 and Tk 88.33 crore in 2022, BRAC EPL's note added.

MTB secures

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Rahman said it was a positive indication that foreign investors had kept faith and confidence on the country.

MTB is trying to avail alternative sources of financing. It has already secured a loan from the Swiss Investment Fund for Emerging Markets and will secure another from Norfund, he added.

MTB bagged an \$8 million loan from the Swiss Investment Fund for Emerging Markets in May and a \$20 million debt facility from Norfund in 2018.

Last year, the Norwegian investment fund became MTB's single largest shareholder, with a 9.5 percent stake.

MTB has already fully repaid the \$20 million debt to Norfund, Rahman added.

Listed with Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange, MTB started its operations in 1999. Its profits rose around 21 percent year-on-year to Tk 286 crore in 2023.

The bank's non-performing loans were 6.54 percent of its total lending of Tk 26,102 crore.

Its stocks rose 1.55 percent to Tk 13.10 at the DSE yesterday.