Travel restrictions on bank MDs withdrawn

STAR BUSINESS REPORT

The restrictions on managing directors (MDs) and chief executive officers (CEOs) from travelling abroad have been withdrawn.

They can now travel abroad without prior approval from the Bangladesh Bank, said a central bank notice issued recently.

Previously, MDs and CEOs of banks had to take approval from the central bank 10 days prior to travelling abroad.

In case of mandatory travel abroad for MDs and CEOs of banks, they can now take approval from their respective board of directors or concerned authorities.

However, MDs and CEOs will have to inform the details of the officials in charge during their absence to the central bank 10 days before they travel.

Bank of Japan governor flags more rate hikes

AFP, *Tokyo*

Bank of Japan governor Kazuo Ueda indicated Friday that officials could hike interest rates again if inflation and the economy performed as expected, weeks after turmoil caused by a surprise increase earlier this month.

The remarks come after markets were sent into a spin by the bank's second hike in 17 years on July 31, hours before the Federal Reserve indicated it was set to start cutting.

The decision, and hints at more to come, sparked a sharp unwind of the "yen carry trade" -- in which investors use the cheaper currency to buy higher-yielding assets such as stocks -- and sent equities plunging and the yen soaring.

"We will continue to adjust the degree of monetary easing if we can confirm a rising certainty that the economy and prices will stay in line with our forecasts," Ueda told parliament just as data showed core inflation edged higher in July and remained well above the bank's target.

He also warned that "financial and capital markets at home and abroad remain volatile", adding "it is necessary to monitor (the markets) with a high sense of urgency".

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An oil tanker is pictured in the Patenga area of the port city of Chattogram. The Bangladesh Petroleum Corporation owes six foreign fuel suppliers over half a billion dollars.

PHOTO: STAR/FILE

BPC struggling to clear unpaid bills amid forex crisis

MD NAZRUL ISLAM, *Chattogram*

Six foreign fuel suppliers are piling pressure on Bangladesh Petroleum Corporation (BPC) to clear outstanding dues amounting to nearly half a billion US dollars, but a forex crunch in local banks is proving to be a major barrier to timely payments.

As of August 14, the BPC owed the suppliers around $533 million. But the bills keep piling up with each passing day. The six suppliers were owed $504 million as of August 1, meaning the dues increased by $29 million in just 13 days.

However, some payments were made by the time this report was filed, bringing the outstanding dues down to $483 million as of August 24.

Officials concerned said some companies had not received payments for over three months.

Against this backdrop, a virtual meeting was held between the BPC officials and different companies on August 14 to discuss how to mitigate the pressure.

Contacted, Md Abdul Matin, director (finance) at the BPC, told The Daily Star, "We have enough funds. But we are unable to make payments on time due to the dollar crisis."

Central bank data showed that Bangladesh's taka lost 25.69 percent in value, hitting Tk 118 per dollar on August 19 compared to Tk 93.88 per dollar in July 2022, reflecting the depth of the greenback crisis.

It weakened further last week to around Tk 120 per US dollar after the central bank allowed more flexibility in the purchase and sale of foreign currencies.

Matin further claimed there had been no disruption to the supply of fuel due to the delays in payment.

Vitol Asia Private Limited, a supplier based in Singapore, is the BPC's biggest creditor. The company is owed $236.28 million against 11 invoices.

The other creditors are Malaysia's Petco Trading Labuan Company Limited (PTLCL), which is owed about $22 million, Emirates National Oil Company (ENOC) of the UAE (around $57 million), Indonesia's PT Bumi Siak Pusako (around $47 million), Indian Oil Corporation Limited (about $34 million), and Unipec Singapore Private Limited ($64 million).

Md Abdul Matin, director (finance) at the BPC, told The Daily Star, "We have enough funds. But we are unable to make payments on time due to the dollar crisis

These foreign supplierssent 30 shipments of fuel to Bangladesh from April to July.

In the first week of this month, Vitol and ENOC suspended cargo clearance until outstanding payments could be collected. However, after the BPC officials spoke to local agents of these two companies, the suspension was lifted.

