

## China tweaks liquidity operations

REUTERS, Beijing/Shanghai

China's central bank said on Monday it would start conducting temporary bond repurchase agreements or reverse repos to make open market operations more efficient and keep banking system liquidity ample.

Market participants and analysts believe the move paves the way for a new interest rate corridor, with the seven-day reverse repo rate serving as a central guide, giving the bank more leeway to manage cash conditions and interest rates amid hot demand for bonds.

That also comes after the central bank's governor said the seven-day rate "basically fulfils the function" as the main policy rate.

The temporary repos and reverse repos will be loans with overnight tenors and will be conducted depending on market conditions.

The interest rates of the temporary and reverse repos will be 20 basis points below and 50 basis points above the seven-day reverse repurchase operations, or 1.6 percent and 2.3 percent, respectively.

"From now on, the People's Bank of China (PBOC) will conduct temporary repos or temporary reverse repo operations depending on conditions," the central bank said in an online statement.

Reverse repo operations should allow the central bank to inject cash into the banking system, whereas the repos could withdraw funds.

"If OMO repos were to be conducted, then the OMO repo rate could serve as the floor as this would be the rate the PBOC pays to absorb excess liquidity from the market," said Frances Cheung, rates strategist at OCBC Bank.

"Being conducted regularly, daily OMOs can be effective in guiding market interest rates within a range," she said.

PBOC Governor Pan Gongsheng said last month the seven-day reverse repo rate fulfilled the function as the main policy rate, noting the cost of monetary policy instruments with other tenors diminished their roles as policy rates.



Mohammad Furkan Khan runs a commercial operation breeding pet birds at his home in Hemayetpur of Savar. Twice a week he bicycles to markets in Mirpur and Hemayetpur to sell the birds and makes a profit of around Tk 30,000 per month. The photo was taken at Gabtoli recently.

PHOTO: PALASH KHAN

# Stocks rise for fifth day but turnover falls

## STAR BUSINESS REPORT

The benchmark index of the Dhaka Stock Exchange (DSE) extended its gaining momentum as it advanced for the fifth consecutive day yesterday.

The DSEX, the broad index of the premier bourse in Bangladesh, added 5.69 points, or 0.10 percent, to close the day at 5,564.63.

The DSES, the index that consists of Shariah-based companies, ticked up 0.31 points, or 0.02 percent, to 1,215.14.

However, the DS30, the index that is composed of the blue-chip firms, declined 4.60 points, or 0.23 percent, to 1,959.90.

Turnover, which indicates the volume of the shares traded during the session, slipped 2.22 percent to Tk 888 crore.

Of the issues that traded on the DSE, 164 advanced, 197 declined, and 33 did not see any fluctuations.

The pharmaceuticals sector dominated the turnover chart, accounting for 15.68 percent of turnover.

Block trades, which refer to high-volume transactions in a security that is privately negotiated and executed outside of the open market, contributed 3.9 percent to the

market's turnover.

General insurance, textile, and life insurance were the top three sectors to close in positive territory while tannery, travel and leisure, and jute sectors ended in the red.

The engineering sector experienced the highest loss of 1.47 percent, BRAC EPL Stock Brokerage said in its daily market update.

## Turnover, which indicates the volume of the shares traded during the session, slipped 2.22 percent to Tk 888 crore

The food and allied sector was down 1.25 percent, telecommunication fell 1.17 percent, and the non-bank financial institution sector declined 0.94 percent.

Fuel and power, bank, and pharmaceuticals sectors also fell.

Among the individual companies, Sea Pearl Beach Resort & Spa was the most traded share with its stocks amounting to Tk 37.7 crore transacted.

Khan Brothers PP Woven Bag Industries, Square Pharmaceuticals, City Bank, Aftab Automobiles, National Bank, Shahjalal Bank,

and Keya Cosmetics contributed to the market's rise.

On the other hand, shares of large-cap and blue-chip companies such as BAT Bangladesh, Beximco Pharmaceuticals, Grameenphone, BRAC Bank, Robi Axiata, Orion Pharma, Prime Bank, Beacon Pharmaceuticals, and LafargeHolcim Bangladesh displayed lacklustre performance.

Khan Brothers, a loss-making firm, topped the gainers' chart with a rise of 9.94 percent. Golden Son, Global Heavy Chemicals, and Republic Insurance Company logged a gain of more than 9 percent.

Miracle Industries, ACME Pesticides, BD Thai Aluminium, Eastern Insurance, Union Insurance and Kattali Textile also gained.

Unilever Consumer Care shed the most, losing 2.98 percent.

Bangladesh Lamps Limited, Tamijuddin Textile Mills, Union Bank, Desh Garments, GSP Finance, Bay Leasing & Investment, Global Islami Bank, and New Line Clothings suffered losses.

The Chittagong Stock Exchange also rose with the Caspi, the premier index of the bourse in the port city, went up 81.63 points, or 0.52 percent, to settle at 15,794.66.

