Britain shakes up listing rules to attract investment

REUTERS, *London*

Britain's biggest reform of company listing rules in over three decades takes effect on Monday on the London Stock Exchange, a measure intended to help it compete more effectively with New York and the European Union after Brexit.

The reforms, part of government efforts to attract more private investment into the British economy, have divided opinion.

Shareholders say their rights will be eroded, but supporters say the reform aligns Britain with practices elsewhere and will make London cheaper and more competitive for companies to raise cash and allow bigger risk appetite to boost growth.

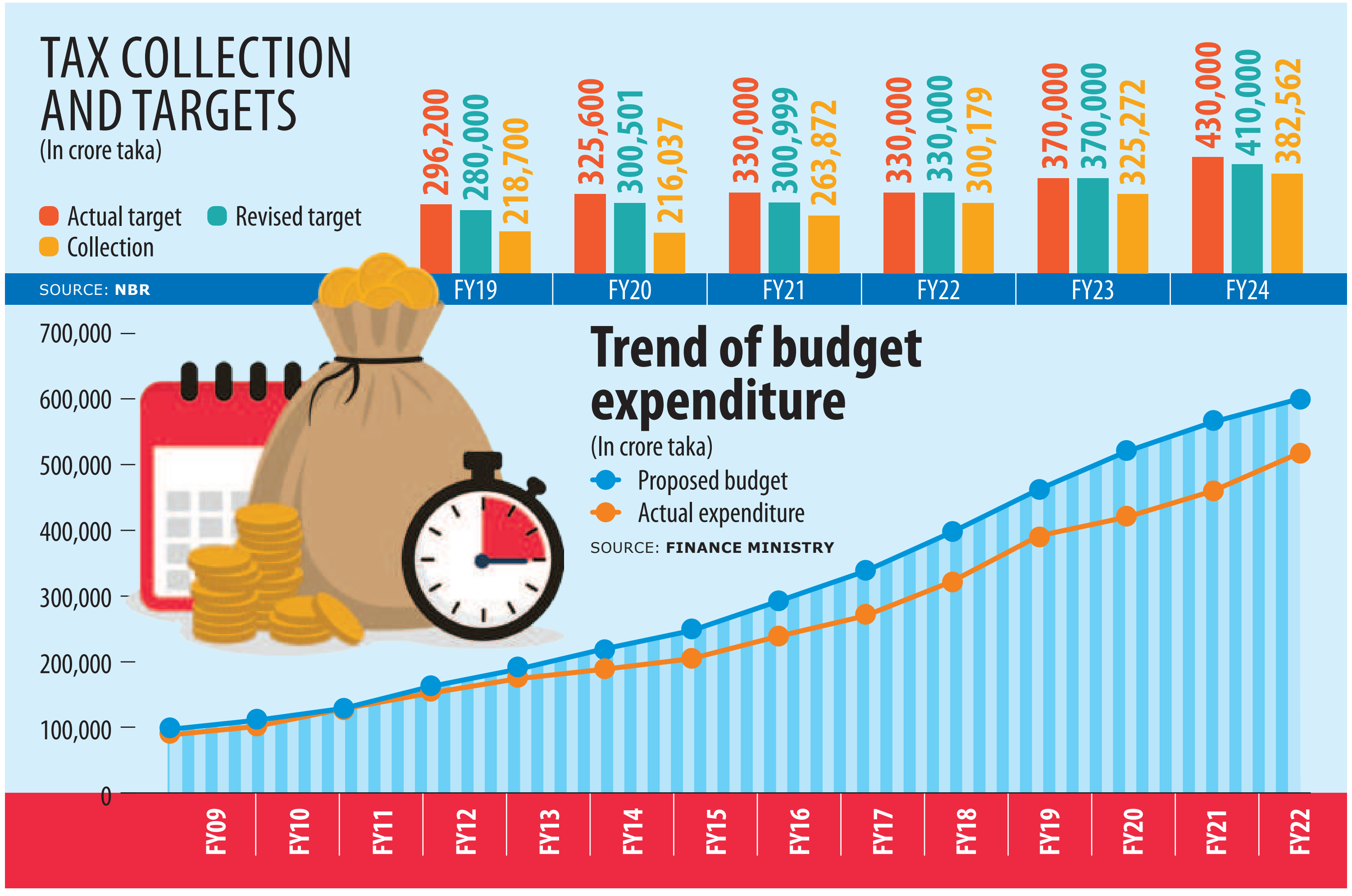
Here are some details of the new rules from the Financial Conduct Authority (FCA):