According to the bank documents, a letter of credit (LC) worth $24.67 million was opened with Sonali Bank on April 1 to import octane from Vitol.

The BPC had committed to pay this LC in two instalments by April 28. But it managed to pay only $11.01 million in six instalments in June and July.

Similarly, two LCs worth $26.48 million and $21.42 million were opened with Sonali Bank on May 28 to import diesel and octane from PT Bumi Siak Pusako.

Although the LCs were due to be paid within a month, the BPC managed to pay just over $1 million.

On May 28, Sonali Bank opened another LC of $27.95 million for diesel imports from the ENOC.

Officials of the company's local office told The Daily Star on condition of anonymity that BPC authorities had not yet made the payment.

"We have contacted the top officials of the BPC several times in this regard," the official added.

The BPC officials added that suppliers had not yet confirmed the import schedule for September due to the accumulated arrears.

If it is disrupted, transport, trade, production and other sectors may be affected, they said.

According to officials concerned, payments to oil suppliers began piling up in 2022. They said the dues did not amount to large sums before that.

Small payments are still being made, but that is not enough, they said, so the arrears are gradually increasing.

A laundry list for BB governor

MAMUN RASHID

A new governor has joined the central bank of Bangladesh. As a leading macroeconomist, he has rightly identified inflation and the lack of discipline in the banking sector as the main culprits to be addressed. Both issues are very important, there's no doubt about it.

However, my humble reminder would be that whenever one is considering pushing inflation back, it must be kept in mind that raising interest rates alone may not be the most effective tool. There are other factors that need to be handled innovatively, especially in a country like ours.

BB Governor Mansur did talk about improving liquidity, especially foreign currency liquidity, and thereby increasing the foreign exchange reserve. I strongly believe that with less traffic diverted to the "hundi" route and more disbursement of foreign aid, our reserves should rise, and the USD/BDT exchange rate should stabilise considerably.

We must remember that the IMF and World Bank cannot provide all the bailouts. We may consider securitising receivables like remittances or telephone fees, engaging in currency swaps, issuing bonds against profitable assets, or even inviting foreign direct investment into profitable institutions.

When addressing the crucial issue of bringing discipline to the banking sector, it is important to remember that large insider loans or poorly secured loans may be difficult to recover. Sovereign debt restructuring, which involves extending the repayment period and reducing interest rates, is also crucial, particularly with a focus on recovering stolen assets.

The Hallmark case has taught us the importance of having an accepted facility offer letter and securing any doubtful or recurring past-due loans or increased credit facilities with better security and hard collateral. It also highlighted the need to potentially restructure the entire loan to ensure repayment.

Proper facility structuring and appropriate security are very important for winning a court verdict against a defaulting client. We all know court cases may take donkey years.

We have been hearing about around $100 billion in sovereign or foreign currency loans outstanding during the immediate past government. This figure was being discussed as potentially reaching approximately $120 billion with new repayments starting for the Rooppur Nuclear Power Plant, the Padma River railway project, the Karnaphuli Tunnel, and a few other government-to-government projects. Like Sri Lanka, we need to focus immediately on restructuring those sovereign debts and perhaps even consider lobbying for fresh loans.

Now, coming to the billion-dollar question of stolen asset recovery: If we believe the media reports and some international observers, billions of dollars have been siphoned out of the country by politicians and rogue businessmen close to the highest office. There was even a popular discussion in the corridors, including some ministers and advisers, about 'the government head having a fantastic tolerance towards corruption'.

Now, how do we bring it back? It is extremely, I repeat, extremely tough if one can't detect the assets or win in the courts of the host country where the money has been transferred. Though the 2012 'Mutual Legal Agreement' or Bangladesh becoming a member of the 'Egmont' group might have paved the way a bit, putting up the right case against the person or company facilitating capital flight is still extremely difficult.

The then Anti-Corruption Commission chairman, Lieutenant General Hasan Masud Chowdhury, in 2008 was very frustrated to see all the good lawyers defending the alleged person, not the government. I was, of course, not surprised.

