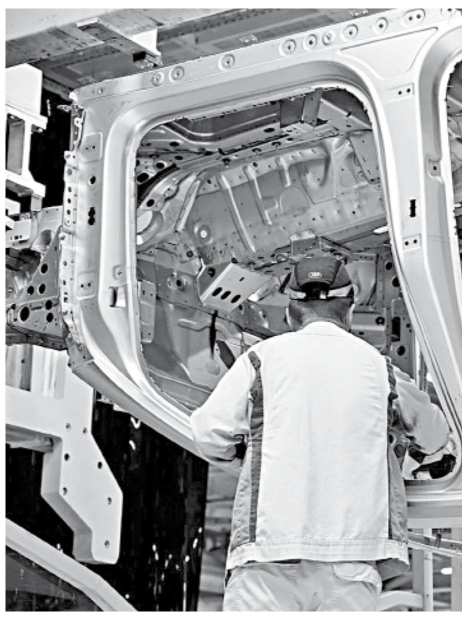
Auto industry set to put brakes on central Europe's Covid-19 recovery

Reuters, *Budapest*



The auto industry, long a driver of economic growth in central Europe, is likely to be one of the main drags on the region's efforts this year to recover from the impact of COVID-19.

After communist rule ended in central Europe three decades ago, foreign carmakers invested heavily in a region that had a cheap and efficient workforce. The auto sector became an important source of foreign investment, employment and growth. But with car production hit by factories idling during coronavirus lockdowns, and many still not back at full throttle, the industry is expected to be worse hit by COVID-19 than many others in central Europe.

That is bad news for the Czech Republic, Hungary and Slovakia, which are particularly reliant on the auto industry.

"Proportionally this sector is expected to suffer the biggest drop in the manufacturing sector in the region. This is where the recovery will be the slowest so it could be one of the main drags on GDP," said Peter Virovacz, an economist at ING in Budapest.

Writing to other European Union states and EU institutions in April, the heads of the Czech, Polish, Hungarian and Slovak auto industry associations said their four countries employed 1.3 million people directly or indirectly in the auto sector and accounted for nearly a fifth of EU vehicle production.

The sector generates 4-6 per cent of Hungary's gross domestic product and a tenth of the Czech Republic's GDP. In Slovakia, it accounts for 13 per cent of GDP and half of industrial production.

But some car producers in central Europe expect output to drop 20-25 per cent this year, reflecting a global production slump, and GDP is likely to be dented.

The EU executive, the European Commission, has forecast a 7.0 per cent decline in GDP this year in Hungary, a 7.8 per cent fall in the Czech Republic and a 9.0 per cent drop in Slovakia. Poland's GDP, which is less dependent on the auto sector, was seen declining 4.6 per cent.

Carmakers have largely avoided mass layoffs in the region and are bringing back staff, gradually increasing the number of shifts - and output - while observing social distancing rules.

Germany's Daimler said its Hungarian plant was working in two shifts and would reintroduce a third from the first week of August. Kia Motors Slovakia, part of South Korea's Kia Motors Co., is aiming to reintroduce a third shift from September.

"In the second half of 2020, we hope for more orders and an improvement in the situation on the automotive market so we can fully use production capacity," a company spokesman said. Kia's Slovak production dropped 27 per cent in the first half of the year. Groupe PSA Slovakia, owned by Peugeot maker PSA, has said it has enough orders until the autumn.

In Hungary, Suzuki expects a 20 per cent drop in output this year compared to its original forecast. It returned to two shifts in mid-July. The Czech Automotive Industry Association forecasts car production in the country to drop by a fifth in 2020, and auto sector revenue to fall by at least 215 billion crowns ($9.6 billion).

In their April letter, the four national auto industry associations asked the EU for the swift re-establishment of supply chains, financial support and a review of regulatory requirements. Peter Erdelyi, chairman of the Hungarian Car Importers' Association, said there had been no response yet.

A European Commission spokesperson told Reuters by email that any regulatory flexibility should not involve a delay or rollback of EU environmental ambitions.

"Strict environmental legislation is the best way to promote competitiveness and innovation," the spokesperson said.

Thousands of component suppliers, employing tens of thousands in central Europe, have also been hit hard.

Koyo Bearings Czech Republic, part of Japan's JTEKT Corporation, is running at 70 per cent of levels before the pandemic.

