City Bank to issue Tk 800cr bond

STAR BUSINESS REPORT

City Bank yesterday announced its plan to raise Tk 800 crore by issuing a bond to strengthen its capital base.

The private lender will issue the subordinated bond—a type of bond that is repaid after other bonds if the issuer has financial difficulties—to meet capital requirements under the Basel-III accord, which aims to strengthen the regulation, supervision, and risk management of banks.

The bond is also planned to support the business growth of the bank, according to a disclosure by City Bank on the Dhaka Stock Exchange (DSE).

Southeast Bank plans Tk 1,000cr bond

STAR BUSINESS REPORT

Southeast Bank has announced its plan to raise Tk 1,000 crore by issuing a bond to strengthen its capital base.

The board of the private bank approved the issuance of the subordinated bond, a bond that is repaid after other bonds in case of financial difficulty for the issuer. The bond, which will be fully redeemable, non-convertible, and unsecured, is planned to strengthen the Tier-II capital of Southeast Bank, according to a disclosure on the Dhaka Stock Exchange on Sunday.

Tier-II is designated as the second or supplementary layer of a bank's capital and is composed of items such as revaluation reserves, hybrid instruments, and subordinated term debt.

Tropical Homes built on honesty, quality

Says managing director in an interview with The Daily Star

JAGARAN CHAKMA

Sheikh Rabiul Haque

The intersection of profession, passion and academic background can be complicated.

However, it is sometimes comforting to realign one's profession with passion, as this approach in some cases is neither less creative nor less successful than pursuing a professional role directly tied to one's academic background.

Take, for example, the case of Md Rezaul Karim and Sheikh Rabiul Haque – two friends with backgrounds in medical science and physics, respectively.

Both shared a common interest in architecture and painting, which inspired them to establish a real estate firm in the 1990s.

The friends pooled their savings of Tk 25 lakh, hired fewer than half a dozen staff members and began constructing a 12-storey apartment on a piece of land in Dhaka's Bijoynagar.

"I remember those days when our capital was almost zero," recalls Haque, who was then a small businessman. "But we were determined. My friend and I had a vision – not just to build homes, but to change lives."

Over the past three decades, that vision has paid off.

What began as a tiny architectural venture has grown into today's Tropical Homes Limited – one of the country's leading real estate firms.

On the eve of the company's 30th anniversary on Tuesday, Haque said the Bijoynagar project was not hugely profitable but gave them the confidence to continue.

Since its inception in 1996, Tropical Homes has delivered more than 2,400 apartments, 1,365 office spaces and 1,280 units of shops and showrooms.

After completing several initial projects, the firm began constructing high-quality housing not only for the affluent but also for the middle class, said Haque – now the company's managing director – in an interview with The Daily Star.

He said they did not own land initially, but that did not stop them. They sought land at discounted prices in the capital, where they faced more than just financial struggles.

They had to contend with land encroachment, legal hurdles and resistance from powerful groups.

"From the beginning, we made a promise to ourselves: we wouldn't compromise on ethics. We wouldn't take shortcuts or engage in anything illegal," Haque said.

"That honesty became the foundation of the company's success," he added.

Moreover, he said their projects reflect quality, which sets Tropical Homes apart from other real estate firms.

"While designing the first draft of any new project, we consider the maximum use of sunlight. Besides, our apartments are spacious, with larger verandas so that residents can enjoy greater closeness to nature," he said.

Haque also emphasised that they do not compromise on space when designing parking areas, elevator shafts and fire safety measures.

According to him, high-grade concrete, professional architects and premium materials such as quality wood and glass have become hallmarks of their developments.

Every structure is designed to meet the needs of the community, carefully crafted to serve those who will live and work in them, he commented.

"The company's ethical approach, transparency and commitment to quality became its core values, which resonated with customers and investors alike," the Tropical Homes MD said.

Even as the company grew, it never relied on bank loans, which is a rare achievement in the construction industry. Instead, Haque and his team maintained a Tk 25 crore asset fund, which provides financial stability during challenging times.

"Banks were ready to finance us, but we preferred to stand on our own feet," Haque mentioned. "Our success wasn't just about profits; it was about doing things the right way."

He added that, from the beginning, Tropical Homes has maintained competitive pricing for its assets to ensure customer satisfaction.

"Now we construct around 350 to 400 apartments every year in different parts of Dhaka city," the managing director said.

According to him, the company has not received a single complaint regarding construction delays or disputes.

Looking ahead, Haque envisions even greater accomplishments.

"We want to build high-rise buildings that set architectural benchmarks in Bangladesh – buildings that rival the standards of cities like Singapore and Shanghai," he said.

He added that despite political instability, economic downturns and the Covid-19 pandemic, which tested the limits of many businesses, Tropical Homes has not only survived but thrived.

