DHAKA MONDAY OCTOBER 14, 2024, ASHWIN 29, 1431 BS ● starbusiness@thedailystar.net

Star BUSINESS

Dhaka residents complaining about sky-high prices of food, especially vegetables, has been a common sight over the last several days

Story on B4

16 NBFIs face total provision shortfall of Tk 1,954cr

MD MEHEDI HASAN

Sixteen non-bank financial institutions (NBFIs) faced a combined provision shortfall of Tk 1,954 crore till June this year, reflecting that their financial health had worsened.

Lenders face provision shortages when they have a high amount of non-performing loans (NPLs). It ultimately impacts their net profit. When a lender faces provision shortfalls, it indicates poor financial management practices.

NBFIs are required to maintain provisions ranging from 0.25 percent to 5 percent against general category loans, 20 percent against classified loans in the substandard category, and 50 percent against classified loans in the doubtful category.

They must set aside 100 percent against classified loans in the bad or loss category.

The 16 non-banks are: Aviva Finance, BD Finance, Bangladesh Industrial Finance Company (BIFC), Bay Leasing, FAS Finance, First Finance, GSP Finance, Hajj Finance, Industrial and Infrastructure Development Finance Company (IIDFC), Islamic Finance, Meridian Finance, Midas Finance, National Finance, Phoenix Finance, Premier Leasing, and Prime Finance.

Till June, the 35 NBFIs in the country were collectively required to set aside about Tk 16,023 crore as provision but managed Tk 14,122 crore, Bangladesh Bank data shows.

Since many banks also have surplus provisions, their combined provision shortfall stood at around Tk 1,901 crore.

The growing amount of bad loans in the sector is the reason for the large provision shortfall, said Md Golam Sarwar Bhuiyan, chairman of the Bangladesh Leasing and Finance Companies Association (BLFCA).

Central bank data showed that soured loans at the NBFIs in the country totalled a record Tk 24,711 crore till June of 2024.

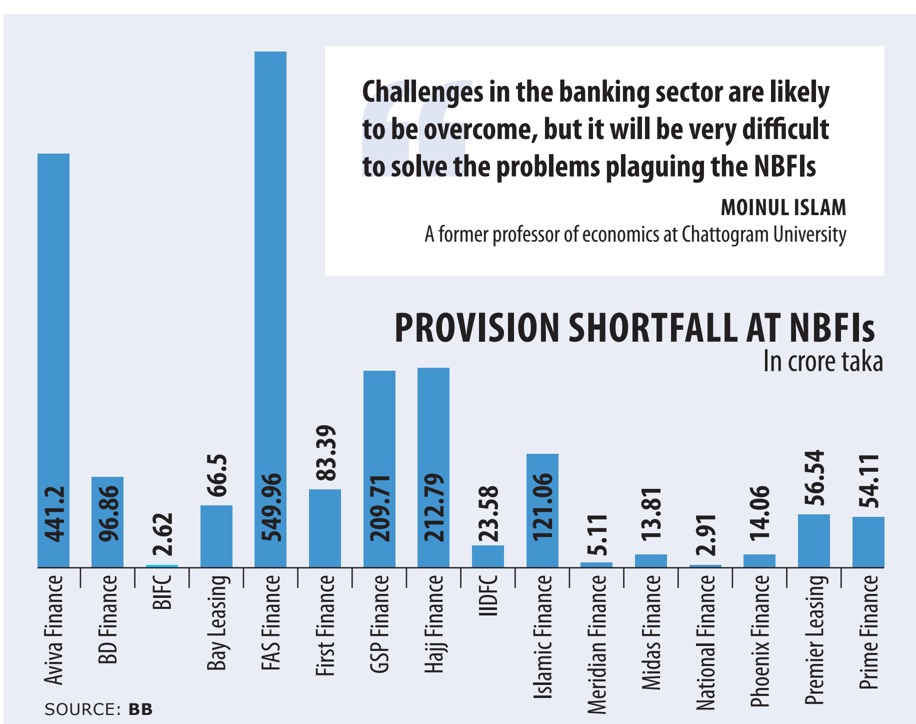
Their total disbursed loans amounted to Tk 74,533 crore in the same period, meaning NPLs accounted for a record 33.15 percent of the money that they had lent.

Soured loans increased by Tk 4,760.11 crore or 24 percent year-on-year in June this year from Tk 19,951.17 crore in the same month last year.

Bhuiyan, also the managing director of IIDFC, told The Daily Star that his company would meet the provision shortfall and it would be reflected in September's quarterly report.

Most NBFIs get some time from the central bank to meet any such shortfalls, he added.

The BLFCA, a forum of the chief executives of leasing and finance companies, recently met with the central bank governor seeking liquidity support and policy measures aimed at restoring people's trust in NBFIs.



Consumer confidence in the NBFIs hit a nadir a few years ago when the sector was rocked by massive irregularities and scams due to a lack of corporate governance.

For instance, PK Halder, former managing director of NRB Global Bank, which was later renamed Global Islami Bank, swindled at least Tk 3,500 crore from four NBFIs, namely People's Leasing, International Leasing, FAS Finance and BIFC, according to a central bank probe report.