The existing standard and more onerous premium listing requirements will be scrapped and replaced with a single commercial companies category that has more flexible eligibility conditions, and less onerous ongoing requirements.

Companies wanting to list will no longer have to provide three years of historical financial data or a clean 12-month working capital statement. It means smaller growth companies can list at an earlier stage.

The rules signal a fundamental shift to a more disclosure-based system to cut red tape for companies. Companies listed under the commercial companies category will no longer have to hold a shareholder vote on what are known as significant related party transactions. They will still need shareholder backing for a reverse takeover transaction, share buy-backs or cancellation of a listing.

Companies will also still have to apply Britain's corporate governance code, meaning they have to say if they comply with best practice or explain why they do not.



Govt overestimating revenue and budget targets for 11 years

MD ASADUZ ZAMAN

The government has been overestimating its annual revenue collection targets and associated future expenditures over the past 11 years, according to a finance ministry document.

This has been posing many risks to the economy and the management of public resources, according to experts.

The revelation came in the finance ministry's medium-term macroeconomic policy statement for fiscal years (FY) 2024-25 to 2026-27, which was made public when the national budget was proposed in June.

It included a fiscal risk statement (FRS), incorporated for the first time under the guidance of the International Monetary Fund.

"The risk associated with this pattern of estimation is that if the line ministries implement their budget allocations fully and revenue authority fails to achieve their target, then there will be an abrupt escalation of unplanned budget deficit," said the FRS.

Between FY13 and FY23, the average revenue collection and expenditure forecast error has been found to be 2.4 percent of the gross domestic product, said the document.

In tune with this, the National Board of Revenue (NBR) in FY24 missed its tax revenue collection target for the 12th consecutive year.

The tax administrator logged Tk 382,562 crore in overall receipts, falling Tk 27,438 crore short of the revised target.

Revenue collection and expenditure targets are proposed in budgets at the start of the year and revised after around six months.

Government expenditure is comprised of an operating budget and a development budget.

In the case of the latter, meaning the annual development programme, the ministries and divisions were able to spend around 90 percent of their revised allocations in the last 11 years.

If the initial allocation is taken into consideration, the implementation rate stands at nearly 80 percent.

The medium-term macroeconomic policy statement usually generates forecasts for three successive years from the current budget year.

The forecasts have often been observed to have been significantly different from the actual outcomes. Such deviations have profound impacts on the budget allocations.

For example, if the expenditure forecast is optimistic, it may result in excess borrowing for the financing of the budget deficit.

Towfiqul Islam Khan, an economist and senior research fellow at the Centre for Policy Dialogue (CPD), said the government has not been considering on the ground realities when setting revenue targets for the last 10 to 15 years.

"The frequent failures in meeting the revenue targets spoil the credibility of the fiscal framework," he said, adding that the expenditure side also suffers for it.

"If the government's revenue target remains 'artificial', then the government faces a fiscal pressure to meet the budget deficit, that leads to borrowing or printing of money," said Ashikur Rahman, principal economist of the Policy Research Institute (PRI) of Bangladesh.

"If we want to ensure effective macroeconomic management, this estimation must not have a very high margin of error," he said.

"The government should be more careful with data governance and set realistic targets. We have to become vigilant to set our revenue and expenditure targets," he suggested.

In this regard, he also cited the example of a recent export data mismatch.

Bangladesh Bank recently corrected anomalies in export figures, revising down actual exports in the July-April period of fiscal 2023-24 by nearly $14 billion compared to data the Export Promotion Bureau had published earlier.

