

ECB cuts rates again, Lagarde backs reform call

AFP, Frankfurt

The European Central Bank cut its key interest rate again Thursday as inflation cools while president Christine Lagarde urged EU governments to institute sweeping reforms proposed in a "formidable" report by her predecessor Mario Draghi.

The Frankfurt-based central bank reduced its key deposit rate a quarter point to 3.5 percent, as expected, providing further relief to eurozone households and businesses.

It was policymakers' second cut, after a move in June, which ended a record hiking cycle that began in mid-2022 to tame a surge in consumer prices.

Inflation rates have been easing, and are now only a whisker off the ECB's two-percent target. The eurozone economic outlook meanwhile has worsened in recent weeks, with the ECB on Thursday

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slightly trimming its growth forecasts for the coming years.

After the ECB unveiled only its second rate reduction since 2019, Lagarde stressed that progress was being made in the fight against inflation, which was on a "declining path".

But she warned that the battle was far from over, with inflation likely to tick up again later this year and fast-rising wages still a threat. She again insisted that the rate path ahead was "not pre-determined".

"We shall be data dependent, we shall decide meeting by meeting," she told a press conference.

The central bank for the 20 countries that use the euro left its inflation forecasts unchanged from its last projections in June, forecasting the figure would drop below two percent in 2026.



As India recently relaxed its rules regarding onion exports, prices of the bulb have already decreased in Bangladesh with traders in local markets expecting an overall decline of about Tk 12 per kilogramme at wholesale. The picture was taken from the Karwan Bazar kitchen market in Dhaka yesterday.

PHOTO: PALASH KHAN

Onion becoming cheaper as India removes minimum export price

SUKANTA HALDER and MD NAZRUL ISLAM

Prices of Indian onion are dropping in Bangladesh, as the neighbouring country on Friday withdrew the restriction of "minimum export price" at \$550 per tonne and slashed export duty to 20 percent from 40 percent.

In Shyambazar, a wholesale market in the capital, the kitchen staple was selling for Tk 95 to Tk 96 per kilogramme yesterday, which was Tk 4 to Tk 5 cheaper than that on Friday.

India's recent decision will likely lead to a reduction of Tk 10 to Tk 12 per kg at wholesale, said Mohammad Abdul Mazed, a wholesaler and general secretary of Shyambazar Onion Wholesalers Association.

However, no new shipment has arrived as of yesterday evening, according to a wholesaler at Karwan Bazar, one of Dhaka's largest kitchen markets.

The trader believes new consignments would significantly affect prices.

"A new consignment of onions will

arrive tonight (last night). From what I hear, onion prices are already decreasing," said Mohammad Kalam Sheikh, another onion wholesaler from Karwan Bazar.

The imported bulbs are retailing for a maximum of Tk 105 per kg, whereas it was Tk 115 a week ago, according to state-run Trading Corporation of Bangladesh.

Prices and sales have both dropped since Friday, Mohammad Ali Talukder, a trader at Khatunganj wholesale market in Chattogram, told The Daily Star.

Md Manik, a retail trader at Kazir Dewri in Chattogram city, said he was charging Tk 107 per kg yesterday whereas Tk 113 to Tk 115 last week.

India had banned onion exports last December, fearing domestic shortages after a weak monsoon, according to a report by The Hindu.

In March, the export ban was extended indefinitely, although some shipments were allowed based on diplomatic requests from

certain countries.

Farmers became restless as the extended restrictions coincided with high global prices and strong demand.

In May, ahead of general elections in Maharashtra, India's largest onion-producing state, the government lifted the ban.

However, it imposed the export duty and minimum export price.

According to Bangladesh's agriculture ministry, some 39 lakh tonnes of onions were produced in the last fiscal year of 2023-24, which is sufficient to meet domestic demand.

However, the ministry noted that an additional 600,000 to 700,000 tonnes would need to be imported due to post-harvest losses amidst mainly inadequate storage facilities.

Traders in Dhaka's Shyambazar market disputed the ministry's figures, claiming that local production was 15 to 20 percent lower than estimated this year due to crop damage from adverse weather in February.

Gold to hit close to Tk 130,000 per bhoori

STAR BUSINESS REPORT

Gold prices are set to hit a new all-time high of around Tk 130,000 per bhoori (11.664 grammes) today as the Bangladesh Jewellers' Association (Bajus) hiked the rates citing an increase in the cost of pure gold.

The price of gold, a popular metal among people from all walks of life, will increase by 2.8 percent from the previous rate of Tk 126,321 a bhoori, which has been effective since September 2.

The Bajus yesterday advised its members to sell gold at Tk 11,137 per gramme from today, up from Tk 10,830 per gramme.