# ICCB holds workshop on digitalising int'l trade

## STAR BUSINESS REPORT

Bangladesh needs to take additional steps to catch up with other countries in the cross-border paperless trade to boost sustainable and inclusive growth and development, according to State Minister for Finance Waseqa Ayesha Khan.

While traditional trade involves many paper documents and processes, digitalisation would reduce the time and costs associated with manual handling, courier services and delays caused by lost or misplaced documents, she said.

"Hence, further steps are needed to make the digital infrastructure secure and robust to facilitate the efficient settlement of international paperless trade."

She made the remarks at an event titled "ICC Workshop on Digitalising International Trade of Bangladesh" at the Hotel Renaissance in Dhaka, yesterday, according to a press release.

The International Chamber of Commerce in Bangladesh (ICCB) and the ICC Digital Standards Initiative (DSI) jointly organised the event.

The minister emphasised the instant, seamless and verified nature of digital records, which lead to faster and more secure transactions.

She also outlined the importance of catching up with others in the cross-border paperless trade, citing the fifth United Nations Global Survey on Digital and Sustainable Trade Facilitation.

Mahbubur Rahman, president of ICCB, said Bangladesh can streamline its trade processes by adopting the globally-recognised digital standards promoted by the ICC DSI.

"This efficiency can lead to faster processing times, lower costs and reduced errors."

The ICC DSI can help Bangladesh by utilising technologies like blockchain and artificial intelligence, which can lead to the development of new digital tools and increase trade efficiency, said Rahman.

"Trade digitalisation could help reduce incidents of data mismatch, like the recent export data discrepancy," said Muhammad A Rume Ali, chairman of the ICCB Banking Commission.

He also pointed to cybersecurity and data protection as two of the most important areas for safe international digital trade.

Around 200 participants from different banks and other organisations attended the event.

# Euro steadies, dollar soft

REUTERS, Tokyo/London

The euro steadied on Monday, recovering overnight losses that stemmed from projections from France's election which pointed to a hung parliament, while the dollar remained soft.

The dollar remained on the back foot following surprisingly soft US payrolls data on Friday, which boosted bets for the Federal Reserve to soon start cutting interest rates.

# Bank of Japan signals progress in wage, price hikes

REUTERS, Tokyo

The Bank of Japan said wage hikes were broadening across the economy due to tight labour market conditions, signalling its confidence the country was making progress toward durably achieving its 2 percent inflation target.

The optimistic assessment, made at the BOJ's quarterly meeting of regional branch managers on Monday, may heighten the case for the central bank to raise interest rates as soon as its next meeting on July 30-31.

Separate data showed Japanese workers saw their average base pay climb 2.5 percent in May, the fastest pace in 31 years, suggesting that broadening wage gains will give households more purchasing power and underpin consumption.

"Many regions reported that big firms' big pay hikes in this year's wage negotiations were spreading to small and medium-sized companies," the BOJ said in a summary of discussions at the branch managers' meeting.

The assessment compared with that of the previous meeting in April, when the BOJ said there were "hopeful signs" solid wage increases among big companies would spread to smaller firms.

Some regional smaller firms decided to prioritise raising pay to retain or hire workers, even if they were not earning sufficient profits, the BOJ summary said, a sign of how Japan's shrinking working-age population is intensifying a chronic labour shortage.

Many regions also saw companies passing on rising costs, or

considering doing so, particularly those in the services industry, the BOJ said in the summary.

"We're seeing wages rise not just among big firms but smaller ones," said Kazushige Kamiyama, the BOJ's Osaka branch manager who oversees the Kansai western Japan region.

"For firms, higher wages mean higher costs. Some of them are starting to pass on the cost by raising service prices," he told a news conference.

The central bank's view on wage developments will be among key factors its board will scrutinise at this month's policy meeting in setting interest rates as well as fresh quarterly growth and inflation projections.

BOJ Governor Kazuo Ueda has said wage hikes need to trickle down to smaller firms, and companies to begin charging more for services, before the central bank considers raising interest rates from current near-zero levels.

Many market players expect the BOJ to raise rates sometime this year, though they are divided on the timing.

In a sign of the BOJ's optimism on consumption, the regional branch managers said household spending was "firm as a whole."

A government survey released on Monday showed sentiment among service-sector firms, seen as a leading indicator of consumption, perked up in June for the first time in four months.

But the rebound was driven mostly by a surge in inbound tourism, which offset the thrifty spending of domestic households who were feeling the pinch from rising living costs.

# Bangladesh moves to put

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Fund can be involved in this process. If the IMF sends a statistical mission, it can help the government manage data better."

Rahman said after the recent export data shock, data governance has become a major issue for Bangladesh since it has raised questions about many other numbers such as gross and net foreign exchange reserves.

"So, there is no alternative to giving importance to the data management, data governance and synchronisation."

"The initiative will really be a good move," said Selim Raihan, executive director of the South Asian Network on Economic Modeling.

He described the difference between the figures released by the EPB and the BB as one of the largest data scams.

