

## Japan keeps interest rates steady

REUTERS, Tokyo

The Bank of Japan kept interest rates steady on Friday and its governor said it could afford to spend time eyeing the fallout from global economic uncertainties, signalling it was in no rush to raise borrowing costs further.

The dovish comments pushed down the yen, heightening uncertainty over whether the BOJ could hike interest rates again this year, as many market players had predicted.

BOJ Governor Kazuo Ueda said Japan's economy was moving in line with forecasts, with rising wages lifting consumption, and keeping inflation on track to durably hit the bank's 2 percent target.

But volatile financial markets and uncertainty over whether the US economy can manage a soft landing required the BOJ to spend more time determining whether more rate hikes were needed, he said.

"The outlook for overseas economic development is highly uncertain. Markets remain unstable. We need to scrutinise such developments carefully for the time being," Ueda told a news conference after the BOJ's widely expected decision to keep short-term rates steady at 0.25 percent.

The yen's recent rebound has also moderated upward pressure on import costs, and diminished the risk of an overshoot in domestic inflation, he said. "As such, we can afford to spend some time in making a policy decision."

The dollar jumped above 143 yen after Ueda's remarks on relief he did not give strong clues on the chance of a near-term rate hike.

"The governor stressed risks surrounding the US economy and re-confirmed the view the BOJ won't hike rates when markets are unstable. That may have led to receding market expectations of a year-end rate hike," said Atsushi Takeda, chief economist at Itochu Research Institute.

"But such risks may clear up. I believe there's still a chance the BOJ could hike rates in December," he said.



The Central Fund for garment workers' welfare was formed in 2016, with the country's apparel makers contributing 0.03 percent of their export proceeds in each fiscal year.

PHOTO: STAR/FILE

# Central Fund for RMG workers at risk of misuse, says labour secretary

STAR BUSINESS REPORT

Money deposited in the Central Fund for the welfare of garment workers in Bangladesh is at risk as the disbursal activities lack transparency, according to AHM Shafiquzzaman, secretary to the Ministry of Labour and Employment.

The way the immediate past government handled deposits and spending from the Central Fund seems risky as there was a lack of transparency, he said while adding that he is trying to remedy the situation.

The Central Fund for garment workers' welfare was set up in 2016, with the country's apparel makers contributing 0.03 percent of their export proceeds in each fiscal year.

As such, nearly Tk 1,000 crore has been deposited so far, the labour secretary said.

But if the money was spent properly, Bangladesh might not have witnessed the latest spell of unrest that damaged the local garments industry, he added.

The government created the fund to

provide welfare support to garment workers in times such as when they need to pay for medical treatment or their child's education, and also if they lose their jobs.

"But unfortunately, the fund was not properly used," Shafiquzzaman said.

He made these comments at a debate on the latest spell of labour unrest, organised by Debate for Democracy at the studio of the Bangladesh Film Development Corporation in Dhaka yesterday.

Shafiquzzaman also said the labour ministry is planning to establish a separate department for handling employment issues in the country.

More than 2 million fresh graduates enter the job market each year, but more than half of them end up leaving in search of work elsewhere due to the lack of opportunities within the country.

The remainder are mostly employed by private entities, he added.

Against this backdrop, Shafiquzzaman explained that the interim government

will create the new department in order to facilitate local employment.

The labour secretary further said they will amend the Labour Act 2006 so that regulations within export processing zones (EPZs) matches those elsewhere, thereby reducing discrimination among workers.

Shafiquzzaman added that industries based outside the EPZs had instigated the garments workers to create the latest spell of unrest.

Moderating the programme, Chairman of Debate for Democracy Hasan Ahmed Chowdhury Kiron placed 10 suggestions for remedying the situation, such as identifying if there was any instigation by outside forces.

He also suggested ensuring proper rights for workers, forming a labour dispute commission and holding dialogues among workers and factory owners to resolve their grievances.

A team from Tejgaon College won the debate competition while Prime University became runners up.

## Gold hits new high of Tk 133,051 a bhoori

STAR BUSINESS REPORT

Gold prices hit a new all-time high, reaching Tk 133,051 per bhoori (11.664 grammes), with the new rate coming into effect today.

Citing an increase in pure gold prices in the local market, the Bangladesh Jewellers Association (Bajus) decided to raise prices of 22-carat gold by Tk 3,149 per bhoori in a meeting on Saturday, according to a press release.

Gold prices have been rising steadily for over a year in Bangladesh. It crossed the Tk 100,000 per bhoori mark for the first time last July.

Although the country does not import significant quantities of gold, prices remain linked with international trends.

Annual demand for gold in the country currently stands between 20 and 40 tonnes.

At present, about 80 percent of the demand is met by smuggled gold, according to industry people.