The price of the precious metal is set to break the previous record of Tk 127,942 per bhoori, announced on August 25, this year.

Bangladesh's estimated annual demand for gold currently stands between 20 and 40 tonnes. Around 80 percent of the demand is met by smuggled gold, according to industry people.

PwC unit fined in Evergrande accounting fraud

ANN/CHINA DAILY

Chinese authorities have slapped 441 million yuan (\$62.1 million) in penalties and imposed a six-month business suspension on PwC's auditing unit in the country, after the entity was found to have "covered up and even condoned" fraud at Evergrande Real Estate Group.

The China Securities Regulatory Commission said on Friday that PwC Zhong Tian LLP had failed to exercise due diligence in its audit of Evergrande Real Estate Group, the flagship subsidiary of Evergrande Group.

In May, the CSRC had fined the troubled real estate developer some 4.18 billion yuan for fraudulent bond issuances and false statements.

STOCKS		WEEK-ON-WEEK
DSEX ▼	CASPI ▼	
0.04%	1.45%	
5,726.51	16,140.02	

COMMODITIES		AS OF FRIDAY
Gold ▲	Oil ▲	
\$2,578.24	\$69.23	
(per ounce)	(per barrel)	

ASIAN MARKETS				FRIDAY CLOSINGS
MUMBAI	TOKYO	SINGAPORE	SHANGHAI	
▼ 0.08%	▼ 0.68%	▲ 0.17%	▼ 0.48%	
82,890.94	56,581.76	3,562.65	2,704.09	

US firms concerned

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harassment by officials of the National Board of Revenue in the past.

"Now we have noticed that the attitudes of the tax and customs officials have become positive. They are now supporting us," he said. "Challenges remain in terms of law-and-order. Focus should be given here. It is vital to make the police active."

Top executives expressed concern over the current unrest in industrial zones, which has been hurting the production and transport of goods.

"Unrest and factory closures will affect investment," said a top official who attended the meeting.

Ahmed added that businesses were facing challenges in the supply chain because of logjams at the ports, which is affecting the smooth shipment and clearance of exported and imported goods.

"We have not seen enough improvement in the supply chain. Improved management of ports is needed," he said.

On the other hand, business executives expressed problems

in repatriating dividends out of Bangladesh due to a persistent US dollar crisis.

"Companies also highlighted the issue of government dues for energy purchase," a participant said, adding that issues related to the consumer goods business and digital economy also came up during discussions.

The AmCham president added that the interim government had several planned initiatives to reform the banking sector and act against corruption.

Eric M Walker, AmCham vice-president and president of Chevron Bangladesh, Ala Uddin Ahmad, MetLife chief executive officer in Bangladesh, and Syed Mohammad Kamal, country manager at Mastercard, were also present at the meeting.

Others present were Md Moinul Huq, country officer of Citibank, NA in Bangladesh, Md Yousup Faruqi, managing director for Bangladesh at Microsoft, and Niraj Kumar, managing director of Colgate-Palmolive ACI Bangladesh Pvt Ltd.

reserves have been dwindling, having barely enough to cover import payments of a couple of months, which is the IMF's minimum benchmark.

In recent months, the reserves have been hovering around \$20 billion, as per the IMF's calculations. On September 11, there was \$19.44 billion.

In the energy and power sector alone, the government has outstanding dues of more than \$2 billion, according to the central bank officials.

On top of that, the government requires about \$1 billion each month for import bill payments for this sector.

Against this backdrop, the interim government has been seeking budgetary support from the development partners, alongside looking to bring in increasing amounts in remittance and export earnings.

City Bank's Tk 85cr investment in Sea Pearl

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Besides, City Bank's decision to invest in Sea Pearl back then gave market manipulators the scope to offload their shares at higher prices, they said.

Toufic Ahmad Choudhury, director general of the Bangladesh Academy for Securities Markets, said banks usually invest in stocks to make extra profit apart from their core activities related to lending.

"But it is not acceptable if they incur such a huge loss through investment," he added.

Citing how this shows that City Bank failed to analyse its investment decision, Choudhury said anyone would question whether the lender chose to buy the stock to benefit someone else.

The Bangladesh Securities and Exchange Commission (BSEC) had formed a probe committee in September 2023 to investigate the abnormal price movement of Sea Pearl's shares.

Media reports had alleged that some brokerage houses and several individual investors were involved in manipulating the company's share price.

A few other banks that bought shares in Sea Pearl when the price was being manipulated made hefty profits but some incurred a loss, according to the BSEC investigation report.

However, this information is missing from the banks' financial statements as they did not hold the shares until the end of 2023.