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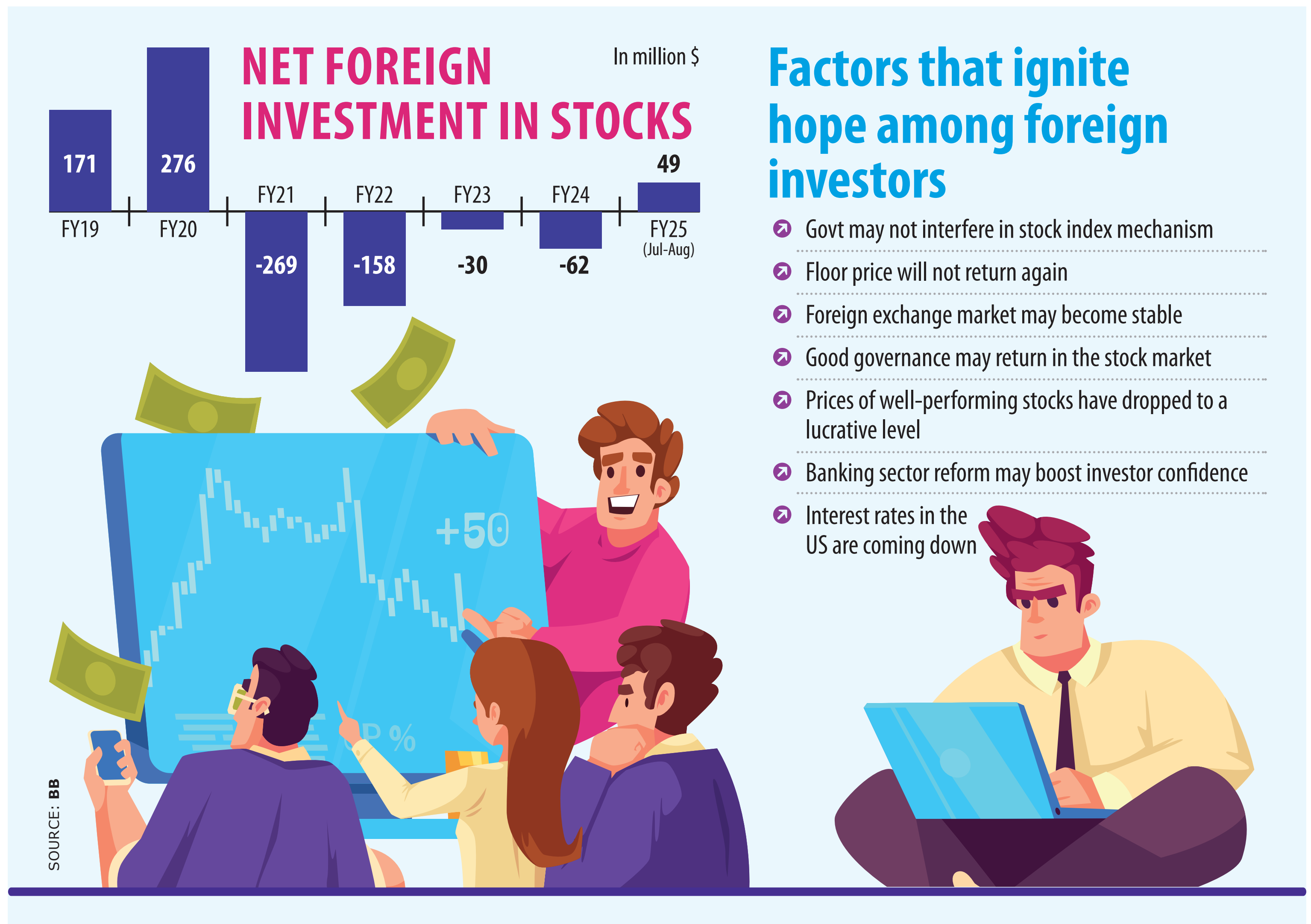
Foreign investors returning to stock market



AHSAN HABIB

After a long time, foreign investors are showing renewed interest in buying shares of listed companies in Bangladesh as they hope good governance will return to the local stock market following the recent political changeover.

This is because the interim government has implemented various measures, such as punitive action against stock manipulators, to make the market more attractive since taking office on August 8.

Besides, foreign investors hope the exchange rate volatility in the country will stabilise and that floor prices or any other market intervention mechanism will not return following the preceding government's ouster on August 5.

Another reason for their buying mood is that interest rates in US banks have dropped while the share values of many listed companies in Bangladesh have reached a lucrative level, according to market analysts.

Bangladesh Bank data shows that the net portfolio investment of foreign investors soared to $49 million in the July-August period of fiscal year (FY) 2024-25 while it was $3 million at the same time the previous year.

"The main priority of foreign investors is good governance and they hope it will return to the market," said Mohammed Rahmat Pasha, managing director and CEO of UCB Stock Brokerage.

"They are very positive about the punitive action being taken against manipulators."

He went on to say that the second priority for foreign investors is their returns.

If the forex market is unstable, then their investment value deteriorates with the depreciation of the local currency, Pasha said. "So, they are hoping recent reform activities will ensure stability in the forex market."

Central bank data shows that the taka has depreciated by more than 40 percent against the US dollar over the past four years.

The net portfolio investment of foreign investors was in the negative for the past four fiscal years, standing at $62 million in the negative in FY24 and $30 million in the negative in FY23.

Foreign investors began selling shares en masse in FY21, when their net sales amounted to $269 million, before dropping to $158 million in FY22, shows central bank data.

Pasha said foreign investors prefer the same well-performing companies that they had poured investment into in the past. Aside from assured returns, this is because they have no other options considering that no new good stocks have been listed in the past four years.

UCB Stock Brokerage reported increased buying orders from foreign investors, mainly for well-performing stocks with lucrative prices, since July.

"The lucrative price of good stocks is the main reason for the higher participation of foreign investors," said Ershad Hossain, managing director and CEO of City Bank Capital.

Meanwhile, bank interest rates in the US are declining, so funds are moving out of the country to emerging markets, with Bangladesh also getting in on the action, he added.

The US central bank lowered its interest rates last month for the first time in more than four years, according to a BBC report. The Federal Reserve reduced the target for its key lending rate by 0.5 percentage points to the range of 4.75 percent to 5 percent.

Moreover, the fall of the autocratic Awami League government has raised confidence of foreign investors in Bangladesh's stock market, Hossain said.

"As such, many of them [foreign investors] are now even considering the potential of investing in non-listed firms," he said.

Furthermore, the interim government has already started many reform activities across all economic sectors to boost confidence in the market.

READ MORE ON B3

Demand for luxury apartments near nil

JAGARAN CHAKMA

Luxury apartment sales have dwindled to almost nil ever since the recent political changeover as people have become cautious about spending amid the ensuing economic uncertainty, according to industry insiders.

Although the demand for luxury apartments was quite high for some years, it plunged after the Awami League government was ousted by a mass uprising on August 5, they said.

They also informed that luxury apartments are mostly bought by high-powered businesspeople or government officials.

Aysha Siddiqua, executive director of communication and brand management at building technology and ideas (bti) Ltd, said it is only natural that those who can afford luxury apartments have become frugal following the regime change.

Pointing out that prices of luxury apartments far exceed the capabilities of middle-class people, she said it would take a long time for sales in the segment to return to previous levels.

Most luxury apartments are being built in the upscale neighbourhoods of Dhaka, such as Dhanmondi, Gulshan, Banani, Uttara and Baridhara.

"The prices of apartments in these areas is beyond the imagination of average people. Only the demand for mid-range apartments remains the same," Siddiqua added.

It should be mentioned that the National Board of Revenue still allows the use of undisclosed income for real-estate purchases, subject to the payment of Tk 6,000 as tax for each square metre of the property.

"But there is no scope to consider the buyers of luxury apartments as black money holders. Rather, they are just honest businesspeople," said Shihab Ahmed, head of sales and customer service at Shanta Holdings Ltd.

He explained that apartments sized between 1,500 and 2,500 square feet are considered as being in the premium category while those above 3,000 square feet are in the luxury segment.

However, the classification can vary depending on the unit's location.

For example, apartments that are at least 2,500 square feet in the Baridhara, Gulshan, Banani and Dhanmondi areas are considered luxury units.

Rabiul Islam, head of brand and communications at Ananta Real Estate Ltd, said there is no denying that the sudden political shift has massively impacted the sale of luxury apartments.

This is because although the situation is gradually stabilising, it is still not completely normal. So, people are taking their time before making large purchases.

"We usually target top executives and government officials as buyers for luxury apartments," he added.

Islam informed that prices of luxury apartments can start from as low as Tk 4 crore and go up to as much as Tk 20 crore depending on size and location.