"We expect demand will continue to gradually grow," Koyo's director, Petr Novak, said. "But we will not reach the levels of the pre-pandemic situation until maybe the middle of 2021. This is our best, optimistic scenario." Novak said Europe, which accounts for 80 per cent of the factory's sales, was not recovering as quickly as hoped and there were concerns about a second coronavirus wave.

European oil major trading units provide buffer in rough Q2

Reuters, *London*

The trading units of European oil and gas majors have shielded their second-quarter results from the full force of the corona-induced collapse in demand for fuel, but big writedowns showed the scale of the challenge ahead, results showed on Thursday.

France's Total and Anglo-Dutch Royal Dutch Shell scraped out small profits against expectations of losses with the help of the trading units which can exploit market gyrations even when prices fall.

"These results are driven in particular by the outperformance of trading activities, once again demonstrating the relevance of Total's integrated model," Total Chief Executive Patrick Pouyanne said in a statement.

Earnings of $1.5 billion at Shell's trading unit in the quarter was about 30 times higher than a year ago. This mirrored Equinor's results last week, where trading helped the Norwegian company avoid an operating loss.

Oil prices plunged below $16 a barrel in April from above $60 at the start of the year, as daily global crude consumption plunged by as much as a third. Prices have regained some ground since then to trade above $40.

Eni's refining and marketing unit's second-quarter profit shot up by 76% to $139 million compared with a year ago, although the company overall still swung to a loss, it said on Thursday.

But trading earnings have not protected the companies from the gloomier longer term prospects for demand. The pandemic has prompted energy firms to slash long-term crude price outlooks, cutting the value of their assets.

France's Total wrote down $8 billion in the quarter, while Shell cut the value of its assets by $16.8 billion. Eni wrote down 3.5 billion euros ($4.1 billion) and BP, due to report second-quarter results on Aug. 4, has guided for a $17.5 billion hit.

Shell responded to the pandemic by cutting its dividend for the first time since World War Two and lowering planned spending this year by $5 billion to a maximum of $20 billion.

New stores open doors defying pandemic

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"We are receiving an overwhelming response from the people of Dhaka pandemic. We had not expected the response to be this great," Munzarin Zaman, managing director of Yoyoso Bangladesh, told The Daily Star yesterday.

The shop caters to all age groups with products such as toys, digital accessories, cosmetics, skincare, haircare, stationeries, homeware, plates, cutleries, cups, glasses, flasks, trendy handbags, shoulder bags, flip flops, seasonal merchandise and fashion jewellery. All the products in the shop came from Yoyoso's headquarters in Seoul.

At a time when people were shedding jobs and salaries, Yoyoso Bangladesh employed 20 people and provided them with full salary and Eid bonus.

"Currently, we have one store. We plan to open 10 more stores in coming years depending on the economic recovery," said Zaman, also a director of Fakir Apparels and Fakir Group.

To cater to online customers, Yoyoso Bangladesh penned a deal with a logistics company to provide home delivery.

"Although we encourage customers to avail the online service, many customers are coming to the store."

The brand maintains a strict hygiene measure and frequently disinfects the surfaces of the 2,000-square-feet store.

On the ground floor of the building that houses Yoyoso is Roar.

"I have a dream to take this Bangladeshi brand to global consumers," Mahir Haroon, Roar's founder and chief executive officer of the brand, told The Daily Star.

According to the entrepreneur, big brands sell apparel items that are made in Bangladesh. But these clothes can be sold at a price that is several times lower than what the famous brands charge.

"So, I want to sell the best quality clothing items at a convenient price."

Customer can buy men's, women's and kids knitwear and woven and denim items such as T-shirts, pants, jeans, shorts, loungewear and athleisure from the outlet.

"We will be adding more lifestyle items in the near future."

Haroon had to struggle a lot to open the store during the pandemic.

"It was supposed to open a few months ago. But a lot has changed because of the virus. But I had to pay rent every month."

But when he saw major retail brands opened stores in the country, he decided to go ahead ensuring all the hygiene and social distancing measures.

"We still encourage home delivery and I am happy to provide jobs to several people during this tough time."

Samsung Electronics defies pandemic with profit rise

AFP, *Seoul*

South Korean tech giant Samsung Electronics defied the coronavirus to report higher net profits in the second quarter Thursday, with strong demand for memory chips overcoming the pandemic's impact on smartphone sales.

Long known as the world's biggest smartphone and memory chip maker, it said net profits rose 7.3 percent to 5.56 trillion won ($4.66 billion) in the April-to-June period.