For decades, gold has been considered a store of value as it has historically maintained its value over time, serving as a form of insurance against adverse economic events.

When an adverse economic situation lingers, investors may decide to pile their funds into gold, which drives up its price.

## Oil settles lower

REUTERS

Oil prices settled lower on Friday but recorded a second straight week of gains, garnering support from a US interest rate cut and a dip in US supply.

Brent futures settled down 39 cents, or 0.52 percent, at \$74.49 a barrel. US WTI crude futures settled down 3 cents, or 0.4 percent, to \$71.92.

Signs of a slowing economy in major commodity consumer China gave prices a ceiling. But for the week, both benchmarks settled up more than 4 percent.

Prices have recovered after Brent fell below \$69 for the first time in nearly three years on Sept. 10.

STOCKS		WEEK-ON WEEK
DSEX ▲	CASPI ▲	
0.15%	0.32%	
5,735.27	16,191.89	

COMMODITIES		AS OF FRIDAY
Gold ▲	Oil ▲	
\$2,622.3	\$71.25	
(per ounce)	(per barrel)	

ASIAN MARKETS				FRIDAY CLOSINGS
MUMBAI	TOKYO	SINGAPORE	SHANGHAI	
▲ 1.63%	▲ 1.53%	▼ 0.23%	▲ 0.02%	
84,544.31	37,723.91	3,624.76	2,736.81	

## BB should develop

FROM PAGE B1

accompanying methods document and a quarterly dissemination report.

The RPPI should be updated quarterly according to a pre-announced publication schedule.

Once further improvements outlined in this report are implemented, the experimental label can be removed, according to the IMF.

Year-on-year percentage changes and quarter-on-quarter percentage changes can be illustrated in the indices.

An experimental RPPI was successfully calculated at the BB, which was identified by the IMF as a significant achievement.

The BB introduced a new data collection template in January 2022 for eight financial institutions in the initial pilot phase.

The authorities have been slow in making the new template a mandatory requirement and expanding the data collection to all financial institutions, including non-banks, the IMF said.

The BB management said the issue will get priority in the coming months.

As a matter of urgency, the authorities should make the new reporting template mandatory and provide additional staff to the Residential Property Price Analysis (RPPA) wing.

To support the increased volume of survey forms, the junior level officials – joint director and below – with the relevant skills within the RPPA wing should be increased to about five staff in total, the IMF recommended.

The progress of the activities was impeded by a shortage of staff with relevant skills.

There are currently two junior-level officials in the RPPA wing, one of whom only joined earlier this year.

In this regard, placing some officials from the statistics department and the IT department with the relevant

skills in the RPPA wing would be beneficial, the IMF believes.

The authorities should finalise the draft quarterly dissemination report and the draft methods document that were developed during the mission, the IMF said.

The dissemination report, which highlights the key inflation information and trends for the user, should be updated quarterly and published on the website alongside the RPPI time series data.

A methods document is an important step for finalising each step of the compilation, ensuring transparency for users, and solidifying the knowledge and understanding of the BB staff, it added.

The central bank used the available mortgage loan data to compile the experimental RPPI for Dhaka.

The BB has two data sets available to them, both of which relate to mortgage data collected from financial institutions and other non-banks.

The first data set was received quarterly from a single financial institution called Delta Brac Housing Finance Corporation, one of the largest mortgage loan providers in the market.

This data collection was initially established in the late 1990s. However, the data is usable from 2009.

While the variables collected are somewhat limited and valuation prices are used instead of transaction prices, there is still value in developing RPPIs using this data source.

In the medium to long term, the authorities should continue to monitor the potential of listing data from property websites to expand the coverage of the real estate market, the IMF said.

The existing mortgage data used by the BB does not provide coverage of cash purchases of residential property. Ideally, the index would cover all transactions, it added.

## Political favouritism eroded confidence

FROM PAGE B1

LICENCE TALLY

Bangladesh has a total of 82 insurance companies, compared to neighbouring India's 57, Pakistan's 40 and Sri Lanka's 28.

Among insurers currently operating in Bangladesh, MetLife is the sole foreign company. Besides, the Life Insurance Corporation of India (LIC) is conducting business in the country as LIC Bangladesh.

During the Bangladesh Nationalist Party's tenure with Khaleda Zia as prime minister from 1991-1996, three life and eight non-life insurance companies were registered, according to Idra data.

Under the AL's 1996-2001 regime, the highest number of registrations were recorded, with 13 life and 27 non-life insurance companies being formed.

The BNP-Jamaat alliance, which ruled from 2001 to 2006, allowed only one non-life insurance company.

However, from 2009 to 2024, Sheikh Hasina's government approved 18 life and two non-life insurance companies, according to regulatory data.