Aside from people's changing spending habits, the ongoing economic uncertainty has also made banks more cautious about giving loans and this has had an immense impact on sales, he said.

READ MORE ON B3

According to industry insiders, around 13,000 apartments are built each year in Bangladesh. However, luxurious buildings are largely seen in affluent areas of the capital such as Gulshan, Banani, and Baridhara.

PHOTO: STAR

BRAC Bank cardholders to enjoy benefits at Ramada in Cox's Bazar

Chevan Gooneratne, general manager of Ramada by Wyndham Cox's Bazar, and Md Mahiul Islam, deputy managing director and head of retail banking at BRAC Bank, pose for photos along with other officials of both organisations at the bank's head office in the capital recently. PHOTO: BRAC BANK

STAR BUSINESS DESK

BRAC Bank has signed a memorandum of understanding with Ramada by Wyndham Cox's Bazar to offer exclusive privileges to its credit and debit cardholders.

Md Mahiul Islam, deputy managing director and head of retail banking at BRAC Bank, and Chevan Gooneratne, general manager of Ramada by Wyndham Cox's Bazar, signed the MoU at the bank's head office in the capital recently.

Under the MoU, BRAC Bank cardholders will get up to 60 percent discounts on standard room rates, a 10 percent discount on dining at Ocean Lounge & BBQ, RARE Fine Dining, and Sonali Restaurant, a 25 percent discount on spa services, and a 50 percent discount on banquet and conference hall rentals.

The offer will run from October 3, 2024 to September 30, 2025, according to a press release.

"By providing exclusive deals across categories such as travel, dining, and leisure, we aim to reward our cardholders with the best lifestyle benefits, and enrich their travel experiences in Cox's Bazar," said Md Mahiul Islam.

Khairuddin Ahmed, head of merchant acquiring at BRAC Bank, and Md Ashraful Alam, head of alliances, alongside Beni Amin, senior assistant manager, sales & marketing at Ramada by Wyndham Cox's Bazar, were present among other senior executives.

Gold price rises 1%

REUTERS

Gold rose over 1 percent on Friday after a US inflation data cemented prospects of a rate cut next month, restraining the dollar below recent highs, while safe-haven demand stemming from the geopolitical tensions in the Middle East also lifted the bullion.

Spot gold rose 1.1 percent to \$2,658.42 per ounce by 1:42 pm ET (1742 GMT), up for the second straight session, and US gold futures settled 1.4 percent higher at \$2676.30.

"The economy is still relatively strong, and the Fed is still in a paradox where they're looking at cutting rates because some sectors have slowed down significantly, like housing," said Daniel Pavilonis, senior market strategist at RJO Futures.

US producer prices were unchanged in September, pointing to a still-favorable inflation outlook and supporting expectations of Fed rate cut next month.

"The PPI numbers leaned friendly for the precious metals market bulls and suggest the Fed remains on track for two quarter-point interest rate cuts this year," Jim Wyckoff, senior market analyst at Kitco Metals, said.

This follows data on Thursday showing US consumer prices rose slightly more than expected last month, but the annual increase in inflation was the smallest in more than 3-1/2 years.

"Gold is expected to reach \$3,000 by 2025 due to geopolitical tensions, inflation concerns, and election uncertainties," Pavilonis added.

The dollar held below a two-month high against a basket of peers on Friday. On physical front, gold dealers in India charged premiums for the first time in two months this week as the upcoming festival season attracted some jewellery buying.

China-EU EV tariff talks end with 'major differences': Beijing

AFP, *Beijing*

The latest negotiations over European Union tariffs on Chinese electric vehicles ended in Brussels with "major differences" remaining, Beijing's commerce ministry said Saturday.

Brussels has decided to impose swingeing new tariffs of up to 35.3 percent on imports of Chinese-made electric cars.

Representatives from Beijing and the 27-member bloc have held eight rounds of talks over the issue in Brussels since September 20.

"There are still major differences between the two sides," a ministry statement said, adding that it has invited EU negotiators for further discussions in China.

Negotiators "made important progress in some areas," the statement said, but "have not reached a solution acceptable to both sides".

"It is hoped that the EU can meet China halfway, arrange to come to China as soon as possible, and accelerate the consultations with a constructive attitude, so as to reach a proper solution as soon as possible," the statement said.

The two sides are major economic partners, but have butted heads in recent months over Beijing's generous subsidies for its domestic industries.

Brussels argues that the support undermines the principle of free competition and helped drive down the prices of Chinese exports, undercutting European competitors.

China has denied this and decried the EU tariffs, warning they will unleash a trade war.

Earlier this month it slapped provisional tariffs on EU-made brandy, alarming French producers.

Brussels is also investigating Chinese subsidies for solar panels and wind turbines.

China's commerce ministry on Saturday warned EU negotiators against unilaterally setting prices with companies outside of its talks with Beijing.

"If the EU negotiates price commitments with some companies separately while negotiating with China, it will shake the foundation and mutual trust of the negotiations, interfere with the negotiations between the two sides, and be detrimental to the overall progress of the consultations," the ministry said.

European Council president Charles Michel also met Chinese Premier Li Qiang on the margins of a Southeast Asian summit in Laos earlier this week.

Michel told AFP Friday that after his "frank and candid" talks with Li, he hoped a deal could be struck in the coming days or weeks -- but he warned that getting there would be tough.

"I have the impression that the door is not closed, but it's a very difficult situation, it's very challenging," he said.

M Sadiqul Islam, chairman of Social Islami Bank PLC, and other officials are seen attending the bank's 519th board meeting at its head office in the capital recently. PHOTO: SOCIAL ISLAMI BANK PLC

Social Islami Bank holds board meeting

STAR BUSINESS DESK

Social Islami Bank PLC organised its 519th board meeting recently at the bank's head office in the capital.

M Sadiqul Islam, chairman of the bank, presided over the meeting, according to a press release.

Mohammad Forkanullah, managing director (acting), Abdul Hannan Khan, deputy managing director, Md Nazmul Ahsan, company secretary, and Major (retd) Md Rezaul Haque, Maksuda Begum, Md Morshed Alam Khondoker, and Md Anwar Hossain, directors, and other senior officials were also present at the event.

Amazon wants to be everything to everyone

AFP, *Mount Juliet*

Amazon is bolstering its e-commerce empire while continuing a march deeper into people's lives, from robots to healthcare and entertainment.

Innovations unveiled in recent days by the Seattle-based tech titan included a delivery van computer system to shave time off deliveries by its speed-obsessed logistics network.

Amazon Stores boss Doug Herrington said that the technology enables vans to recognize stops and signal which packages to drop off.

"When we speed up deliveries, customers shop more," Herrington said.

"For 2024, we're going to have the fastest Prime delivery speeds around the world," he added, referring to Amazon's subscription service.

On top of that, according to Herrington, Amazon last year managed to cut 45 cents off the cost per unit shipped, a huge savings when considering the massive volume of sales.