The firm is the flagship subsidiary of the giant Samsung Group, by far the biggest of the family-controlled conglomerates that dominate business in the world's 12th largest economy, and it is crucial to the South's economic health.

The figures -- which beat expectations according to Bloomberg News -- come as the coronavirus pandemic wreaks havoc across the world economy, and with the trade-dependent South having entered a recession for the first time in 17 years due to plunging exports.

But lockdowns imposed around the world -- especially in Europe and the US -- have boosted Samsung Electronics' chip business with data centres moving to stockpile DRAM chips to meet surging demand for online activities. "Even as the spread of COVID-19 caused closures and slowdowns at stores and production sites around the world, the company responded to challenges through its extensive global supply chain," the firm said in a statement.

It also minimised the impact of the pandemic by "strengthening online sales channels and optimising costs," it added.

Operating profit rose 23.48 percent to 8.15 trillion won, it said, even as sales dropped 5.6 percent to 52.97 trillion won.

The overall turnover of the wider Samsung group is equivalent to a fifth of South Korea's gross domestic product. Analysts said they expect Samsung Electronics' memory chips and television businesses to improve.

Diplomatic and military tensions between India and China could also play in Samsung's favour, analysts said, if Indian consumers choose to shun Chinese brands and opt for Samsung devices instead.

"The growth is likely to drive by memory chips and displays as both of these products are in high demand due to heavy content consumption during the lockdown," Prachir Singh, a senior analyst at market observer Counterpoint, told AFP.

"India is showing a pent-up demand as the country recovers in the post-lockdown period. There is certainly an anti-China sentiment in the minds of Indian consumers. Samsung is surely benefiting from this."

Samsung has long been considered the world's biggest smartphone maker, but industry tracker Canalys said Thursday it had been overtaken in the second quarter by Chinese rival Huawei, on the back of strong domestic demand in the world's second-largest economy.

No surprises as banks' profits plummet in the second quarter

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Stock market investment yielded nothing in the last quarter due to the shutdown of trading in the bourses during March 28 to May 30, said a top official of another listed bank, asking not to be named.

Following the resumption of stock trading, the benchmark index of the DSE nosedived about 1 per cent to reach 3,989 points at the end of the quarter.

"The interest rate ceiling and the pandemic will create big challenges for the banking sector in the upcoming days and their profits will be badly impacted," the banker said.

Now small banks will bear the brunt as they will face problems in attracting new deposits.

"The next year would be the most challenging year for the banking sector as the real effects of the pandemic will come to notice then."

Economy in a limbo

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Referring to the SANEM's ongoing survey among 300 factories, including 50 garment industries, he said businesses expected a better situation in the July-September quarter compared with the April-June quarter.

"I think businesses are very cautious. They are not too much optimistic but there is progress."

Asif Iqbal, a deputy managing director at Meghna Group of Industries, said except essentials, consumption of all products declined.

"It is clear that people are buying less. Disposable income is still a big challenge. People are spending less and saving more," he added.

From the perspective of sales, the recovery is far from normal, said Rupali Haque Chowdhury, president of the Foreign Investors' Chamber of Commerce & Industry.

"Good thing is economic activities are increasing gradually and consumers are coming to shops. We expect consumers are coming out following health guidelines. We may be able to recover fast if health guidelines are followed properly."

Bangladesh trails behind 14 low, middle income countries in internet usage gender gap

FROM PAGE B4

The GSMA report also identified literacy and skills as the top barriers causing markets like Bangladesh to lag, saying that a huge part of the population does not know how to use a mobile phone and faced difficulties in reading or writing.

"Digital literacy is also another reason for this connection. Due to the lack of proper content and digital knowledge, a significant portion of women does not use the internet in their smartphones."

A coordinated effort by all the stakeholders like the government, regulator and mobile carriers can help improve this situation, Alam added.

On the internet usage issue, a huge number of people also do not find anything of relevance as there is a big crisis of relevant content for countries like Bangladesh.

The GSMA also pointed out a lack of family approval as a major impediment for women in several markets like Bangladesh, Pakistan and Algeria.

The study also found that 73 per cent of smartphone owners in Bangladesh use mobile internet, where again males dominated very strongly.

In Bangladesh, 83 per cent of male smartphone owners purchased their own devices compared with only 49 per cent of the women. Still, 5 per cent of the men and 4 per cent of the women have the intention to purchase a smartphone.

