

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.

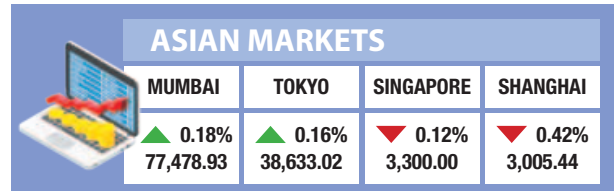
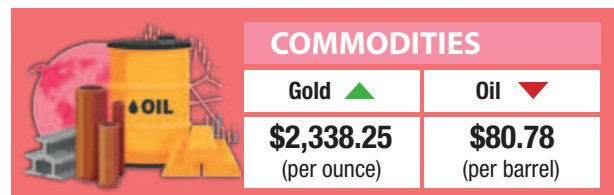
"The FX focus today switches to central bank meetings in Europe," said Chris Turner, global head of markets at lender ING. "We think that the risks of a dovish Bank of England are underpriced," he said, using a term that typically means policymakers support interest rate cuts.

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.



German recovery gaining strength

Researchers say

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 Wollmershauser, 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.

Bank of England keeps key interest rate at 16-year high

AFP, London

The Bank of England on Thursday kept its key interest rate at a 16-year high despite slowing UK inflation, opting against a cut before Britain's general election next month.

While annual inflation slowed in May to a near three-year low of 2.0 percent, matching the central bank's target, the BoE had been expected to keep the rate at 5.25 percent ahead of the national vote on July 4.

"It's good news that inflation has returned to... target," Bank of England governor Andrew Bailey said following the regular policy meeting.

"We need to be sure that inflation will stay low and that's why we've decided to hold rates at 5.25 percent for now."

Analysts said there was strong chance that the BoE would cut at its next meeting in August following a series of hikes that have helped bring down UK inflation from the highest level in more than four decades.

Prospects of a looming decrease weighed on the British pound, while London's top-tier FTSE 100 stocks index rose in early afternoon trading.

Shortly before the latest BoE announcement, the Swiss National Bank unveiled a second straight interest-rate cut, after becoming in March the first Western central bank to slash borrowing costs that had been raised to battle inflation. Norway froze rates Thursday.

Analysts had widely expected no change to the BoE rate owing to UK services inflation remaining well above two percent and with energy bills set to rise towards the end of the year.

Seven members of the bank's Monetary Policy Committee (MPC) voted to hold the rate steady, while two wanted a cut -- the same outcome as the last meeting in May.

The BoE noted that for some members who voted for no change this time around, the decision was "finely balanced".

This indicated "that they could be swayed in August", noted Susannah Streeter, head of money and markets at Hargreaves Lansdown.

"Bets have increased now that a rate cut will come in August, but financial markets are still not fully pricing in a rate cut until September," she added.

Analysts added that the UK central bank would have wanted to avoid a decision Thursday that could have been perceived as taking sides during a high-profile election campaign.

However, the BoE stressed that its announcement was in no way influenced by politics.

The MPC "noted that the timing of the general election... was not relevant to its decision", said minutes of the meeting.

The BoE's main role is to keep the UK annual inflation rate close to two percent.

Having hit the target last month, according to official data Wednesday, analysts argued that the news had handed a much-needed boost to embattled Prime Minister Rishi Sunak.

They added, however, that the inflation slowdown was unlikely to prevent his Conservatives from losing the election to the main opposition Labour party.

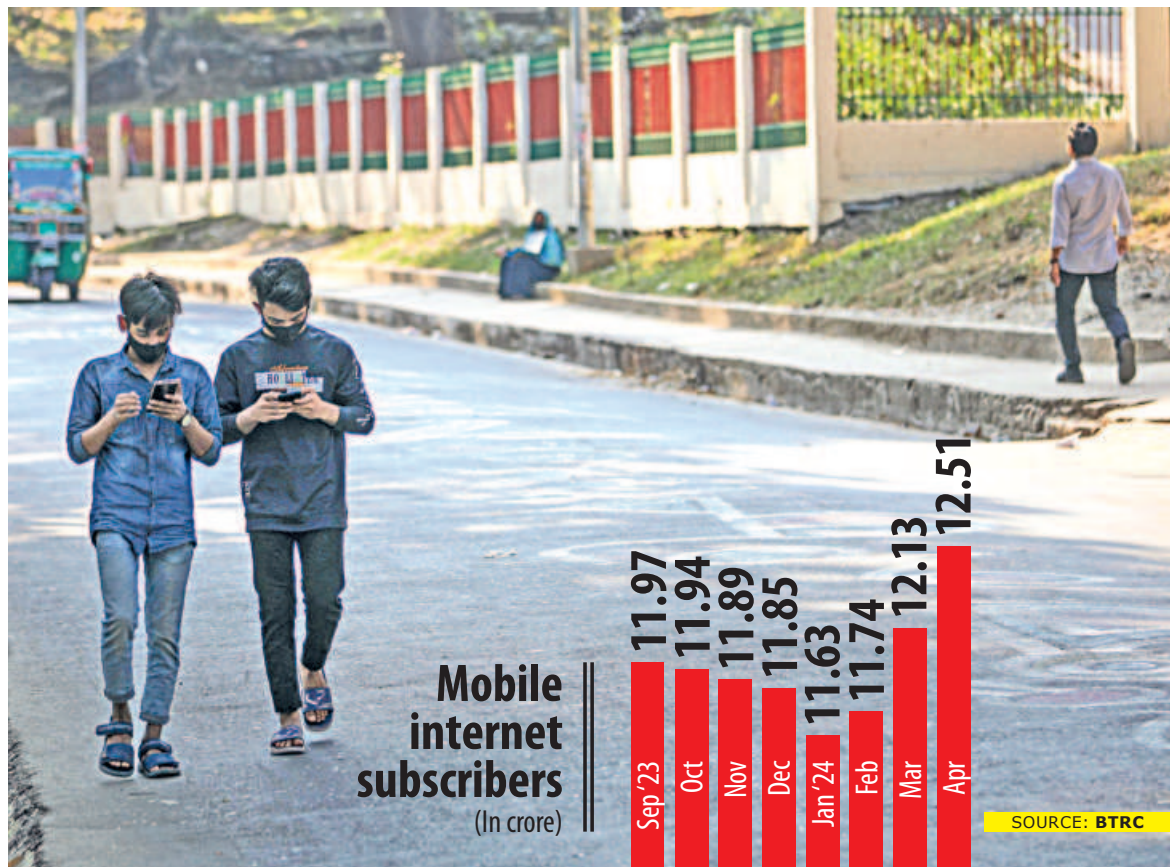
Holding the interest rate steady was viewed as dealing another blow to Sunak's faltering campaign.