Amazon last year recorded profit of more than \$30 billion on revenue of \$575 billion, powered by its online retail operation and its AWS cloud computing division.

"They have this whole flywheel model with Amazon Prime membership in the middle," said eMarketer analyst Suzy Davidkhanian.

"That's the glue that keeps everything together."

Businesses include retail, advertising, cloud computing and streamed movies and music.

But that very model has the 30-year-old company facing a US government lawsuit, accused of expanding an illegal monopoly and otherwise harming competition.

Amazon makes money from data gathered about consumers, either by targeting ads or through insights into what products they might like, Davidkhanian said.

That was why Amazon paid for expensive rights to stream NFL American football games on Prime Video in a move that promises to help it pinpoint fans of the sport.

Amazon's digital assistant Alexa can order items on command and has been even built into appliances such as washing machines to let them automatically buy supplies like laundry soap as needed.

Amazon showed off enhancements to its virtual health care service called One Medical.

For \$9 a month Prime members are promised anytime access to video consultations with health care professionals, along with record keeping and drug prescriptions.

An Amazon Pharmacy takes advantage of the company's delivery network to get prescriptions to patients quickly, striving for speeds of less than 24 hours for 45 percent of customers by the end of next year.

"We're building a pharmacy in your pocket that offers rapid delivery right to your door," Amazon Pharmacy chief Hannah McClellan said, referring to the option of using a smartphone app.

The healthcare market promises to be lucrative for Amazon, which is "trying to be the platform that has everything for everyone," said analyst Davidkhanian.

Amazon has suffered setbacks when it comes to brick-and-mortar stores but it continues to strive for a winning strategy.

The company next year will open its first "automated micro warehouse" in Pennsylvania, next to a Whole Foods Market organic grocery shop, the chain it bought in 2017.

People will be able to pick up certain items selected online, with orders filled by robots, after shopping next door for fresh produce and groceries.

Meanwhile, Amazon is ramping up use of artificial intelligence at its online store with tools helping sellers describe and illustrate products.

PHOTO: AFP/FILE

Proteus, an autonomous robot that carries carts full of packages to delivery trucks, is seen at an Amazon warehouse in Mount Juliet, Tennessee.

US firms

FROM PAGE B4

A September survey involving the Richmond and Atlanta Federal Reserve banks found that 30 percent of firms reported postponing, scaling down, delaying or canceling investment plans due to election uncertainty.

"It stops you from action. It stops you from investment, and it just generally creates a dampening effect on all economic development," Sharrah said.

With business partners, he has been trying to bring production of a major component back into the country -- but to no avail.

"When we spend time reshuffling the supply chain deck, that's time we don't spend growing our business," he said. AAFA's Herman added that companies have been trying to find alternative sources but "with mixed results."

He believes businesses will ramp up imports ahead of expected tariff hikes, as happened in 2018 when Trump engaged in a trade war with Beijing. "But again, if there's a global tariff imposed, then where do you go?" Herman said.

Businesses expect tariffs to stay no matter who wins the election.

"If anything, it's probably going to go up," Actis said, adding that he has considered moving his business abroad.

But he believes it is hard to predict what a candidate like Trump might do, saying, "A lot of it is bombast."

Will Thomas of Colonial Metal Products said there is little businesses can do besides importing from diverse sources. "It seems that the presidential candidates want to say things that invoke emotion," he said.

"However, if all these products aren't there, and you keep increasing the cost of the products, what happens? The costs go up, it's inflation."

At auto accessories importer Trim Illusion, President Colby McLaughlin is considering scaling up his business to boost margins.

As a voter, he is torn between perspectives as a business owner and a citizen.

China's car sales

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-- hit 1.12 million in September and 7.13 million for the first nine months.

Global EV sales have slowed this year with automakers outside China scaling back production.

Sales in China, however, have risen, driven by expanded subsidies for consumers trading in older vehicles for EVs and more fuel-efficient cars -- a programme likened to the US "cash-for-clunkers" stimulus in 2009.

Tesla sold over 72,000 vehicles in China, up 66 percent year-on-year, its best month this year. The US-headquartered company exported 16,121 China-made vehicles in September, down from over 23,000 the previous month.

Tesla, which counts on China for about a third of its sales, has added its own incentives, including zero-percent financing.

Chinese EV makers BYD, Li Auto and Xpeng recorded their best-ever month in September.

China's best-selling new energy vehicle makers through the first eight months were BYD, Geely and Tesla.

China's government announced in July a subsidy of more than \$2,800 when consumers scrap an older car to replace it with an EV, doubling a subsidy introduced in April. The subsidy for a more fuel-efficient combustion vehicle is just over \$2,100.

As of late September, 1.1 million consumers had registered to take advantage of the subsidies.

Cui Dongshu, secretary-general of the CPCA, said on Saturday that he expects a strong fourth quarter on trade-in subsidies by local governments.

But car sales data also published on Saturday by the Chinese Association of Automobile Manufacturers (CAAM), another industry association, was less upbeat.

Vehicles sales last month in China fell 1.7 percent from a year earlier, according to CAAM data, which counts commercial vehicles like trucks as well as passenger cars.

Commercial vehicle wholesales, including exports, plunged 23.5 percent, worsening a 12.2 percent slide in August, CAAM data showed.

The government will "significantly increase" debt issuance to boost the world's second-largest economy, Finance Minister Lan Foan said on Saturday, as it seeks to lift faltering growth back towards its target of around 5 percent. China's central bank has announced interest rate cuts and liquidity injections in its largest easing since the COVID-19 pandemic.

An open question is whether China will channel more stimulus to support the purchase of EVs, a sector officials have identified as a priority.

The finance ministry plans to issue 1 trillion yuan (\$140 billion) of special sovereign debt, using part of the proceeds to increase subsidies for the consumer goods trade-in programme and for business equipment upgrades, Reuters has reported.

Car exports grew 22 percent in September, bringing sales for the first nine months to 3.55 million vehicles, despite a political backlash against Chinese automakers in major overseas markets.

China overtook Japan to become the world's largest vehicle exporter last year. US officials and others have argued China's capacity to make more cars than it can sell at home combined with past subsidies give Chinese EV makers an unfair advantage.

The European Union is pressing ahead with tariffs of up to 45 percent on Chinese-made EVs after a vote last week, a move opposed by Germany. China has said it hopes to avoid tariffs through negotiations that would set minimum EV sales prices in Europe.

The United States and Canada have each set tariffs of 100 percent on Chinese-made EVs that effectively lock them out of those markets.

UK announces new investment in green energy projects

AFP, *London*

The UK government on Thursday announced that it had secured more than £24 billion ($31.3 billion) of private investment in green energy projects, as it gears up for an international investment summit.

Prime Minister Keir Starmer called the investments "a huge vote of confidence" in his Labour government and its long-term growth plans, despite a stuttering start in power since the party's election win in July.