Though women are lagging in usage, the gap is very narrow when it comes to awareness.

Some 73 per cent of men had awareness of the internet in Bangladesh at the end of 2019 compared with 71 per cent of the women. It was 50 per cent and 34 per cent respectively only two years ago.

The report also found promising evidence of the widest gender gaps starting to close in different regions as mobile ownership and usage provides life-changing benefits to women, their families, communities and the economy.

It also pointed out that handset affordability remains the primary barrier to mobile phone ownership for men and women.

Among mobile phone owners, women on an average use a smaller range of services in all 15 countries surveyed.

Consumption of video content on mobile phones is growing remarkably quickly for both men and women, increasing by more than 50 per cent in two-and-a-half years in half of the countries surveyed.

Most garment workers got full bonus and salary

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One of the reasons there were no demonstrations were two departments under the ministry took timely measures to resolve any crisis, said KM Abdus Salam, secretary to the labour and employment ministry, in a press release yesterday.

As many as 23 regional bodies of a national crisis management committee worked together to monitor the progress of the payment to workers ahead of Eid-ul-Azha.

Begum Monnujan Sufian, state minister for labour and employment, expressed satisfaction over the payment of bonus and salary by the factory managements, the statement added.

Only a few factories in the industrial zones in Gazipur and Chattogram were yet to pay their workers, said Shibbath Roy, inspector general of the Department of Inspection for Factories and Establishments.

"Our deputy inspector generals are working at the field level and I am hopeful that by the evening they will also complete the payment as our officers are negotiating with the management of those factories," Roy said in the ministry statement.

Last week, union leaders and factory owners decided that the payment of bonus to workers of 42 different sectors be made by 27 July and 50 per cent of the salary of the currently month on 30 July.

In the meeting, government officials, union leaders and factory management representatives reached consensus that the Eid-ul-Azha holiday would be for three days and the workers have been requested to stay put near their places of work to avert the spread of the coronavirus.

Meanwhile, 3,575 out of 7,602 units in industrial, manufacturing and services sectors paid salaries to workers as of yesterday, according to a source in industrial police.

Not a frenzied day for banks before they broke for Eid holidays

FROM PAGE B4

This is because people are not leaving the city in droves owing to the not-too-long Eid holiday and discouragement from the government.

Many people don't have much income because of the pandemic, Rahman said.

Branches of Rupali Bank came under fund withdrawal pressure as people withdrew salaries ahead of the festival, said Md Obayed Ullah Al Masud, managing director of the state-run lender.

The state-run bank lent Tk 34 crore to three customers to help them buy skins of the animals to be sacrificed.

A senior banker of Pubali Banks's branch in Patiya, Chattogram said the presence of customers coming to pull out funds for spending on buying sacrificial animals was much lower in the last two days compared with those in the previous years.

"This is a clear sign that people are financially under pressure. The flow of remittance has not been strong as many remitters returned home after losing jobs."

The branch normally took about Tk 1 crore from the feeding branch of the bank in the run-up to Eid in the past to meet additional demand for cash.

The opposite happened this time. The branch supplied about Tk 1 crore to the feeding branch and ATM booths in the last few days, he added.

An official of South Bangla Agriculture Bank's Abdullahpur branch in Dhaka said there was no rush for fund withdrawal yesterday.

The withdrawal took place much before yesterday. People have also withdrawn funds from ATM booths to avoid the crowd in brick-and-mortar branches, he said.

For example, the branch injected Tk 20 lakh on Sunday into its ATM booth and yesterday it had to reload as the funds ran out. The call money market was stable despite the uptick in fund withdrawal because there is ample supply of liquidity in the market, according to both Ali and Rahman.

On Wednesday, Tk 8,355.68 crore was transacted on the call money market, down from Tk 9,039.61 crore a week earlier and Tk 9,166.72 crore on Tuesday, Bangladesh Bank data showed.

The pressure in the call money market is largely non-existent nowadays and this has been the case for the last several years.

This is in sharp contrast to the past when call money rate would go up to 50 per cent as people rushed to banks in the last moment to get funds. On Wednesday, the weighted average call money rate was 4.96 per cent, BB data showed.

Meanwhile, some branch-level bankers have criticised the BB order to keep open branches near animal markets because traders don't deposit funds usually. Bank Asia would keep six branches open today.

Mutual Trust Bank would keep open its branches in industrial belts as well as those located near animal markets today.