However, one should not be too discouraged. We can seek assistance from the United Nations Office on Drugs and Crime Corruption and Economic Crime Branch under the Asset Recovery Resolution (Chapter V) or the Stolen Asset Recovery Initiative at the World Bank. However, serious political commitment from the government, competent legal counsel, and perhaps support from a relevant international consulting firm, as in the cases of Sri Lanka or a few African countries, may be very important here.

One should also remember that the governor, without support from the law ministry, finance ministry, and perhaps the supreme office, cannot do much in this regard.

The writer is the chairman of Financial Excellence Ltd

UK energy bills to rise, sparking fuel poverty fears

AFP, *London*

British energy bills are set to start rising again this autumn, the sector regulator announced on Friday, sparking fears that fuel poverty will worsen amid an ongoing cost of living crisis.

The cost of household electricity and gas had been falling from peaks reached after Russia's invasion of Ukraine that contributed to the soaring cost of living.

But energy market regulator Ofgem said the price cap that suppliers can charge customers will increase by 10 percent from October, adding around £12 ($15) a month to the average bill.

A typical household bill will rise to about £1,717 per year, Ofgem, which sets the cap every quarter, detailed in a press release. It had issued reductions in April and July.

The regulator cited "rising prices" on international energy markets due to "increasing geopolitical tensions and extreme weather events driving competition for gas".

It said that despite the rise for the October to December quarter, the cap will still be six percent lower than for the same period last year.

It will be almost half as low as at the height of the energy crisis in 2022 following Russia's invasion of its neighbour in February that year, Ofgem added.

But National Energy Action, a UK fuel poverty charity, warned that the increase would "plunge 400,000 more UK households into fuel poverty this winter", taking the number to six million.

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Economists push back on Harris price gouging plan

AFP, *Washington*

Kamala Harris's price gouging policy has been criticized by economists and analysts, who say it is an uncompetitive proposal that could end up hurting, and not helping, US consumers.

Harris, the Democratic nominee for president, announced the policy last week as part of a raft of populist proposals which included a $6,000-a-year tax credit for families with newborn children and a $10,000 tax credit for first-time home buyers.

If elected President, Harris would work with Congress to advance "the first-ever federal ban on price gouging on food and groceries," her campaign said in a statement. The proposals would look to set "clear rules of the road" to stop big corporations from running up "excessive" profits on food and groceries, and beef up state and federal regulatory powers to penalize rule-breakers.

While popular with the Democratic base, the price gouging plans elicited a fierce reaction from Republican presidential candidate Donald Trump, who is running against Harris in November's elections.

"Kamala will implement SOVIET Style Price Controls," he wrote in a social media post a day after the proposals were published.

Supporters of the policy say it has been mischaracterized and misunderstood.

"When there is more concentration in an industry, we have seen much greater increases in the profit margins," US Senator Elizabeth Warren said in an interview with CNBC on Friday.

The Harris campaign did not respond to a request for comment. But several US media organizations, including the Washington Post, reported that the Harris campaign sees the policy as an attempt to elevate existing state-level rules on price gouging to the federal level.

US Vice President and Democratic presidential candidate Kamala Harris speaks on the last day of the Democratic National Convention at the United Center in Chicago, Illinois.

PHOTO: AFP/FILE

A global inflationary surge at the tail-end of the Covid-19 pandemic contributed to a sharp rise in the cost of everyday items across the United States.

Consumer inflation has eased dramatically since peaking at more than nine percent in 2022. But Americans are still contending with an overall price increase of just over 20 percent since Joe Biden took office, according to data from the US Labor Department.

However, "very little" of that increase is down to price gouging, Oxford Economics chief US economist Ryan Sweet told AFP.

Instead, Sweet points to a pandemic-fueled supply shock, and an increase in demand for goods and services spurred -- in part -- by generous federal support for households during the pandemic.

"What this gouging does is pivot the blame from the Biden administration, which Harris was part of, to corporations," said Gary Hufbauer, a nonresident senior fellow at the Peterson Institute for International Economics.

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