Labour, in opposition for 14 years, has vowed to revitalise the UK economy, which it claims faltered badly during successive Conservative administrations since 2010.

Central to its plans is green energy, to transition the country away from polluting fossil fuels towards renewables such as wind, wave and solar, to meet net-zero targets.

Prime Minister Keir Starmer called the investments "a huge vote of confidence" in his Labour government and its long-term growth plans

But Starmer and his finance minister Rachel Reeves have been accused of scaring off investors by relentless talk of a dire economic inheritance from the Tories and warnings about tough remedial measures to come.

Spain's Iberdrola, which owns UK energy provider Scottish Power, said it was doubling its investment in the UK over the next four years to £24 billion. Denmark's Orsted is investing £8 billion and Portugal's Greenvolt £2.5 billion, Downing Street said in a statement.

The announcements come after a record 131 new green infrastructure projects were awarded at auction last month, including plans for Europe's two biggest offshore windfarms.

Starmer said creating the right conditions was key to boosting growth and that the International Investment Summit on Monday would be a "springboard" to do so.

The food ministry implements the open market sale (OMS) programme to alleviate the economic burden on vulnerable segments of the population.

PHOTO: STAR/FILE

New policy limits OMS dealers' tenure to 5 years

The food ministry announced the OMS Policy 2024 last week

MD ASADUZ ZAMAN

In a bid to run food distribution endeavours smoothly, the interim government has framed a new policy for the open market sale (OMS) programme, which restricts the tenure of dealers to five years.

The food ministry announced the fresh policy, titled "OMS Policy 2024", this week.

The OMS programme is a public food distribution system under which the government sells rice and flour at subsidised rates through authorised dealers and trucks across the country.

The food ministry implements the OMS programme to alleviate the economic burden on vulnerable segments of the population. The programme also serves to stabilise food prices during periods of market volatility.

"The tenure of the dealers' licence will be limited to five years. They must renew it each year by paying a fee," according to the new policy.

Every dealer must stock a warehouse with at least three tonnes of food grains, it said. Earlier, under the OMS policy of 2015, only two tonnes were required.

"The government has re-framed the policy and limited the dealer's tenure to bring transparency to the food distribution process," said Md Habibur Rahman Hosaini, additional secretary of the procurement and supply wing at the food ministry.

"There is now no scope to retain dealership privileges for years. All of them will be brought under the proper monitoring," he added.

Under the new policy, the government has also strengthened the selection committee, he added.

Now, the director general of the food ministry will finalise the recruitment of the dealers.

It also scrapped a provision that prioritised local members of parliament in the dealer recruitment process.

Besides, the government has doubled the refundable collateral fee to Tk 50,000 and included penalties on dealers for missing deadlines.

In addition, the government clarified provisions relating to the cancellation of dealers' contracts and outlined legal action against them for violating the agreement.

From now, the dealership agreement will be cancelled if any dealer fails to withdraw their food grains from the government for 15 straight days.

The authorities have also extended the monitoring and reporting period.

The government distributed 2.92 lakh tonnes of food grains, including 1.94 lakh tonnes of rice, through the OMS programme during the July-September period of 2024-25 fiscal year, indicating an over 20 percent rise year-on-year, according to the food ministry.

India's forex reserves stay above $700b

ANN/ THE STATESMAN

India's foreign exchange (forex) reserves stood above $700 billion for the second-consecutive week, data from the Reserve Bank of India (RBI) showed on Friday.

The foreign reserves stood at $701.18 billion as of October 4, a drop of $3.71 billion from the previous week, according to the RBI's weekly bulletin.

The country's Forex reserves of over $700 billion are at an all-time high and the fourth-largest in the world.

Forex rose nearly $35 billion in the earlier seven weeks.

As per the Weekly Statistical Supplement released by the RBI, Foreign Currency Assets (FCAs) dropped by $3.51 billion to $612.6 billion.

Gold reserves decreased by $40 million to $65.76 billion. Special Drawing Rights (SDRs) also saw a marginal dip by $123 million to stand at $18.43 billion.

The country's reserve position in the International Monetary Fund (IMF) witnessed a marginal decrease of $71 million at $4.3 billion.

Despite geo-political uncertainties, the investors' confidence remained intact in India's growth story as last week, the country's foreign exchange reserves surpassed $700 billion for the first time, reaching $704.89 billion.

The Forex surged $12.59 billion, which is the largest weekly rise since mid-July 2023.

The country has joined the ranks of three other countries – China, Japan, and Switzerland – which have crossed the $700 billion threshold in reserves.

US producer inflation unchanged in September

AFP, *Washington*

US wholesale prices were unchanged in September, according to government data published Friday, as a small rise in the cost of services was offset by falling goods prices.

The producer price index (PPI) was flat in September, according to new and revised figures from the Labor Department.

This was lower than the median forecast from economists surveyed by Dow Jones Newswires and The Wall Street Journal.

Over the past 12 months, prices cooled to 1.8 percent in September from 1.9 percent in August, but this was due to an upward revision to past data.

The data suggests producer prices continue to ease, which is good news for the Federal Reserve as it eyes further interest rate cuts in response to a cooling labor market and a decline in consumer inflation toward its long-term target of two percent.

The US central bank has a dual mandate to maintain stable prices and maximum sustainable employment, and has refocused its attention on the second of these mandates in recent months.

China's stimulus message leaves investors wanting

AFP, *Shanghai/Singapore*

China's highly anticipated announcement of financial stimulus plans on Saturday was big on intent but low on the measurable details that investors need to ratify their recent return to the world's second-biggest stock market.

Saturday's news conference by Finance Minister Lan Foan reiterated Beijing's broad plans to revive the ailing economy, with promises made on significant increases to government debt and support for consumers and the property sector.

But for investors who were hoping to hear authorities spell out exactly how much the government will throw at the crisis, the briefing was disappointing.

"The strength of the announced fiscal stimulus plan is weaker than expected. There's no timetable, no amount, no details of how the money will be spent," said Huang Yan, investment manager at private fund company Shanghai QiuYang Capital Co in Shanghai.

Huang had hoped for more stimulus to boost consumption. Market analysts had been looking for a spending package between 2 trillion yuan to 10 trillion yuan ($283 billion to $1.4 trillion).

Reuters reported last month that China plans to issue special sovereign bonds worth about 2 trillion yuan this year as part of fresh fiscal stimulus. Bloomberg News reported China is considering the injection up to 1 trillion yuan of capital into its biggest state banks. Lan's press conference did not give any specifics.

In the three weeks since the People's Bank of China (PBOC) kicked off China's most aggressive stimulus measures since the pandemic, the CSI300 Index has broken records for daily moves and is up 16 percent overall. Stocks have grown wobbly in recent sessions, though, as initial enthusiasm gave way to concerns about whether the policy support would be big enough to revive growth.

"If that's what we have in terms of fiscal policies, the stock market bull run could run out of steam," Huang said, referring to comments at Saturday's press conference.