The EPB official also said the gap between the real export sum and the provisional export data was as high as \$4 billion annually in the past. But this time, the gap climbed to \$14 billion because of multiple counting of the goods shipped.

The customs department of the NBR also counted the value of the samples exporters send to prospective buyers free of cost under the existing export policy.

Moreover, last year nearly \$1.7 billion worth of local imports by the factories inside the export processing zones were taken into account by the EPB while computing Bangladesh's sales in the global markets. However, the central bank does not include the amount in the final export data.

Currently, the EPB processes the export data after receiving it from the customs department. The customs department sends the data based on the shipping bills of merchandise, the official of the EPB said.

However, a lot of changes may take place after products leave the country. For example, sometimes goods are not exported at all, but the data is still considered by the customs department and is sent to the EPB.

Both Raihan and Sayema Haque Bidisha, a professor of economics at the University of Dhaka, said the government should first identify the reasons behind the data discrepancy.

"One way of checking trade data is to verify it from the importers' end,"

Bidisha said. "It is also important that data is regularly reported to the UN Comtrade."

The United Nations Comtrade database aggregates detailed global annual and monthly trade statistics by product and trading partner for use by governments, academia, research institutes, and enterprises.

"Finally, it is important to know the source of mistakes," said Prof Bidisha.

Various explanations can be there, she said.

"It can be over-invoicing by exporters. Was it misreporting on the part of the EPB? Or it may be that a part of export earnings was not brought to the country."

Raihan questioned whether the data mismatch had been caused by the absence of technological skills or a deliberate reporting of inflated data. "If the reporting was deliberate, the planned platform will not work at all," he said, calling it one of the biggest data scams.

Raihan said the issue can't be taken lightly.

"For the new platform to work effectively, the government must take initiatives to develop the skills of officials who will operate it."

## Climate change

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The third action should be improving sustainability of genetic diversity in brood stocks as a resource for long-term and continuous adaptation to climate change.

And finally, the third initiative should be finding potential and developing the capacity of aquaculture in mitigating the impact of and/or sequestering the release of greenhouse gas emissions.

He also pointed out a way forward, seeking to define adaptation strategies for the main environmental, disease and genetic threats caused by climate change in order to inform and guide aquaculture community.

Virapat also underlined the need for improved water storage capacity and effective water utilisation for agriculture, industry and households and reduced fishing pressure along coastal areas.

# Export data mismatch

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Bureau (EPB) reported higher-than-usual earnings from the external sector, industry people and manufacturers raised their eyebrows. However, none paid heed to them.

The government did not take any steps to revisit the data calculation. Rather, the exporters who raised questions have allegedly faced harassment.

Finally, when the Bangladesh Bank published the corrected export data as part of its balance of payments (BoP) and detected around a \$14 billion gap between national shipments and the actual receipts, it showed the extent to which data miscalculation can lead a country.

The scale of mismatch can take its toll on the economy since the size of the economy and per capita income might not glitter like it did in the past. The credibility of all government data will come under question.

The policies that were taken based on the inaccurate piece of information will lose their efficacy. For example, the \$110-billion shipment goal by the next two years has to be reset in line with new realities.

A similar story might unfold if real figures on non-performing loans (NPLs) are disclosed.

Default loans in the banking sector hit an all-time high of Tk 182,295 crore in March. Industry insiders said the volume is higher than the official figure.

In 2019, the International Monetary Fund also said the actual size of bad loans is more than double the officially recognised figure. Since then, the health of the banking sector has kept worsening.

This means if the real data on bad debts, gross domestic product (GDP), per capita income, and production comes to light, it may even change the development narrative of the country.

This is because in the calculation of GDP, net export earnings are included. As the value-addition of the export is around 60 percent, the GDP size will be impacted by around \$8 billion if the adjustment is made.

The government has long been trying to turn the negative financial

account into a positive one since it reflects the precarious foreign currency reserve position.

Whatever steps it has taken to reverse the course of the key component of the BoP have not apparently yielded the expected outcomes. Now, with the export data correction, the financial account has returned to the black.

Policymakers often claim that Bangladesh has achieved food autarky. Yet, the country sometimes needs to import foodstuff.

The miscalculation might lead Bangladesh to a challenging situation after the graduation of the nation from the group of least-developed countries (LDCs).

Exporters have not been able to lift their share significantly in the global market despite enjoying duty benefits. They will come across intense competition since trade benefits will not be readily available in many markets once the country makes the transition.

Now, the finance ministry should probe why and how the wrong data presentation went on year after year and what its impact was nationwide.

The export earnings data mismatch should ring alarm bells for the government since it highlights the inefficiency of the country's data management system and data governance.

The government should take this issue seriously and ensure data governance to make evidence-based decisions and help the country tap its true potential. However, if it is considered as an isolated incidence, unprecedented suffering might await us.

# GP users face

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In February last year, Grameenphone customers from different parts of Bangladesh said they were unable to call other numbers in the same network.

That time, an official told The Daily Star that the disruption took place because of damages in fibre-optic cables at "three different locations" in the northern region of the country. The outage had lasted for around two hours.