A mid-level official of the BSEC confirmed that the stock rose based on rumours and manipulation. But the regulator, led by Professor Shibli Rubayat-Ul Islam, left them only with a warning.

The company's share price had stayed below Tk 50 per unit for several years before starting to rise in mid-2022 and peaking a year later at Tk 308.

It started to fall after that, reaching Tk 46 per unit as of Thursday,

according to the Dhaka Stock Exchange (DSE).

City Bank spent an average of Tk 203 for each of its 42 lakh shares in Sea Pearl, showed the bank's annual reports for 2023.

A top official of an asset management company, preferring anonymity, said a bank cannot buy this type of share in any situation as the bank would ultimately be the loser.

"Why would a bank buy this share with the fund of its depositors?" he questioned.

The auditor of the luxury hotel company gave a qualified opinion as it found some material misstatements in the financial reports for the year 2022-23.

The company was facing debt amounting to Tk 565 crore consisting of long-term loans, short-term loans, bond payments, lease finance and other related dues.

The total debt represents 71.18 percent of the company's equity, the auditor said in its report.

Moreover, the company failed to pay regular instalments of its bond since June 2020. Due to this, its liabilities have increased significantly, the auditor added.

In 2017, Sea Pearl raised Tk 325 crore through a 20 percent convertible bond to expand its business. The bond was fully subscribed by the Investment Corporation of Bangladesh (ICB).

And after Sea Pearl failed to repay instalments of the bond, the company went to the High Court and blamed the Covid-19 pandemic for its decline in business and subsequent non-payments to the ICB.

Later, Sea Pearl requested to convert its remaining bond proceeds of Tk 120 crore into ordinary shares.

The BSEC gave its approval in this regard last February considering the hotel's failure to repay its bondholders.

In a written reply to queries regarding its investment, City Bank said the decision was made after finding that Sea Pearl's earnings per

share posted 10 times higher growth in 2023 compared to previous years.

On top of that, Sea Pearl planned to buy 30 percent of the shares of Shamim Enterprise (Pvt), which was projected to contribute additional profit of Tk 18 crore to the company annually.

It also announced that GEM Global Yield LLC would buy shares in Sea Pearl worth Tk 350 crore and the related purchase agreement was approved by both BSEC and DSE.

"During our investment period, we observed that Sea Pearl always remained in the top 20 traded stocks. For this reason, we considered it as the most liquid share at the time," City Bank said.

But despite all the disclosures, Sea Pearl later informed that it had not completed its amalgamation with Shamim Enterprise while GEM Global did not go ahead with its share purchase.

Against this backdrop, City Bank launched an internal investigation on this matter on July 30.

City Bank further said that it has appointed a reputed brokerage house, United Securities, as one of its capital market investment fund managers.

United Securities, a subsidiary of United Group, said in a written response that a brokerage house only provides brokerage services that include providing research, analytics and market sentiment to customers.

"United Securities had no idea or knowledge about any sort of manipulators seeking to offload their shares of Sea Pearl," it added while pointing out that the ultimate decision to buy the shares was made by the bank's investment committee.

A top official of a leading asset management company said the BSEC should investigate why Sea Pearl's plans to buy shares of Shamim Enterprise and sell shares to GEM Global has not been executed yet.

When a company provides such types of disclosures but does not

implement them, it indicates that the owner may have serious bad intentions to fuel the stock price, according to the asset manager.

And although Sea Pearl had forecasted higher profits, the hotel's earnings actually declined. Its net profit dropped 42.5 percent to Tk 46 crore between July 2023 and March 2024 in the current fiscal year.

BSEC Spokesperson Farhana Faruqui said the commission gave some conditions to sell the shares to GEM Global but the company did not fulfil them, and so the sale was not completed.

As the hotel could not complete its share sale in the last one year, it should have given another disclosure on the last status of sale announcement, she added.

Sea Pearl's Managing Director Md Aminul Haque did not receive phone calls for a comment despite repeated attempts by the time this report was filed.

Choudhury, also a former director general of the Bangladesh Institute of Bank Management, said a bank should invest in fundamentally strong stocks.

"Otherwise, they will incur loss instead of profit," he added.

Oil eases

REUTERS, New York

Oil prices fell on Friday as US Gulf of Mexico crude production resumed following Hurricane Francine and rising data showed a weekly rise in US rig count.

Brent crude futures settled at \$71.61 a barrel, down 36 cents, or 0.5 percent. US West Texas Intermediate crude (WTI) settled at \$68.65 a barrel, down 32 cents, or 0.5 percent.

As US Gulf Coast production and refining activity resumes, investors have opted to offload oil contracts going into the weekend, said Bob Yawger, director of energy futures at Mizuho in New York.