Heading into the briefing, some investors had braced for the finance minister to withhold actual spending details until China's rubber-stamp parliament meets later this month.

Equally, investors also worried that mere interest rate cuts, which the PBOC has already announced, and a reluctance by the central government to spend will imperil the odds the world's second-largest economy can hit its 5 percent growth target.

"Investors will need to be patient," said HSBC's chief Asia economist Fred Neumann, noting concrete numbers could come only by the end of this month when the standing committee of the National People's Congress reviews and votes on specific proposals.

Jason Bedford, former China analyst at Bridgewater and UBS, pointed to Lan's pledge to recapitalise big state banks as indicating authorities expect to see a revival in demand for credit.

"But the only way the economy needs more credit is if you create credit demand which can only be done if you provide fiscal (support)."

Dollar flat against major currencies

REUTERS, *New York/London*

The US dollar was flat against major currencies on Friday as markets digested a slew of economic data that supported the Federal Reserve's current monetary policy path.

A gauge of US producer prices was unchanged in September, the Labor Department reported, the latest economic data to indicate the Fed will likely cut rates again next month.

Consumer prices in September rose 0.3 percent, according to data released on Thursday, slightly hotter than expected, while weekly jobless claims surged, pointing to labor-market weakness. The weekly jobless claims data was skewed by Hurricane Helene. Next week's data will be affected by Hurricane Milton, the second hurricane in two weeks to hit the southeast US.

Food inflation

FROM PAGE B4

Traders are fined for misdeeds, but this approach is neither effective nor adequate, he said.

When a fine is imposed, the trader simply raises prices for consumers to cover the cost of the fine, he added.

"You have to increase supply in the market and ensure competition."

Ashikur Rahman, principal economist at the Policy Research Institute of Bangladesh, said higher food prices are closely linked to price distortions occurring in the markets and the associated supply chain, where new political actors have emerged to exert undue political influence and extract economic rent.

"This issue needs to be addressed effectively if we want stability in food prices."

Both Mujeri and Raihan said prices could be controlled if a coordinated and integrated approach is taken.

"The condition of the commoners is dire. Jobs and income opportunities have diminished due to the economic slowdown. We do not want to see a situation where essential commodities are beyond the reach of the average person. A coordinated effort must be made to tame inflation," Raihan said.

Demand for luxury apartments

FROM PAGE B1

He said that up to 10 percent of all new apartments are in the premium and luxury segments as the demand for these increased over the past few years.

"Many people now want to live in high-quality apartments," he said while adding that about 13,000 total apartment units are being built each year.

Meanwhile, Islam fears that some clients who booked premium and luxury apartments by paying 30 to 40 percent in advance will not follow through on the purchase, especially as a number of them absconded after the political changeover.

Liakat Ali Bhuiyan, senior vice president of the Real Estate and Housing Association of Bangladesh (REHAB), said sales of all types of apartments have fallen due to the sudden political shift.

Against this backdrop, realtors are passing difficult times, he added.

Bhuiyan is optimistic the situation will improve when they organise the REHAB fair next winter.

16 NBFIs face

FROM PAGE B1

As a result, the four NBFIs have become ailing institutions, with more than 90 percent of their loans turning sour.

Till June, FAS Finance faced the highest provision shortfall of around Tk 550 crore. The company had bad loans amounting to Tk 1,820.89 crore, which accounts for 99.89 percent of its total disbursed loans.

Aviva Finance fell short of provisioning guidelines by Tk 441 crore after the central bank recently reconstituted its board of directors to free it from the grip of the scandal-hit S Alam Group.

The company's NPLs stood at Tk 2,354 crore, which accounts for 84.55 percent of its disbursed loans.

There are more finance companies in the country than needed and the sector is totally ignored, said Moinul Islam, a former professor of economics at the University of Chattogram.

Challenges in the banking sector are likely to be overcome, but it will be very difficult to solve the problems plaguing NBFIs, the economist said.

"The government and the central bank should enhance monitoring of the sector. Otherwise, it will create a big hole in the financial sector," Islam said.

Among others, GSP Finance's provision shortfall stood at Tk 209 crore, Hajj Finance at Tk 212 crore, Islamic Finance at Tk 121 crore, BD Finance at Tk 96 crore, First Finance at Tk 83 crore, Bay Leasing at Tk 66 crore, Premier Leasing at Tk 56 crore and Prime Finance at Tk 54 crore, BB data showed.

BIFC, IIDFC, Meridian Finance, Midas Finance, National Finance, and Phoenix Finance had a combined provision shortfall of Tk 62 crore.

Fahmida Khatun, executive director at the Centre for Policy Dialogue (CPD), told The Daily Star that everyone's eyes were glued to the banking sector, but no one paid attention to the NBFIs.

"The governance of NBFIs has deteriorated and must be corrected now," she said, adding that the sector needs further development for the sake of the country's economy.

Foreign investors returning

FROM PAGE B1

Under the previous government, the Bangladesh Securities and Exchange Commission had taken many steps, such as setting floor prices, that heavily impacted the stock market.

The foreign investors hope that these types of policies will not be implemented in the future and instead huge reforms will be implemented to bring good governance back to the stock market.

"At the same time, stock manipulation will be reduced. So, they have started investing funds in the market," Hossain added.

FTSE Russell, one of the world's leading market analytic and index providers, resumed its review of local stocks from last month to identify eligible index constituents from the Dhaka bourse.

It stopped reviewing the Dhaka Stock Exchange in February of 2023 following the implementation of the floor price mechanism.

Usually, foreign investors follow several indices to identify good stocks, including the FTSE index, where 25 Bangladeshi stocks were included.

Both Pasha and Hossain emphasised the need to ensure good governance and list good stocks to attract more foreign funds to the market. They also said market-friendly policies should be ensured and they should not be changed frequently.

Vietnam, China sign 10 deals on economic cooperation

AFP, *Hanoi*

Vietnam and China signed 10 agreements on Sunday, including on expanding cross-border railway links, payments and economic cooperation.

The signings followed a meeting between Vietnamese Prime Minister Pham Minh Chinh and visiting Chinese Premier Li Qiang.

They agreed to work on a technical plan for a rail link between Lao Cai in northern Vietnam and Hekou in China's Yunnan province.

The two sides also signed a memorandum of understanding (MoU) on the implementation of cross-border payment services via QR codes and an agreement to study a model for an "economic cooperation zone" across their border.

China is Vietnam's biggest trade partner, but the two countries share historic tensions

The two sides signed an MoU on cross-border payment and an agreement on an economic cooperation zone across their border

-- including in the South China Sea, a waterway through which trillions of dollars of trade pass each year.

Vietnam's top leader To Lam and Li agreed on Saturday to boost defence and economic cooperation, Vietnamese state media reported.