The government can neither fully spend its development allocations nor reach revenue collection targets, said Khan of the CPD.

"When you come to accept that the revenue collection target will inevitably remain unachieved, you don't have the moral and professional grounds to hold anyone accountable," he said.

"It's kind of like cheating with oneself. It's not good from the accountability and transparency standpoints," he added.

Ultimately, this kind of overestimations create various risks for the country's institutions alongside of a budget deficit, he said.

Mutual Trust Bank's Q2 profit falls 9%

STAR BUSINESS REPORT

Mutual Trust Bank (MTB) has posted a net profit of Tk 37.13 crore in the April-June quarter of 2024.

This was a decline of 8.77 percent from the Tk 40.70 crore it earned in net profits in the same period last year.

As a result, earnings per share for the quarter fell to Tk 0.38, compared to Tk 0.41 a year earlier, according to the bank's financial statements.

However, for the first half of the year, the MTB's profit was up 5.3 percent to Tk 113.62 crore from Tk 107.87 crore in the corresponding period of the previous year.

Similarly, the bank's net operating cash flow per share for January to June increased significantly to Tk 21.91 from Tk 13.22.

Incorporated in 1999, the MTB operates across the country through 119 branches, 33 sub-branches, 200 agent banking centres, 18 kiosks, and 310 ATMs, which include 6 CRM booths, according to its website.

The bank also maintains four air lounges and 3,220 point-of-sale (POS) machines in key commercial, urban, and rural locations.

Shares of the MTB declined by 2.38 percent to Tk 12.3 on the Dhaka Stock Exchange yesterday.

DBH Finance's profit down 18% in first half

STAR BUSINESS REPORT

DBH Finance PLC, one of the leading listed non-bank financial institutions (NBFIs) in Bangladesh, witnessed a year-on-year drop in profits of about 18 percent in the first half of 2024.

The NBFI reasoned that it had to keep a large amount in provisioning against its share market investments.

The profit in the January-June period of 2024 amounted to Tk 40 crore, down from Tk 49 crore in the same period the previous year, according to its financial statements.

The profit declined as the floor price was lifted in the stock markets and the lender set aside Tk 13.6 crore in provisioning, which is 14.74 percent of its investments, according to a disclosure on the Dhaka Stock Exchange (DSE) website yesterday.

DBH Finance's net interest income fell 9 percent year-on-year to Tk 81 crore. Its earnings per share stood at Tk 2.05 in the first six months of 2024.

The Bangladesh Securities and Exchange Commission set the floor price of every stock at the end of July 2022 to halt the free fall of the market indices amid global economic uncertainties.

The floor prices were lifted last January, resulting in the DSEX, the benchmark index of the DSE, dropping over 1,000 points till June.

A low-growth world is an unequal, unstable world

KRISTALINA GEORGIEVA

The global economy is stuck in low gear, which could deal a major blow to the fight against poverty and inequality.

Group of Twenty finance ministers and central-bank governors gathering this week in Rio de Janeiro face a sobering outlook. As the IMF's latest World Economic Outlook update shows, global growth is expected to reach 3.2 percent this year and 3.3 percent in 2025, well below the 3.8 percent average from the turn of the century until the pandemic. Meanwhile, our medium-term growth projections continue to languish at their lowest in decades.

To be sure, the global economy has shown encouraging resilience to a succession of shocks. The world didn't slip into recession, as some predicted when central banks around the world raised interest rates to contain inflation.

Yet, as we move beyond the crisis years of the pandemic, we need to prevent the world from falling into a prolonged period of low growth that entrenches poverty and inequality.

The pandemic already set back the fight. Extreme poverty increased after decades of decline, while global hunger surged and the long-term decline in inequality across countries stalled.

New IMF analysis suggests periods of stagnation lasting four years or more tend to push up income inequality within countries by almost 20 percent—considerably higher than the increase due to outright recession.

During periods of stagnation, sluggish job creation and wage growth increase structural unemployment and reduce the share of a country's income flowing to workers. Together with limited fiscal space, these forces tend to widen the gap between those at the top and bottom of the income ladder.