"We believe business is a form of service," Haque said. "If we remain honest and work for the welfare of the people, our journey will continue, and greater achievements lie ahead."

He said the future is filled with both challenges and opportunities, but if history has shown anything, it is that Tropical Homes will continue to build not just for today but for a better tomorrow.

Just 30 years ago, Haque started with only five staff members. Today, he looks after a team of more than 350, including engineers and architects.

"Now I am about ready to hand over the business to the next generation and expect them to continue with the values and honesty needed to sustain the business," he concluded.

Trump to impose new 25% tariff on US steel, aluminum imports

AFP, *Washington*

US President Donald Trump plans to impose 25-percent tariffs on steel and aluminum imports from Monday, prompting the threat of retaliation from Europe and a warning from China that there were no winners in a trade war.

Trump told reporters aboard Air Force One Sunday that the tariffs -- which he will announce later Monday -- will apply to "any steel coming into the United States," adding this will also affect aluminum.

Trump imposed similar tariffs during his 2017-2021 presidency to protect US industries, which he believed faced unfair competition from Asian and European countries.

While the European Commission said Monday it had not received any official notification of the tariffs, French foreign minister Jean-Noel Barrot said the European Union will counter in kind and "replicate" any imposed.

Employees work at a factory producing stainless steel materials in Qingzhou, in eastern China's Shandong province. PHOTO: AFP/FILE

"There is no hesitation when it comes to defending our interests," he said during an interview with broadcaster TF1.

"We will react to protect the interests of European businesses, workers and consumers from unjustified measures," the European Commission said in a statement.

Canada -- which Trump has already threatened with tariffs -- is the largest source of steel and aluminum imports to the United States, according to US trade data. Brazil, Mexico and South Korea are also major steel providers.

But around 25 percent of European steel exports go to the US, according to consultants Roland Berger, who warned in a recent note that "any tax from the United States would hurt the European sector".

On Sunday, Trump also said he would announce "reciprocal tariffs" to match his government's levies to the rates charged by other countries on US products.

MONETARY POLICY FOR JANUARY-JUNE

Meandering tricky lanes

ZAHID HUSSAIN

The monetary policy for the latter half of the current fiscal year maintains its established stance, with no significant alterations. This continuity was anticipated, as the policy decisions implemented since the change in leadership at the Bangladesh Bank (BB) last August required no major modifications.

BB anticipates a GDP growth rate between 4% to 5%, a prediction consistent with other experts. Additionally, BB has adopted a pragmatic approach to lowering inflation by approximately 200 to 300 basis points by the fiscal year's end. This objective is challenging but achievable, particularly if supply-side inflation pressures are mitigated. There are signs that inflation expectations are easing, as evidenced by long-term interest rates falling below short-term rates. It is certainly refreshing to see an official document that broadly reflects the realities on the ground.

A right stance on policy rate

The greatest obstacle plaguing the Bangladesh Bank has been the relentless high inflation. January's data painted a mixed picture: while headline inflation fell by 95 basis points from December, it came with a 6 basis point rise in non-food inflation.

The reduction in headline inflation was solely due to a 220 basis point drop in food inflation, largely driven by seasonal improvements in supply following the winter crop harvest.

It is important to clarify that the decline in food inflation does not equate to a drop in food prices. Rather, it signifies that food prices rose at a slower rate in January 2025 compared to January 2024 than they did in December.

On average, food prices in January were 1.27 percentage points lower than in December, but this decline was more gradual compared to the 2.89 percentage point drop from November.

As usual, the seasonal effects appear to be waning.

Given this context, maintaining a tight monetary policy is indeed justified, despite preferences from the business community for a more lenient approach. The BB cannot afford such a risk with inflation rates remaining unacceptably high. Nonfood prices have risen every month for the past three months, mirroring the trend from the previous year, indicating that inflation has become endemic.

The MPS rightly pointed out "monetary policy has remained excessively accommodative since 2020, as demonstrated by the consistently negative real policy rate. Furthermore, the implementation of a lending rate cap at 9% since April 2020, which remained in effect until May 2024, has undermined effective monetary policy operation in Bangladesh".

Adhering to a 10 percent policy rate for an extended period cannot be the sole strategy to mitigate inflation. Effective inflation management necessitates coordination with other economic policies, such as fiscal policy and market management.

The revised Tk 99,000 crore government borrowing from the banking system, down from the original Tk 137,500 crore, will help the implementation of monetary policy.

It will create space for expansion of private credit without exceeding the domestic credit growth target.

The MPS quotes a BB study in January 2025 which revealed that "proactive measures—such as robust monitoring and oversight of commodity stocks, timely imports before shortages occur, accurate and timely prediction of supply-demand gaps, and rationalization of import duties—could be pivotal in stabilising prices for staple items like rice, wheat, edible oil, potato, and onion".