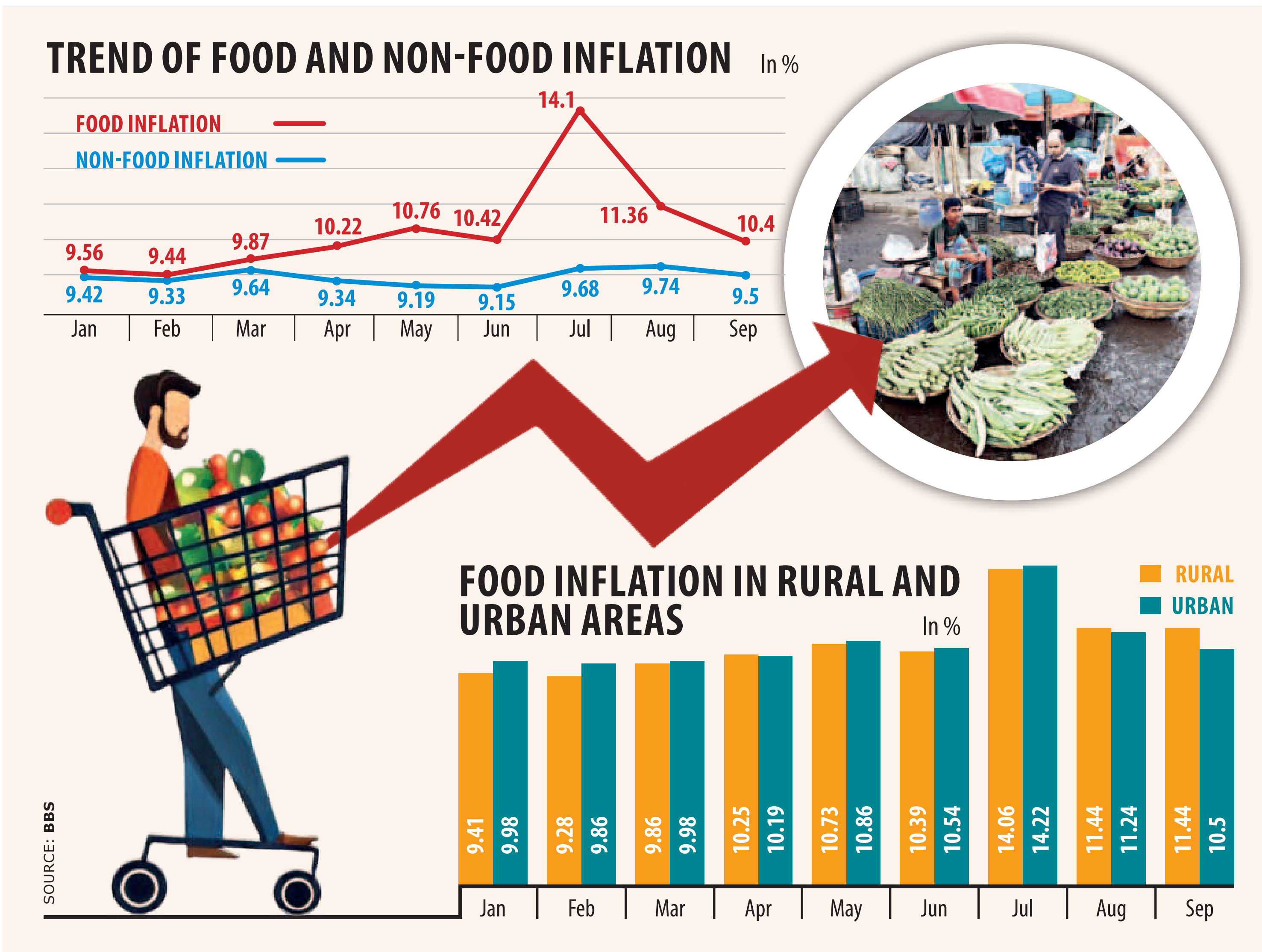
The two agreed to "maintain regular high-level exchanges and cooperation in defence, security, and foreign affairs... expanding the implementation of new mechanisms", the Nhan Dan newspaper said.

Vietnam would facilitate more high-tech Chinese investment in the country and Beijing would strengthen market access for Vietnamese agricultural products, the newspaper said.

Tensions have flared recently between the two nations over territorial claims in the South China Sea.

China has for years sought to expand its presence in contested areas of the sea, brushing aside an international ruling that its claim to most of the waterway has no legal basis.

Food inflation has remained above 10% for six months. Here is why



SOHEL PARVEZ

Dhaka residents complaining about sky-high prices of food, especially vegetables, has been a common sight over the last several days.

In recent weeks, prices of most vegetables have shot up, hovering around Tk 100 a kilogramme (kg).

Prices of some vegetables have even crossed the Tk 100 mark, further straining the budgets of low- and fixed-income families, who are now spending a larger portion of their income on food.

Food inflation has remained above 10 percent for six consecutive months since April this year.

Meanwhile, overall inflation has hovered above 9 percent since March 2023 although the Bangladesh Bank has been raising the policy rate since May of the previous year to curb demand and control inflation.

Including a hike in the repo or policy rate to 9.5 percent last month, the BB has increased the interest rate 10 times since May of 2022.

This raises the question of why food prices have remained stubbornly high and whether it is related to demand-induced inflation, for which the central bank has been raising its key policy rate to make the money costlier and reduce excess demand.

On this issue, a senior official of the BB said they have little to do in containing the food prices.

"We have found that food prices have risen due to supply-side problems such as recent floods. Supply-side issues cannot be addressed by tweaking the policy rate," the official said.

"Crops getting ruined after being submerged under flood is a different phenomenon. This has to be addressed by increasing supply."

In the past two months, overall food inflation eased, but the decline was not significant enough to ease pressure on consumers' wallets.

Last month, food inflation stood at 10.4 percent, down from 11.36 percent a month ago, according to Bangladesh Bureau of Statistics data.

Selim Raihan, a professor of economics at Dhaka University, said food prices cannot be reined in solely by raising the policy rate.

Prices of some vegetables have even crossed the Tk 100 mark, further straining the budgets of low- and fixed-income families, who are now spending a larger portion of their income on food

"You will have to wait if you want to see the impact of a higher policy rate on inflation. What is needed now is to increase the availability of food in the market. Prices will not decline without a significant increase in supply," he said.

The government should also remove import tariffs on food items, at least for a specific period, to bring down the prices.

Increased demand for food during Eid-ul-Adha, along with supply disruptions, may have caused the surge in food inflation in the April-June quarter of 2024, Bangladesh Bank said in its quarterly report published at the end of last month.

"Heatwaves in April 2024 and Cyclone Remal in May 2024 significantly affected agricultural production, contributing to the rise in food prices."

Food inflation increased significantly from 9.87 percent in March this year to 10.22 percent in April. It hit 10.42 percent by the end of June, the banking regulator said.

"Global issues, including the ongoing Russia-Ukraine war, tensions in the Red Sea and the Gaza crisis, further disrupted supply chains and led to high production input costs."