Keir Starmer's Labour has consistently led the Conservatives by around 20 points in opinion polls for nearly two years.

Elevated interest rates have worsened a UK cost-of-living squeeze because they increase borrowing repayments, thereby cutting disposable incomes and crimping economic activity.

The BoE began a series of rate hikes in late 2021 to combat inflation, which rose after countries emerged from Covid lockdowns and accelerated after the invasion of Ukraine by key oil and gas producer Russia.

Mobile internet subscriber numbers witness big jump



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 operators said there had not been a corresponding increase in revenue.

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.

"People are not spending as much since they have tightened

Electric car sales fall in Europe while hybrids rise

AFP, Paris

Sales of new electric cars crucial in the fight against climate change fell in Europe in May, car manufacturers announced Thursday, while the number of hybrid vehicles rose.

While the European Union plans to ban the sale of combustion-powered cars by 2035, electric car sales have been sluggish since the end of 2023, mainly due to a lack of affordable models.

Battery electric vehicles (EVs) declined from 13.8 percent of the market in May 2023 to 12.5 percent, according to monthly statistics published by the Automobile Manufacturers Association (ACEA).

New registrations of rechargeable plug-in hybrids also declined by 14.7 percent in May, now accounting for just 6.5 percent.

On the other hand, the market share of hybrid electrics grew from a quarter to nearly 30 percent, while the combined share of fossil fuel-guzzling petrol and diesel cars fell to just under half.

In the main European markets, sales of battery electric cars rose only in France and Belgium.

They continued to fall in automobile powerhouse Germany, where purchase incentives were abolished at the end of 2023.

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 self-off declaration of the welding business.

"In our view, this is a possible one-off dividend, distributing the self-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 demerger 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

MTB gets \$15m loan from Belgian company

AHSAN HABIB

The Belgian Investment Company for Developing Countries (BIO) has provided a \$15 million loan to Mutual Trust Bank (MTB) to expand its portfolio dedicated for micro, small and medium enterprises (MSMEs) alongside sustainable financing initiatives.

The loan will have a tenure of five years, including a one-year grace period, while the interest rate will be the Secured Overnight Financing Rate (SOFR) of 6 percent plus below 3 percent.

BIO's first foreign currency transaction in Bangladesh, the loan showcases a shared commitment to creating measurable positive impacts on the economy and environment, according to a statement published on BIO's website last week.

"This collaboration is a remarkable journey that goes beyond financial transactions. Together, we are creating a partnership that fosters positive transformation," said Frédéric Vereecke, investment officer at BIO.

The project delivers a multitude of benefits for Bangladesh. By providing increased access to finance for MSMEs, this initiative will foster business growth and create new job opportunities, read the statement.

Furthermore, the promotion of sustainable financing practices will equip businesses with the tools they need to mitigate climate risks, it said.

This comprehensive approach also promotes financial inclusion, ensuring that underserved populations can participate in the formal economy, it said.

By providing increased access to finance for MSMEs, this initiative will foster business growth and create new job opportunities

Ultimately, this partnership contributes to the advancement of several UN Sustainable Development Goals (SDGs) in Bangladesh, fostering a more prosperous and sustainable future for the country, it added.

BIO also offers technical assistance to MTB to address gender equality within the bank's operations and lending practices. This comprehensive approach aims to ensure inclusive financial services that benefit all segments of the Bangladeshi economy, said the statement.

TSW Capital Services Private, one of the leading financial advisory firms headquartered in Mumbai, played a major role as transaction advisor for this funding.

"We are delighted to partner with BIO as we continue to empower businesses and fuel growth in Bangladesh," said Syed Mahbubur Rahman, managing director and CEO of MTB.

This financing represents a landmark for MTB's engagement with foreign development finance institutions and provides much-needed USD liquidity in a challenging foreign exchange landscape, he added.

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.

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.