POLITICAL CONNECTIONS

Nasir Uddin Ahmed, acting president of the Bangladesh Insurance Association, said the excessive number of insurance companies prompted unhealthy market competition and instability.

It also led to various unethical practices among many companies, he said. "Political connections often superseded qualifications when companies were granted licences under the Awami League government," Ahmed said.

"The insurance sector experienced its biggest loss in 2013 when 13 life insurance companies were approved," Ahmed added. "Despite promises of job creation at the time, the sector remains crippled, although some jobs have been created."

Regarding the boards of directors and management of struggling companies, he said the Idra must take decisive action.

"Otherwise, customers of these

companies may never get back their funds."

TOO MANY PLAYERS

The oversaturation of insurance firms in the market encouraged malpractice, according to an executive with 25 years of experience in the local insurance sector.

"With everyone competing in the same space, it has become difficult for the regulator to supervise so many companies," the officer told The Daily Star on condition of anonymity.

The executive said holding the position of chairman or director at an insurance company is considered prestigious. So, many politically powerful individuals registered companies but often failed to fulfil their responsibilities.

Faced with a lack of professionalism, the authorities introduced bancassurance last December, allowing banks to sell insurance products.

Industry insiders believe that bancassurance may help restore public confidence as banks are generally perceived as more professional.

In 2013, the insurance regulator published a draft of the life insurer solvency margin regulations. But that is yet to be finalised.

The official believes that it is difficult for the regulator to assess a company's financial health without these regulations.

"If implemented, some companies would likely become insolvent or be encouraged to go for merger," according to the official.

Another insurance expert commented that many insurance companies were approved based on political considerations rather than economic necessity.

"There was no need for so many companies," the expert said, requesting not to be named.

He added that insurance companies are often used as tools for financial misconduct.

"Insurance companies are one of the few ways to move money out of the country and they are used for looting. This is why the regulator has been weakened – to serve political

interests," the expert claimed.

Asifur Rahman, a chartered accountant and life insurance expert with over 22 years of experience in both multinational and local companies, believes there should be only 6 to 10 life insurance companies based on the country's economy and population.

"However, with the number exceeding that, many companies engage in mis-selling their products," Rahman said.

He said many entrepreneurs view the sector as a quick way to earn large premiums without considering repayment. The low paid-up capital requirement of only Tk 18 crore for licences, coupled with corruption in the licensing process, exacerbates the problem.

Highlighting the implementation of the solvency margin policy, the chartered accountant criticised the previous government for negligence in strengthening the insurance regulator.

WORST CLAIM SETTLEMENT

The insurance sector's contribution to GDP, measured by the penetration rate, is only 0.46 percent in Bangladesh, compared to 4.2 percent in India and 0.91 percent in Pakistan.

Approximately 17.11 million people in Bangladesh currently have insurance coverage, Idra data showed.

Despite the large number of insurers, Bangladesh's average claim settlement ratio lags significantly behind the global standard of 97-98 percent.

In India, the average claim settlement ratio was around 98.45 percent in fiscal year 2022-23, according to reports.

In contrast, Bangladesh's claim settlement ratio was 65.19 percent in 2023, as per Idra.

As of March this year, claims worth Tk 3,050 crore from about one million policyholders were still pending, with 29 life insurance companies facing acute liquidity crises.

Over the past 14 years, more than 2.6 million insurance policies have lapsed due to factors such as the worsening financial health of clients, lack of awareness, and agents bent to

not explain product features properly.

In 2009, the total number of policies was nearly 11.2 million. But by 2023 this had dropped to 8.58 million.

ARE MERGERS THE SOLUTION?

In December last year, the insurance regulator recommended liquidating or merging several insurance companies that have lost financial viability due to widespread irregularities and embezzlement.

The report highlighted that a failure to settle claims severely damaged public confidence in the insurance sector.

Of the troubled firms, the Idra report named Fareast Islami Life, Padma Islami Life, Prime Islami Life, Golden Life, Homeland Life and Progressive Life.

There have been no further updates. AB Mirza Azizul Islam, former finance adviser to the caretaker government, also believes the government may consider merging ailing companies.

He said that Bangladesh's financial sectors, including insurance, have more organisations than necessary, leading to unhealthy market competition. It also causes the regulator to struggle to monitor the sector effectively.

## Forex market

FROM PAGE B1

on banks that deal with dollar-based trading.

As a result of sufficient dollar flow to the interbank market, the pressure on LC openings has reduced drastically, he added.

BRAC Bank's Shaheen Iqbal said now there is some surplus in the interbank market after meeting the demand for LCs.

"This is a significant positive trend," he said, estimating that daily transactions in the interbank forex market stood between \$30 million and \$90 million.

The interbank market will be fully operational after the government clears its outstanding import bills, Iqbal added.