In the fourth quarter of the last fiscal year, point-to-point food inflation surged both in urban and rural areas.

Devastating floods in the eastern districts and heavy rainfall damaged crop fields in August and squeezed the supply of vegetables.

At present, similar damage is now being reported because of the same two factors in the north-eastern districts.

Mustafa K Mujeri, executive director of the Institute for Inclusive Finance and Development, said food is a basic necessity and it is not possible to reduce demand for it by increasing the policy rate.

"The majority of the population lead their life above the subsistence level. So, the scope to bring down inflation by raising the policy rate is low. You must increase the supply. This is a fiscal policy issue," he said.

"The market here is not competitive, which is why prices go up without any valid reason. The weaknesses in the value chain also need to be addressed."

Mujeri, a former chief economist at the central bank, said the authorities concerned had undertaken many efforts to monitor the market and cut the scope to make high profits.

READ MORE ON B3

HSBC cost cuts expose new CEO's bigger problem

REUTERS, *London*

There's always a case to be made for cost cuts at HSBC. The $160 billion lender employed 214,000 people in June and arguably suffers from duplication across its different bits. Still, new CEO Georges Elhedery has a much bigger job than finding the modest savings that he is reported to be eyeing. Growth is the bank's key challenge.

Elhedery is drawing up plans to axe about $300 million of costs, the Financial Times said on Thursday. The move would hit top management layers, according to the report, suggesting that the cuts could fall most heavily on the London head office rather than client-facing staff around the world. Elhedery may combine two of HSBC's three business lines: the commercial banking division and the global banking and markets unit (GBM).

There's some sense to that idea. The commercial-banking division, which accounted for 39 percent of group revenue excluding corporate costs in the first half of 2024, offers transaction banking services like cash management and trade finance to companies big and small. Meanwhile GBM, which brought in 23 percent of first-half revenue, includes the markets-focused trading businesses and investment banking. But there's some overlap in terms of clients and products. Over the six months to June 30, for example, $676 million or 6 percent of the commercial bank's revenue came from its share of products offered by GBM. Combining the two could save money by sharing risk teams and senior management.

PHOTO: AFP

There are downsides to such a combination, though. Jane Fraser, the boss of Citigroup, recently dismantled a business known as Institutional Clients Group, which covered everything from markets to corporate and investment banking. She argued that it increased accountability to have the people running individual business lines closer to the CEO.

There's also a question of transparency: investors could find it harder to get their heads around the performance of a unit that offers everything from small-company banking to underwriting giant debt and equity offerings for multinationals.

Moreover, the modest savings from such a move won't do much to solve Elhedery's main problem: falling rates. Analysts reckon net interest income will fall 7 percent this year and 2 percent next, based on Visible Alpha data. That component of the top line, which measures the difference between the money HSBC earns on loans and securities and the interest it pays on liabilities like deposits, comprised about half of total revenue last year and is dropping as central banks cut rates. To offset that hit, Elhedery will have to find a way to boost other fee-based businesses, like wealth management. For once, costs are a sideshow at HSBC.

HSBC's new CEO Georges Elhedery is planning to cut around $300 million of costs by targeting the bank's senior-management layer, the Financial Times reported on Oct. 10 citing people familiar with the matter.

Elhedery may combine the commercial banking unit with the global banking and markets business, the report said.

Surendra Rosha, who is co-head of Asia, could run a combined commercial banking and global banking division, while current head of markets Patrick George could run the rest of the enlarged division, according to the report.

China's car sales snap five-month decline on subsidy boost

REUTERS, *Beijing*

China's passenger vehicle sales rose 4.3 percent in September from a year earlier, snapping five months of decline with a boost from a government subsidy to encourage trade-ins as part of a broader stimulus package.

All the gains came from battery-powered vehicles, whose buyers and manufacturers have benefited since July from a doubling of subsidies to consumers, while sales of gasoline cars in China, a market foreign brands once dominated, continue to shrink.

Sales in the world's biggest auto market hit 2.13 million vehicles in September, up from 2.04 million a year earlier. For the first nine months, sales were up 1.9 percent from 2023 levels, according to data from the China Passenger Car Association (CPCA).

Sales of electric vehicles and plug-in hybrids jumped 50.9 percent, accounting for 52.8 percent of overall sales. It was the third month in a row that battery-powered vehicles including plug-ins outnumbered sales of gasoline-engine cars in China.

Gasoline car sales in September were above 1 million, up more than 100,000 from August. But that was far short of September last year, when over 1.29 million were sold in China.

Sales of EVs and plug-in hybrids - a category the Chinese industry group classifies as "new energy vehicles"

READ MORE ON B2

US firms brace for more tariffs as election approaches

AFP, *Washington*

From holding back investments to considering moving abroad, businesses in the United States are bracing for more economic turbulence as the presidential campaign kicks into high gear -- with fresh tariffs rolled out and promises of more.

Republican candidate Donald Trump has proposed at least a 10 percent tariff on imports and up to 60 percent on Chinese goods, intensifying levies he previously imposed on Beijing and others.

Democratic nominee Kamala Harris, meanwhile, serves an administration that largely maintained Trump's tariffs and last month finalized further hikes on $18 billion of Chinese products.

For Robert Actis, whose manufacturing business has been caught in the tariff maelstrom, the future has looked "clouded" over the past five years.

Under Trump, he faced tariffs on steel and aluminum and has struggled to find alternative suppliers for raw materials not produced in the country.

Fresh measures on the materials by the Biden-Harris administration have added to his woes. "I would be very happy to buy from a US producer," said Actis, who imports wires to make stucco netting used in construction, "but there's no one willing to do it."

He has previously been granted tariff exemptions, but the annual applications are not always successful.

Additional costs are gradually being passed to homebuilders, he said.

US tariffs weigh on many industries. The American Apparel & Footwear Association (AAFA) estimates retail prices have risen five percent to 10 percent annually since 2020.

The photo shows Ford's F-150 Lightning being assembled at the Rouge Electric Vehicle Center in Dearborn, Michigan. A recent survey found that 30 percent of US firms reported postponing, scaling down, delaying or cancelling investment plans due to election uncertainty.

PHOTO: AFP/FILE

"Initially, our members tried to eat some of those costs by eating into their profits," said Nate Herman, AAFA's senior vice president for policy.

But this has been tough.

It is unclear that tariffs on China have returned production to the United States, as Trump argues, and at least 14 US textile mills have closed in recent years, Herman told AFP.

Products like certain acrylic sweaters are not produced domestically either, requiring new machinery and trained workers, he said.

"The average age in domestic factories has gone into the 50s because we just can't find workers willing to work in those factories," Herman added.

"For a small company like us, it's millions of dollars" in added costs, said Ray Sharrah, CEO of lighting products maker Streamlight.

"We pay for it, our exporter helps, and ultimately the consumer (pays)," he said. "This is the problem with any tariff."

Uncertainty looms as November's election approaches, but businesses prefer predicability.

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