In other words, the longer we're stuck in a world of low growth, the more unequal that world would become. That in itself would be a setback to the progress we've made in recent decades. And as we have seen, rising inequality can fuel discontent with economic integration and technological advancements.

It is therefore timely that Brazil has made fighting inequality, poverty and hunger a priority of its G20 presidency. With the right policies, we can still escape a low-growth, rising-inequality trap, while working to reduce poverty and hunger. Let me highlight three priority policy areas.

GEARING UP INCLUSIVE GROWTH

First, we need to address the underlying problem of slow growth. Most of the decline in growth in recent decades has been driven by a slump in productivity. A big reason for the slump is that labor and capital aren't flowing to the most dynamic firms.

But a smart mix of reforms could jumpstart medium-term growth. Measures to promote competition and improve access to finance could get resources flowing more efficiently, boosting productivity. Meanwhile, bringing more people into the labor force, such as women, could counter the drag on growth from aging populations.

We must also not forget the role that open trade has played as an engine of growth and jobs. In the last 40 years, real income per capita has doubled globally, while more than a billion emerged from extreme poverty. Over that same period, trade as a share of gross domestic product increased by half. It's true that not everyone benefited from trade, which is why we must do more to ensure the gains are shared fairly. But to close off our economies would be a mistake.

MAKING FISCAL POLICIES PEOPLE-FOCUSED

Second, we must do more to ensure that fiscal policies support the most vulnerable members of society.

The challenge is that many economies are facing severe fiscal pressures. In developing countries, debt-servicing costs are taking up a bigger share of tax revenue at a time when they are tackling a growing list of spending demands, from investments in infrastructure to the cost of adapting to climate change. A gradual and people-focused fiscal effort can alleviate fiscal risks while limiting any negative impact on growth and inequality, including by raising revenue, improving governance, and protecting social programs.

There is much scope for developing countries to raise more revenue through tax reforms—as much as 9 percent of GDP, according to our research.

Yet it is crucial to take a progressive approach, which means making sure those who can afford to pay more taxes contribute their fair share. Taxing capital income and property, for example, offer a relatively progressive way to raise more tax revenue.

Regardless of the strategy, people need to have confidence that the taxes they pay will be used to deliver public services—not enrich those in power. Governance improvements, such as to increase transparency and reduce corruption, must also be part of the equation.

At the same time, social-spending programs can make a big difference to inequality, including through school meals, unemployment insurance, and pensions. These should be protected. Well-targeted cash-transfer programs—such as Brazil's Bolsa Familia—can support the vulnerable.

Our research shows that strong redistributive policies in a growing G20 economy—such as social-spending programs and public investment in education—can reduce inequality between 1.5 and 5 times more than weaker policies.

STRENGTHENING THE GLOBAL BACKSTOP

Finally, we need a strong global financial safety net for countries that need support. With that goal in mind, the IMF is working on a package of reforms to our lending framework

To continue to serve the needs of our most vulnerable members, we are reviewing our concessional lending instrument for low-income countries, the Poverty Reduction and Growth Trust. With demand expected to exceed pre-pandemic levels, it is vital that our membership comes together to ensure the PRGT is adequately resourced and its long-term finances are put on a sustainable footing.

We are also taking a close look at our surcharge policy for the first time in nearly a decade. The review aims to ensure we can continue to provide financing at affordable rates to members who need our support.

Last year our members gave us a strong vote of confidence by agreeing to increase our permanent quota resources, allowing us to maintain our lending capacity. I am counting on G20 members to now ratify the increase.

One of the lessons of recent history has been that we must not ignore those left behind by economic and technological progress—be they individuals within a country, or entire nations struggling to close the gap. But with the right policies, and by working together, we can build a prosperous and equitable world for all.

The writer is the managing director of the International Monetary Fund.

PHOTO: SHEIKH NASIR

Sluggish economic activities globally could deal a major blow to the fight against poverty and inequality, says an expert.