These fall outside BB's jurisdiction. However, ensuring exchange rate stability without suffering a foreign exchange shortage is central to BB's responsibilities.

Enigmatic exchange rate policy

BB's exchange rate policy is enveloped in ambiguity. The Monetary Policy Statement (MPS) says "BB has been implementing a crawling peg exchange rate mechanism to enhance both flexibility and stability of the rate in the foreign exchange market".

On December 31, the BB issued a circular stating that "Authorised Dealers (ADs) are allowed to purchase and sell foreign currency from/to their customers and other dealers at freely negotiated rates". Interestingly, the MPS added "within the band" which the circular did not have.

The ambiguity is also evident from the exchange rate data posted on BB's website. Notably, the exchange rate page begins with the following statement: "Exchange rates of Taka for inter-bank and customer transactions are determined by the dealer banks, based on demand-supply interaction. Bangladesh Bank (BB) undertakes USD purchase or sale transactions with dealer banks at prevailing inter-bank exchange rates when needed to maintain orderly market conditions".

This may be their aspiration, but it is certainly not reflective of current market practices.

There is a strict ceiling of Tk 122 per USD, which, according to market insiders, is enforced through moral suasion by phone and inspection.

The central bank has adopted a pragmatic approach to lowering inflation by approximately 200 to 300 basis points by the fiscal year's end. PHOTO: STAR/FILE

BB itself utilises this rate for buy and sell transactions with the government and international organizations.

Since the new circular's issuance, the highest and lowest USD/BDT buying and selling rates have been fixed at Tk 122/USD. The exchange rates declared by banks hover around this number, making such a peg wholly inconsistent with the jure exchange rate policy articulated in the aforementioned circular.

It is evident that BB is gripped by a profound fear of allowing the exchange rate to float, apprehensive that it may depreciate continuously if left to free negotiation between dealers and their counterparts.

This depreciation is problematic as it would exacerbate inflation. However, it could indeed become a reality if dealers are hampered in their ability to intermediate foreign currencies due to the caps imposed by BB. The inability to offer rates in accordance with market competition undermines the LC market, thereby disrupting international trade.

Reality denied is stability delayed

Bangladesh cannot risk a shortage of gas, liquid fuel, and essential commodities given the fragile state of social order. With summer approaching, the largest single rice crop (boro) at an early stage of cultivation, upcoming festival demand, and less-than-ideal business conditions, the situation is precarious.

Non-transparent arm-twisting of the exchange rate will not prevent inflation from rising. Dealers who honestly report the rates they use may have to reduce their transactions or avoid foreign currency deals altogether.

Uninformed interferences in discovering market-clearing rates tend to exacerbate excess demand.

Concerns about market manipulation by large aggregators lack substantial evidence.

While it's true that some players in global forex markets have engaged in collusion to manipulate spot FX rates and key benchmarks, there is scant documentation to indicate that large exchange houses in Bangladesh are involved in such practices.

Even if we assume they are, two critical questions arise. Firstly, why have they targeted Bangladesh specifically, and not Nepal or Sri Lanka, for example? Secondly, how does the opaque implementation of rate caps resolve this issue?

Could it not potentially lead to a solution that's more detrimental than the problem itself?

Instead, market participants are more concerned about the disruptive measures taken by BB to control the forex market, which ultimately dries up supplies.

Foreign exchange trades, much like water, will always find a way to flow through various channels, each with its own set of consequences.

It appears we are not heeding the lessons of history. Globally, some studies indicate that interventions can mitigate exchange rate volatility and help stabilise currencies, while others suggest minimal or no effect.

There is also evidence that central bank interventions can exacerbate exchange rate issues. When market participants view interventions as indicators of underlying economic troubles, they tend to speculate, hence fueling volatility wherever it can manifest, much like water finding its way.

A risk we can avert

The severe unintended consequences of rate cap induced volatilities often go unnoticed, except in remittances and pressure on banks' net open positions.

They encourage cat-and-mouse games between market participants and the BB.

Balancing surveillance with market freedom is tricky. Past well-meaning interventions led to negative outcomes, where foreign exchange shortages replaced depreciation as a persistent inflation driver.

A divergence between de jure (official) and de facto (actual) monetary policy is detrimental.

The inconsistency between stated and practiced policies undermines the central bank's credibility, causing market uncertainty and a loss of investor confidence.

Markets react to this divergence with heightened volatility, as investors and traders anticipate future policy moves.

If participants believe BB will not follow its stated policy, it invites speculative attacks on the currency, misaligned exchange rates, and distorted economic signals. Consistency and transparency in policies are crucial to avoid these issues.

The writer is former lead economist of the World Bank's Dhaka office.